ORIGINAL E-002-14

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED
JAN 22 2014
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name: Foster G. McGaw Hospital – Loyola University Medical Center
Address: 2160 South 1st Avenue
City: Maywood Zip Code: 60153 County: Cook
Name of current licensed entity for the facility: Loyola University Medical Center
Does the current licensee: own this facility Yes OR lease this facility _____(if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
__X__ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. Kimberly A. Lightford
State Senate District Number: 4 Mailing address of the State Senator: 10001 West Roosevelt Road, Suite 202 Westchester, Illinois 60154
Illinois State Representative for the district where the facility is located: Rep. Emanuel Chris Welch
State Representative District Number: 7 Mailing address of the State Representative: 10055 West Roosevelt Road, Suite E, Westchester, Illinois 60154

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☒. If yes, refer to Section 1130.520(f), and indicate the projects by Project #: _____

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant: Trinity Health Corporation
Address: 20555 Victor Parkway
City, State & Zip Code: Livonia, Michigan 48152-7018
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
__X__ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed: The license will continue to be held by Loyola University Medical Center as the proposed transaction involves a consolidation of the parent entity.
Address: 2160 South 1st Avenue, Maywood, Illinois 60153
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
__X___ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

5. **BUILDING/SITE OWNERSHIP.** NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY
Exact Legal Name of Entity That Will Own the Site: The building(s) will continue to be owned by Loyola University Medical Center as the proposed transaction involves a consolidation of the parent entity.
Address: 2160 South 1st Avenue, Maywood, Illinois 60153
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
__X___ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
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5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant: CHE Trinity Inc.
Address: 20555 Victor Parkway
City, State & Zip Code: Livonia, Michigan 48152-7018
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
__X__ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

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__X___ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

6.TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:

- o Purchase resulting in the issuance of a license to an entity different from current licensee;
- o Lease resulting in the issuance of a license to an entity different from current licensee;
- o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
- o Stock transfer resulting in no change from current licensee;
- o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
- o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
- o Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
- o Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
- o Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
- o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
- ✓ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

9. **ANTICIPATED ACQUISITION PRICE:** $0 (See Explanatory Note 9 for additional information)

10. **FAIR MARKET VALUE OF THE FACILITY:** $361,000,000 (See Explanatory Note 10 for additional information) (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** July 1, 2014

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3**.

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4**.

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5**.

15. **FINANCIAL STATEMENTS.** (co-applicants must also provide this information). Provide a copy of the applicants latest audited financial statements, and append it to this application as **ATTACHMENT #6**. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ___, and indicate the date the entity was formed _____.

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Edward J. Green, Esq., Foley & Lardner LLP
Address: 321 North Clark Street, Suite 2800
City, State & Zip Code: Chicago, Illinois 60654
Telephone: 312-832-4375

17a. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: J. Mark Waxman, Esq., Foley & Lardner LLP
Address: 111 Huntington Avenue, Suite 2600
City, State & Zip Code: Boston, Massachusetts 02199
Telephone: 617-342-4055

17b. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Paul Neumann, Esq., Senior Vice President & General Counsel, Trinity Health Corporation
Address: 20555 Victor Parkway
City, State & Zip Code: Livonia, Michigan 48152-7018
Telephone: 248-489-6214

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer: _____

Typed or Printed Name of Authorized Officer: Richard Gilfillan

Title of Authorized Officer: President & CEO, Trinity Health Corporation

Address: 20555 Victor Parkway

City, State & Zip Code: Livonia, Michigan 48152-7018

Telephone: (734) 343-1396 Date: 01/08/2014

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

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Address: 321 North Clark Street, Suite 2800
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City, State & Zip Code: Boston, Massachusetts 02199
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Signature of Authorized Officer: _____

Typed or Printed Name of Authorized Officer: Richard Gilfillan

Title of Authorized Officer: President & CEO, CHE Trinity Inc.

Address: 20555 Victor Parkway

City, State & Zip Code: Livonia, Michigan 48152-7018

Telephone: (734) 343-1396 Date: 01/08/2014

NOTE: complete a separate signature page for each co-applicant and insert following this page.

Attachment 1
Application Fee

A check in the sum of Two Thousand, Five Hundred Dollars ($2,500) and payable to the Illinois Department of Public Health is attached at Attachment 1.

Attachment 2
Funding

There is no purchase price associated with the Transaction (as described and defined in Attachment 3).

Attachment 3
Narrative Description

CHE Trinity Inc. ("CHE Trinity") and Trinity Health Corporation ("Trinity") hereby seek a Certificate of Exemption ("COE") from the Illinois Health Facilities & Services Review Board (the "Board") to allow consummation of a proposed merger (the "Transaction"), whereby CHE Trinity, the sole corporate member of Trinity, and Catholic Health East ("CHE") will merge with and into Trinity, with Trinity resulting as the surviving corporation.

The Transaction is the second and final phase of a two phased transaction which was previously approved by the Board on May 15, 2013 by Exemption Numbers 011-13, 012-13, 013-13, 014-13 and 015-13. In the initial phase of the transaction, CHE and Trinity began the process of consolidating and CHE Trinity became the sole corporate member of Trinity and CHE. The Transaction described herein is the second step to the transaction, which was contemplated in the prior COE Applications and is described in more detail below.

Under the terms of the Transaction, CHE Trinity, Trinity and CHE will merge together and consolidate into Trinity and will establish a structure to address the rapidly changing health care environment that requires more focus on population health and the delivery of more coordinated and integrated care and health and wellness services. The Transaction will be the final step in the creation of a health system that serves people in 20 states from coast to coast with 86 hospitals, 13 PACE programs, 44 home care agencies operating in 160 counties, and 52 other continuing care communities.

In addition, there will be no purchase or sale of the assets and no funds will be exchanged pursuant to the Transaction. Trinity will preserve its charitable and Catholic identity and will continue to be subject to the Ethical and Religious Directives for Catholic Health Care Services.

As this Transaction is merely the consolidation of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on their downstream entities. Notably, the downstream entities will continue, as of the effective date of the Transaction, to (i) maintain their own existing licenses, provider numbers and accreditations; (ii) furnish the services they are currently furnishing; and (iii) operate as organizations currently exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Moreover, none of the tax identification numbers will change for any of the downstream entities. Further, the downstream entities currently licensed by the State of Illinois will remain the licensed entities with no change in facility name or location. Again, there will be no purchase or sale of the assets and no funds will be exchanged, in any regard, pursuant to the Transaction.

In terms of the Transaction's specific connection to Illinois, Trinity is currently the sole corporate member of Loyola University Health System ("LUHS") and Mercy Health System of Chicago ("Mercy System").

LUHS owns and operates (either directly or through its affiliates) the following Illinois licensed facilities:

(1) Foster G. McGaw Hospital - Loyola University Medical Center ("LUMC"), a 569 bed general acute care hospital located in Maywood, Illinois;

(2) Gottlieb Memorial Hospital ("Gottlieb"), a 264 bed general acute care hospital located in Melrose Park, Illinois;

(3) Loyola University Medical Center Outpatient Dialysis Center (the "LUMC Dialysis Center"), a provider based, 31 station end stage renal disease facility located in Maywood, Illinois; and

(4) Loyola University Medical Center Ambulatory Surgery Center (the "LUMC Surgery Center"), a provider based, 8 operating room ambulatory surgery center located in Maywood, Illinois.

LUMC, Gottlieb, LUMC Dialysis Center, and LUMC Surgery Center are collectively referred to herein as the "LUHS Illinois Licensed Facilities."

Mercy System owns and operates (either directly or through its affiliates) the following Illinois licensed facility:

(1) Mercy Hospital & Medical Center ("Mercy Hospital"), a 449 bed general acute care hospital located in Chicago, Illinois.

The LUHS Illinois Licensed Facilities and Mercy Hospital are collectively referred to herein as the "Trinity Illinois Licensed Facilities."

Separate COE Applications have been simultaneously filed for each of the Trinity Illinois Licensed Facilities.

CHE does not currently own or operate any Illinois licensed facilities; nor will CHE own or operate any Illinois licensed facilities as a result of the Transaction.

Because the Transaction will result in a merger of three entities that own or control an Illinois licensed facility (as well as its physical plant and capital assets), the Transaction constitutes a change of ownership under Section 1130.140 of the Board's rules. The Transaction is set to close on or about July 1, 2014, subject to regulatory approvals.

Attachment 4
Background of Applicants

The following documents are attached at Attachment 4:

1. Certificate of Good Standing for Trinity Health Corporation (issued by the Indiana Secretary of State).

2. Certificate of Good Standing for Trinity Health Corporation (issued by the Illinois Secretary of State).

3. Certificate of Good Standing for CHE Trinity Inc. (issued by the Indiana Secretary of State).

4. Certificate of Good Standing for CHE Trinity Inc. (issued by the Illinois Secretary of State).

5. Organizational charts for Loyola University Health System and Mercy Health System of Chicago prior to and following the Transaction.

6. Biographical information on the senior executive team at CHE Trinity, Inc., Trinity Health Corporation, and Catholic Health East (which was originally set forth in Appendix A to that certain Official Statement for certain bonds that were offered on October 18, 2013). Please note that Dr. Richard J. Gilfillan has replaced Judith Persichilli as President and CEO of CHE Trinity, Inc., Trinity Health Corporation and Catholic Health East.

STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
CERTIFICATE OF EXISTENCE

To Whom These Presents Come, Greetings:

I, Connie Lawson, Secretary of State of Indiana, do hereby certify that I am, by virtue of the laws of the State of Indiana, the custodian of the corporate records, and proper official to execute this certificate.

I further certify that records of this office disclose that

TRINITY HEALTH CORPORATION

duly filed the requisite documents to commence business activities under the laws of State of Indiana on November 10, 1978, and was in existence or authorized to transact business in the State of Indiana on January 08, 2014.

I further certify this Non-Profit Domestic Corporation has filed its most recent report required by Indiana law with the Secretary of State, or is not yet required to file such report, and that no notice of withdrawal, dissolution or expiration has been filed or taken place.

In Witness Whereof, I have hereunto set my hand and affixed the seal of the State of Indiana, at the city of Indianapolis, this Eighth Day of January, 2014.

Connie Lawson

Connie Lawson, Secretary of State

197811-279 / 2014010881148

ATTACHMENT 4

File Number 6775-210-4

To all to whom these Presents Shall Come, Greeting:

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

TRINITY HEALTH CORPORATION, INCORPORATED IN INDIANA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON MARCH 02, 2011, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 1402100914

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* 21ST *day of* JANUARY *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
CERTIFICATE OF EXISTENCE

To Whom These Presents Come, Greetings:

I, Connie Lawson, Secretary of State of Indiana, do hereby certify that I am, by virtue of the laws of the State of Indiana, the custodian of the corporate records, and proper official to execute this certificate.

I further certify that records of this office disclose that

CHE TRINITY INC.

duly filed the requisite documents to commence business activities under the laws of State of Indiana on January 17, 2013, and was in existence or authorized to transact business in the State of Indiana on January 08, 2014.

I further certify this Non-Profit Domestic Corporation has filed its most recent report required by Indiana law with the Secretary of State, or is not yet required to file such report, and that no notice of withdrawal, dissolution or expiration has been filed or taken place.

In Witness Whereof, I have hereunto set my hand and affixed the seal of the State of Indiana, at the city of Indianapolis, this Eighth Day of January, 2014.

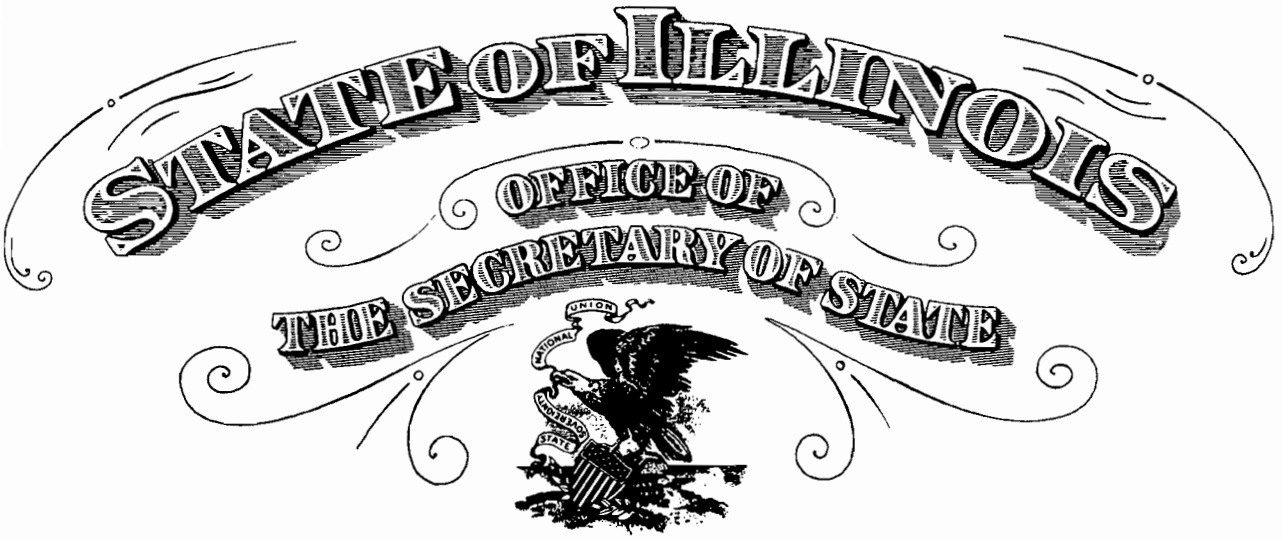
Connie Lawson

Connie Lawson, Secretary of State

2013011800116 / 2014010881152

ATTACHMENT 4

File Number 6877-834-4



To all to whom these Presents Shall Come, Greeting:

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

CHE TRINITY INC., INCORPORATED IN INDIANA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON MARCH 12, 2013, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 1402100932

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

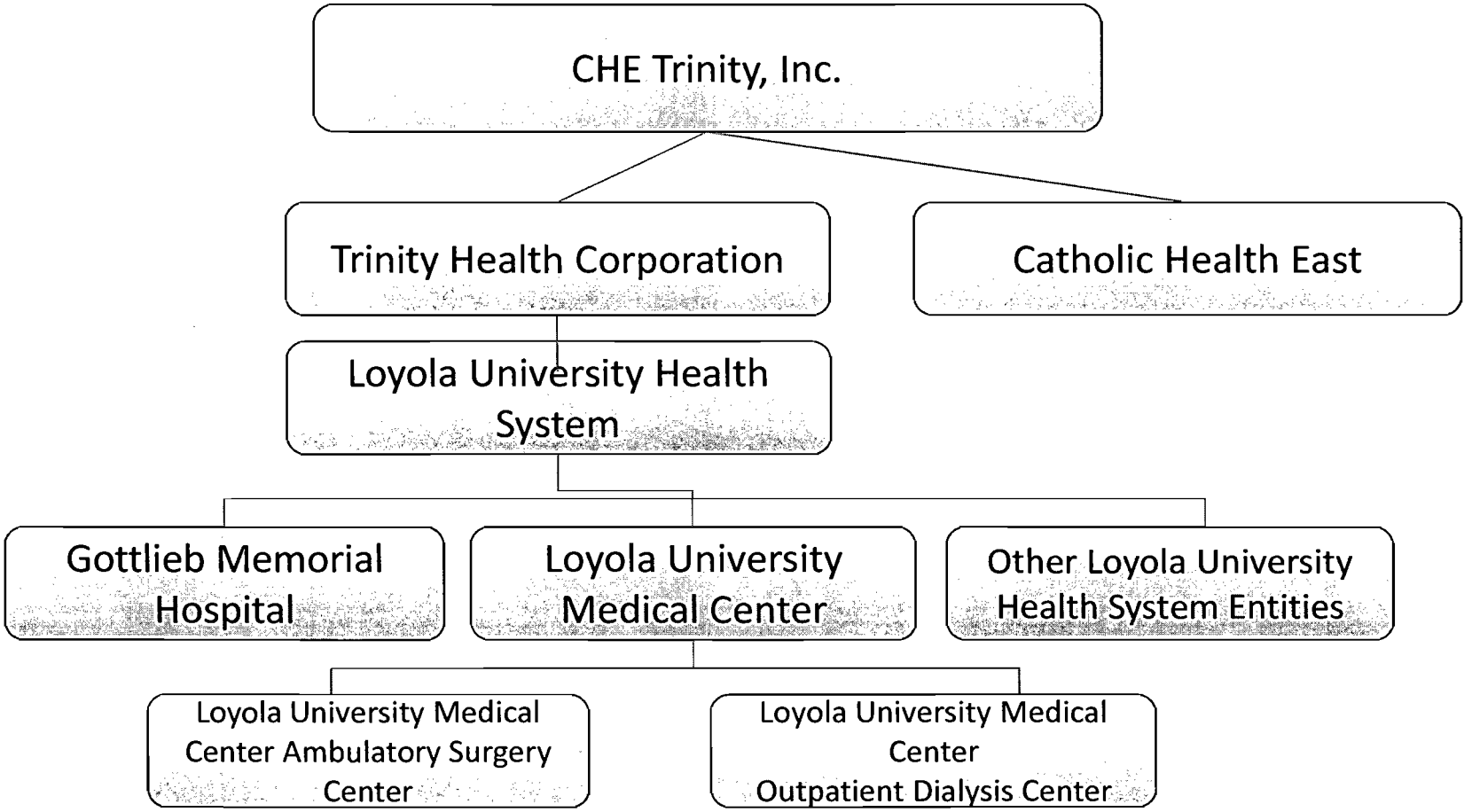
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 21ST *day of* JANUARY *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

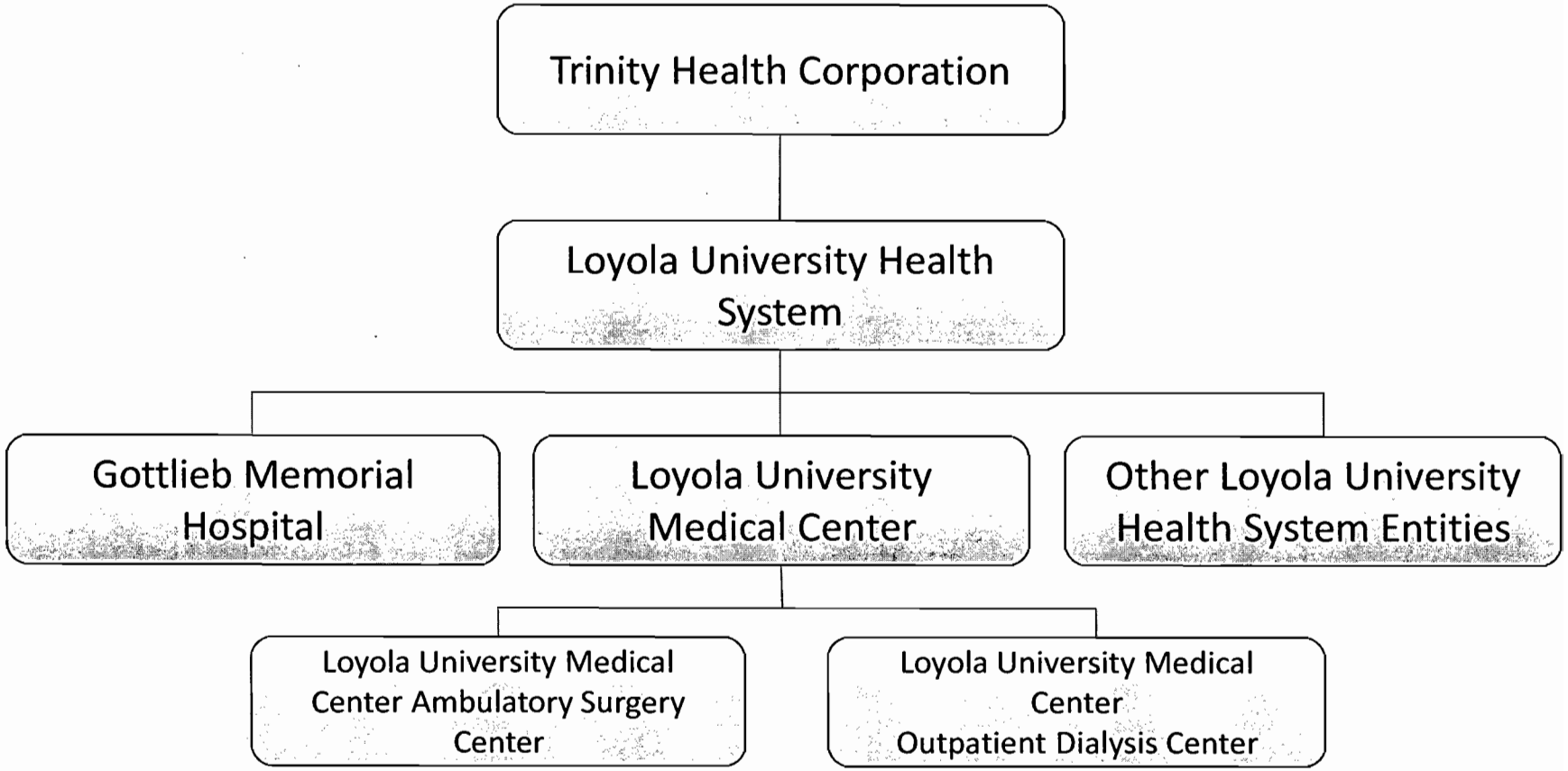
ATTACHMENT
4

Current Corporate Structure (Loyola University Health System)



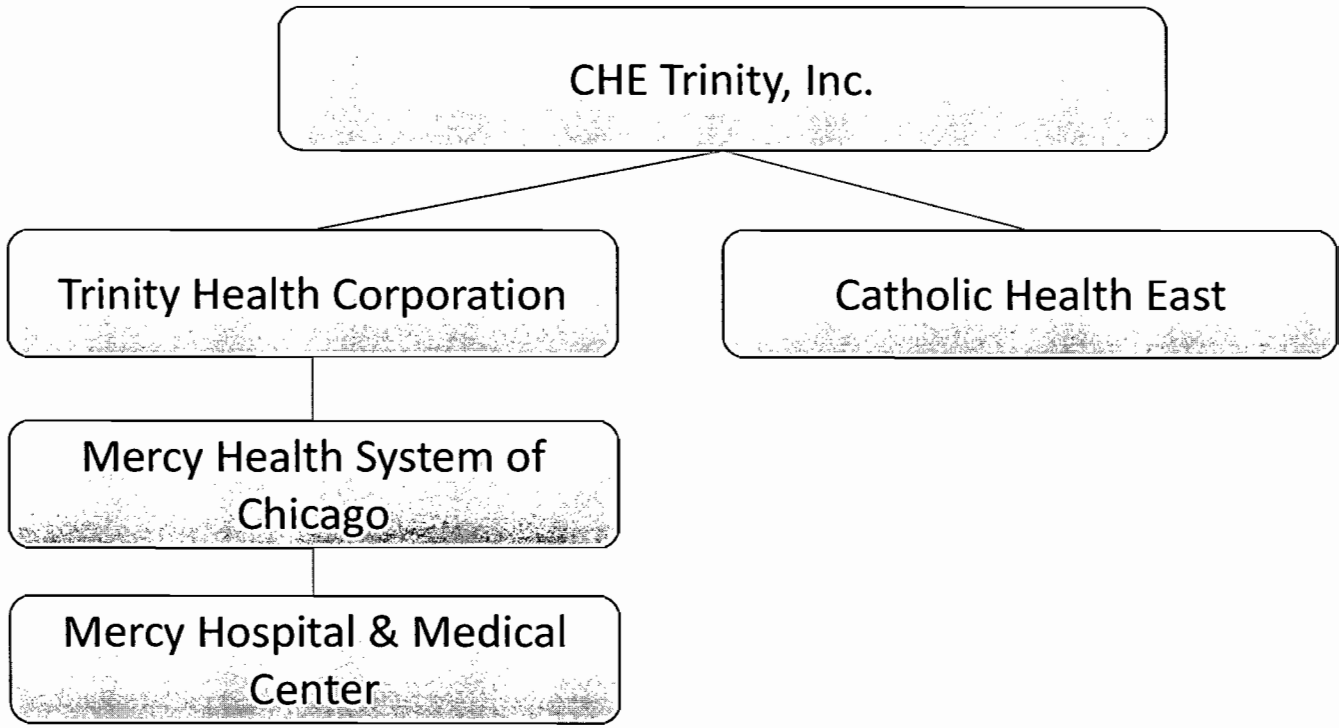
ATTACHMENT 4

Corporate Structure After Transaction (Loyola University Health System)



ATTACHMENT 4

Current Corporate Structure (Mercy Health System of Chicago)



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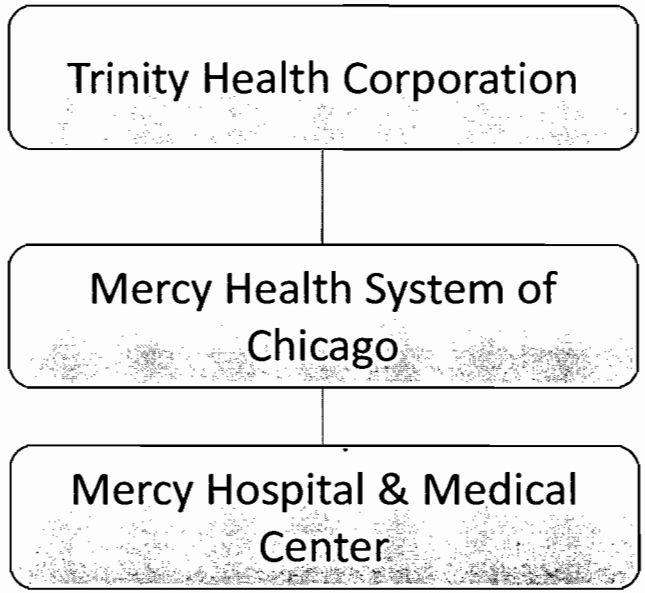
Corporate Structure After Transaction (Mercy Health System of Chicago)



ATTACHMENT 4

GOVERNANCE AND MANAGEMENT

Governance

The Corporation's bylaws provide that the Board of Directors are the same individuals who are members of CHM. CHM's bylaws provide that the members will be not fewer than nine nor more than 15. The President and Chief Executive Officer of the Corporation serves *ex-officio*, with a vote, on both the Corporation's Board of Directors and as a member of CHM. Directors not serving *ex-officio* are appointed for three-year terms, with total service not to exceed ten consecutive years, coterminous with their membership on CHM. The bylaws of both CHE and Trinity Health provide that the individuals who serve on the Board of Directors of the Corporation also serve on the Boards of Directors of CHE and Trinity Health.

The following powers and responsibilities are reserved to CHM from the Corporation: (i) ratification of adoption and amendment of the Articles of Incorporation; (ii) ratification of adoption and approval of the bylaws and any amendments, modifications or restatements thereto; (iii) adoption and approval of the Mission and Core Values of the Corporation and the Founding Principles of CHM and any changes thereto, and approve matters that affect the Catholic identity of the Corporation; (iv) approval of the sale, lease, mortgage, transfer, easement or encumbrance of any property of the Corporation, the alienation of which would require approval under the Canon Law of the Roman Catholic Church; (v) approval of any merger, consolidation, acquisition, liquidation or dissolution of the Corporation, or the sale of all or substantially all of the assets of the Corporation; (vi) ratification of the

appointment and removal of the President of the Corporation; and (vii) ratification of the election of the Chair of the Board of Directors of the Corporation.

The current members of the Corporation's Board of Directors are set forth below.

Name	Occupation	Term Expires December 31,
Judith Persichilli	Interim President and CEO, CHE Trinity Inc.	*Ex officio*
Kevin Barnett, Dr. P.H, M.P.H., M.C.P.	Senior Investigator, Public Health Institute, Oakland, California	2016
James D. Bentley, Ph.D.	Former Senior Vice President, Strategic Policy Planning, American Hospital Association, Silver Spring, Maryland	2015
Joseph Betancourt, M.D.,	Director, The Disparities Solutions Center at Massachusetts General Hospital and Senior Scientist, Mongan Institute for Health Policy	2014
Suzanne Brennan, CSC	Executive Director, Holy Cross Ministries, Salt Lake City, Utah	2014
Melanie Dreher, Ph.D., R.N.	Dean, College of Nursing Rush University, Chicago, Illinois	2013[1]
Mary Catherine Karl, C.P.A.	Principal Surgical Safety Institute, Tampa, Florida	2013
Mary Mollison, CSA	Vice President of Ministry and Spirituality, Agnesian Health Care, Fond du Lac, Wisconsin	2013
George M. Phillip, Esq.	President Emeritus, University at Albany, State University of New York, Albany, New York	2014
Kathleen Popko, SP	President, Sisters of Providence, Holyoke, Massachusetts	2015
David N. Southwell	Retired CFO, Wellmark Blue Cross and Blue Shield, Iowa	2016
Stanley T. Urban	Chair, Hope Ministries, Newtown Square, Pennsylvania	2015
Roberta Waite, Ed. D.	Associate Professor of Nursing and Assistant Dean of Faculty Integration and Evaluation of Community Programs, Drexel University, Philadelphia, Pennsylvania	2015
Linda Werthman, RSM	Adjunct Social Work Associate Professor, University of Detroit Mercy, Detroit, Michigan	2014
Barbara Wheeley, RSM	CHE Sponsors Council Coordinator	2013

[1] To be extended through 2014.

Senior Management

Management of the Corporation is vested in the President and Chief Executive Officer ("CEO"), who is appointed by the Corporation's Board of Directors, with the ratification by CHM. Several positions are presently being filled in an interim role, including that of President and CEO. At present, the CEO position is filled on an interim basis by Judith Persichilli. An ad hoc committee of the Corporation's Board of Directors is overseeing a national search for a permanent CEO. It is anticipated that the CEO position will be filled by November 2013. Once the President and CEO is appointed, other positions will be appointed on a permanent basis. There is a single senior management team for the Corporation, CHE and Trinity Health. Following Ms. Persichilli, senior management is listed below in alphabetical order.

Judith Persichilli, Interim President and CEO. Prior to her appointment as Interim President and CEO of the Corporation, Ms. Persichilli had served as President and CEO of CHE since 2010. Before that, Ms. Persichilli was the CHE Executive Vice President and Chief Operating Officer and prior to that appointment, she was the CHE Executive Vice President – Acute Care Division. Ms. Persichilli served as President and CEO of St. Francis Medical Center, Trenton, New Jersey from 1995 to 2003. Ms. Persichilli began her healthcare career as a nurse, graduating in 1968 from St. Francis Hospital's School of Nursing. She graduated summa cum laude from Rutgers University in 1976 with a bachelor's degree and summa cum laude from Rider College in 1980 with a master's degree in Administration. Ms. Persichilli is a member of various community affiliations and boards including the Health Care Administration Board of New Jersey where she was appointed by Governor Code, the New Jersey Health Care Quality Institute Board of Directors, the Hopewell Valley Community Bank Board of Directors, and the Kerney Foundation Board of Trustees. Ms. Persichilli was appointed to the AHA Health Care Systems Governing Council in January 2012. Additionally, she currently serves on the Healthcare Financial Management Association's Healthcare Leadership Council.

Jennifer Barnett, Executive Vice President ("EVP") Finance and Interim Chief Financial Officer ("CFO") & Treasurer. Ms. Barnett, together with Mr. Carter, oversees the System's financial management, financial reporting, financial operations, strategic financial and capital planning and budget development. She also provides leadership to the revenue functions and treasury operations. Prior to assuming her current position, Ms. Barnett was EVP and CFO of CHE and before that served as the CHE EVP of Finance and Vice President of Finance and Chief Accounting Officer. Before joining CHE in 2006, Ms. Barnett was at Texas based CHRISTUS Health, where she served as system director of finance and corporate controller. Prior to serving at CHRISTUS Health, she was director of accounting at Memorial Hermann Healthcare System in Houston, Texas and the assistant director of accounting at Hermann Hospital located in the Texas Medical Center in Houston, Texas. Before entering the health care industry, Ms. Barnett was in public accounting. She is a certified public accountant and holds a Bachelor's Degree in Accounting from Louisiana State University.

James Bosscher, Senior Vice President ("SVP"), Treasury and Chief Investment Officer. Mr. Bosscher was appointed to his present position in January 2009. Prior to that appointment, Mr. Bosscher served as Vice President Treasury of Trinity Health. He is responsible for all treasury activities at Trinity Health, including investment management, debt management, cash management and interfacing with all external capital market audiences (rating agencies, investors, bond insurance companies, investment and commercial banks, etc.). Prior to joining Trinity Health, Mr. Bosscher was an assistant treasurer with Ford Motor Company. Mr. Bosscher has a bachelor's degree in finance from Michigan State University and a master's degree in business administration from Wayne State University.

John Capasso, EVP & President Continuing Care. Mr. Capasso was the President and CEO, Continuing Care Management Services Network at CHE and prior to that served as the President and CEO of St. Joseph of the Pines Health System, a continuing care ministry providing a variety of housing and health care services to senior in central North Carolina. Mr. Capasso has more than 25 years of experience in health care and senior living services. Prior to joining CHE, Mr. Capasso served in a variety of executive roles at Asbury Services, Gaithersburg, Maryland, a provider of senior living services across multiple states. Before joining Asbury, he was Assistant Vice President of Clinical Services at Holy Cross Hospital in Silver Spring, Maryland. Mr. Capasso holds a Master of Science Degree in Health Services Administration from George Washington University; a Bachelor of Arts Degree in Biology from Geneva College, Beaver Falls, Pennsylvania and is a certified health care executive with the American College of Healthcare Executives. He is also a licensed nursing home administrator.

Benjamin Carter, EVP Finance. Together with Ms. Barnett, Mr. Carter oversees the System's financial management, financial reporting, financial operations, strategic financial and capital planning, and budget development and provides leadership for the revenue functions and treasury operations. Mr. Carter was SVP and CFO of Trinity Health since 2010. Prior to joining Trinity Health, he served as an EVP and Chief Operating Officer at the Detroit Medical Center, where he was responsible for the operations of the regional system's eight hospitals and related outpatient facilities. Prior to the Detroit Medical Center, he spent nearly 20 years in executive-level financial positions at Oakwood Healthcare in Dearborn, Michigan. Prior to his experience at Oakwood, Mr. Carter was a director of the Plante Moran accounting firm and spent eight years in various roles in addition to earning his certified public accountant certification. Mr. Carter graduated magna cum laude and earned both a bachelor's degree and a master's degree in business from the University of Michigan.

Peter DeAngelis, Jr., EVP and President CHE Division. Mr. DeAngelis had previously been the CHE EVP and Chief Operating Officer and was responsible for providing mission and values-based leadership, direction, support and assistance to CHE's operating divisions to optimize operational effectiveness and strategic position. From 2003 to 2010 he served as CHE's EVP and CFO. Prior to joining CHE, Mr. DeAngelis was an executive with the University of Pennsylvania Health System from 1997 to 2003, where he served most recently as SVP and CFO. Before that, he was CFO for Germantown Hospital and Medical Center in Philadelphia from 1992 to 1997. He held a similar position for the Philadelphia Child Guidance Center from 1990 to 1992. Mr. DeAngelis earned a Bachelor of Science Degree in Accounting from LaSalle University in 1979 and earned an MBA in accounting from LaSalle in 1985. He is a certified public accountant. Mr. DeAngelis is a diplomat of the American College of Healthcare Administrators and a fellow of the Healthcare Financial Management Association ("HFMA"). He presently serves on the HFMA National Board.

Catherine DeClercq, OP, EVP, Governance and Sponsorship. Sister DeClercq previous served as the Trinity SVP, Governance and Sponsorship. While at Trinity and in her current role, she supports CHM, the Public Juridic Person that sponsors the Corporation, and the Corporation's Board of Directors as well as the Boards of Directors of Trinity Health and CHE. She previously served as assistant to the president of Mercy Health Services from 1987 to 2000, assuming responsibility for governance and working with the sponsors, the Sisters of Mercy, Regional Community of Detroit. From 1978 to 1986 she held the position of general council member and administrator for the Adrian Dominican Congregation based in Adrian, Michigan. In her leadership role with the Adrian Dominican Congregation, Sister DeClercq helped guide the Adrian Dominican Hospitals in California and Nevada into Catholic Healthcare West (now Dignity Health). She has a bachelor's degree from Siena Heights University and a master's degree from the University of Michigan.

Clayton Fitzhugh, EVP & Chief Human Resources Officer. Along with Mr. Hale, Mr. Fitzhugh is responsible for overseeing the integration activities following the formation of the Corporation. Mr. Fitzhugh had previously been with CHE since 2003, most recently serving as EVP, Shared Services and Chief Human Resources Officer. In that role he was responsible for improving the quality, efficiency and effectiveness of CHE shared services as well as overall development and leadership of the human resources and organizational effectiveness function. Before joining the CHE system office, Mr. Fitzhugh served as SVP, Human Resources and Operational Performance at Holy Cross Hospital, Fort Lauderdale, Florida, which was part of CHE. In addition, he has served in a variety of capacities involving human resources, quality management, corporate development and training and general administration in a number of health care and other corporate organizations. Mr. Fitzhugh received his Bachelor of Science from Hyles Anderson College in Crown Point, Indiana in 1980. He has served two terms as a member of the Board of Examiners for the Malcolm Baldridge National Quality Award.

Daniel G. Hale, Esq., EVP, Institute of Health and Community Benefit. Along with Mr. Fitzhugh, Mr. Hale is responsible for overseeing the integration activities following the formation of the Corporation Mr. Hale served as the Trinity Health EVP, Trinity Health Institute for Health and Community Benefit and Special Advisor to the President since 2009. Prior to that appointment, Mr. Hale served as EVP, Community Benefit Ministry and Public Affairs. Mr. Hale was appointed as the Interim President and Chief Executive Officer of Loyola University Health System (Maywood, Illinois) served in that role until the permanent Chief Executive Officer was appointed in October 2011. Mr. Hale also served Holy Cross Health System Corporation and Trinity Health as general counsel beginning in August 1996. Previously, Mr. Hale was vice president for legal services with Franciscan Health System, Aston, Pennsylvania, and was a partner in the law firms Drinker Biddle & Reath in Philadelphia, Pennsylvania and Baker & Hostetler in Columbus, Ohio. Mr. Hale received his bachelor's degree in English from Kenyon College and his juris doctor degree from Capital University Law School. A frequent speaker and author on various aspects of health care law, Mr. Hale is a member of the American Bar Association and the American Health Lawyers Association. He previously was an adjunct professor of law at Capital University Law School.

Paul G. Neumann, Esq., EVP & Chief Legal Officer. Mr. Neumann had served as Trinity Health SVP and General Counsel since 2009. Prior to coming to Trinity Health, Mr. Neumann was SVP, Legal Services and General Counsel at Catholic Health Initiatives in Denver, Colorado. Prior to assuming that position with Catholic Health Initiatives in 1997, Mr. Neumann was a partner with both Foley & Lardner LLP in San Francisco, California and Weissburg & Aronson in San Francisco, California, where he represented hospitals and other health care entities in governance, mergers and acquisitions, business transactions and compliance matters. He received a bachelor's degree from Haverford College and a juris doctor degree from the University of Virginia School of Law.

Scott Nordlund, EVP, Growth, Strategy & Innovation. Mr. Nordlund is responsible for setting strategic direction for the system, creating new venture partnerships in the acute and non-acute spaces, building a pipeline of innovation projects that promote new business models and all merger and acquisition work. Prior to joining CHE Trinity Inc., Mr. Nordlund was the Senior Vice President for Strategic Growth, Network and New Venture Development at Dignity Health (formerly Catholic Healthcare West), where he had previously several executive roles in strategic planning, physician integration strategy, marketing and business development. Mr. Nordlund served as Chairman of the United Surgical Partners/Dignity Health Board in Arizona and served on the boards of Nevada USPI/DH joint venture, Mercy Care Plan, a 360,000-member Medicaid plan, DH/SimonMed Imaging joint venture and the Dignity Health Purchasing Network. Mr. Nordlund received his B.S. in Biology from the University of Illinois – Urbana/Champaign, and two Master degrees (Master of Business Administration, and Master of Health Services Administration) from the University of Michigan.

James Richard O'Connell, EVP and President, Trinity Health Division. Mr. O'Connell served as Trinity Health President, Hospital Operations since July 2009. His responsibilities included managing the day-to-day functions of hospital operations. Mr. O'Connell had been with Trinity Health since October 2008 as interim chief operations officer of Saint Alphonsus Regional Medical Center in Boise, Idaho. Mr. O'Connell has 35 years of progressive health care experience in executive level roles including president and chief executive officer of four hospital systems: Penrose – St. Francis Health Services in Colorado Springs, Colorado; Lucerne Medical Center in Orlando, Florida; Columbia Medical Center – Daytona in Daytona Beach, Florida; and Pembroke Pines Hospital in Pembroke Pines, Florida. Mr. O'Connell earned a bachelor's degree in business administration from Central State University in Edmund, Oklahoma.

P. Terrence O'Rourke, MD, EVP Clinical Transformation. Dr. O'Rourke served as Trinity Health EVP & Chief Clinical Officer since 2008. Dr. O'Rourke is responsible for advancing clinical effectiveness and quality, as well as patient safety across the system. He serves as an advocate for the Health System's medical staffs and is working to advance physician alignment initiatives throughout the organization. Prior to joining Trinity Health, Dr. O'Rourke was chief medical officer at Centura Health. Dr. O'Rourke was a member of the board of trustees of Centura Health and chaired the Centura board for seven years. Dr. O'Rourke is a past member of the board of trustees of the Catholic Health Association and chairs of the Physician Committee of the Catholic Health Association. He is also a past member and vice-chair of the Holy Cross Health System Board of Directors. He has been a member of the Executive Advisory Committee of the Diocese of Colorado Springs and has also been a member of the Advisory Board of the College of Letters, Arts, and Sciences of the University of Colorado. He has served on the board of directors and is a past president of the El Paso Unit of the American Cancer Society. He received the Sword of Hope Award from the American Cancer Society in 1992 and was recognized as one of the "Best Doctors in America" in 2000. Dr. O'Rourke serves on the Boards of Directors of the Michigan Peer Review Organization, Venzke (as defined herein), and LUHS. Dr. O'Rourke holds certifications from the Board of Surgery and Advanced Trauma Life Support. He received a bachelor's degree from Georgetown University and a medical degree from the University of Michigan Medical School. Dr. O'Rourke is a member of the American Medical Association, fellow of the American College of Surgeons, the Western Surgical Association and the Denver Academy of Surgery.

Mary Persico, IHM, EVP, Mission and Ethics. Sister Persico had served as the CHE EVP, Mission Integration since 2010. Before that, she served as the CHE Sponsors Council Coordinator and President of the Religious Congregations of the Sisters, Servants of the Immaculate Heart of Mary, Scranton, Pennsylvania. Sister Persico has served on several boards including CHE, Maxis Health System, Carbondale, Pennsylvania, Marywood University, Scranton, Pennsylvania, Our Lady of Grace Montessori School and Center, Manhasset, New York, Lourdesmont School, Clarks Summit, Pennsylvania and the Guest House for Women Religious Advisory Board, Lake Orion, Michigan. She served on the Leadership Conference of Women Religious Finance Committee and is past president of the Lackawanna County Chapter of Habitat for Humanity International. Sister Persico has spent most of her life in the field of education as a teacher, administrator, and adjunct professor. She holds a Bachelor's Degree in French and Education from Marywood College (now University), a Master's Degree in French from Assumption College, Worchester, Massachusetts and a Doctoral Degree in Educational Leadership from Lehigh University, Bethlehem, Pennsylvania. She was one of the founding members of the African Sisters Education Collaborative, a program designed to provide leadership education in Business, administration and spirituality to leader of congregations of women religious in six African countries.

Larry Warren, Interim COO. Mr. Warren served as Interim President of Trinity Health prior to the merger of CHE and Trinity Health. Before Trinity Health, Mr. Warren was the Chief Executive Officer at Howard University Hospital for six years which followed a twenty-nine year career at the University of Michigan. The last ten years he served as Chief Executive Officer of the Hospital System. He was also the Executive Vice President and Chief Operating Officer of Mercy Hospital of Detroit, a former division of Trinity Health. Mr. Warren has served on the boards of Trinity Health, and other nonprofit, educational and health related boards. He earned his Bachelor's degree in Business Administration and Master's degree in Education Administration from Eastern Michigan University.

Leadership

Richard J. Gilfillan, MD
President and Chief Executive Officer

Dr. Richard J. "Rick" Gilfillan, MD, is President and CEO of CHE Trinity Health, the $13 billion Catholic health system that serves communities in 20 states with 82 hospitals, 88 continuing care facilities and home health and hospice programs that provide more than 2.3 million visits annually.

Rick has been a leader in U.S. health care for more than 25 years, building successful organizations in the for-profit and not-for-profit sectors to deliver better outcomes for people and communities. As CMMI's first director, he launched the Center in 2010 and worked quickly with payers and providers to develop innovative models for improving patient cere and reducing costs.

Prior to his appointment at CMMI, Rick was president and CEO of Geisinger Health Plan and executive vice president of insurance operations for Geisinger Health System, a large integrated health system in Pennsylvania. Previously, he was the senior vice president for national network management of Coventry Health Care. He also held earlier executive positions at Independence Blue Cross.

Rick began his career as a family medicine physician and later became a medical director and a chief medical officer. He earned his undergraduate and medical degrees from Georgetown University and an M.B.A. from the Wharton School of the University of Pennsylvania.

< Back to Leadership main

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Attachment 5
Transaction Documents

CHE Trinity Inc., Trinity Health Corporation, Catholic Health East executed a Merger Agreement regarding the Transaction on January 9, 2014. A copy of the Merger Agreement is attached at Attachment 5. CHE Trinity Inc., Trinity Health Corporation, Catholic Health East also executed an Illinois Facilities Agreement regarding the Transaction on January 9, 2014. A copy of the Illinois Facilities Agreement is also attached at Attachment 5.

PLAN AND AGREEMENT OF MERGER

This Plan and Agreement of Merger ("Agreement") is executed to be effective as of the 9th day of January, 2014, by and among Catholic Health East, a Pennsylvania nonprofit corporation ("Merging Corporation A"), CHE Trinity, Inc., an Indiana nonprofit corporation ("Merging Corporation B"), and Trinity Health Corporation, an Indiana nonprofit corporation ("Surviving Corporation").

RECITALS

WHEREAS, as a result of a transaction that was completed as of May 1, 2013, Merging Corporation A, Merging Corporation B and Surviving Corporation are affiliated corporations that participate in the same health system; and

WHEREAS, Merging Corporation A, Merging Corporation B and Surviving Corporation each believe it to be in their respective best interests to enter into this Agreement and consummate the merger transaction described herein ("Merger") on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement agree as follows:

ARTICLE I

PLAN OF MERGER

1.01 Adoption of Plan. This Agreement has been adopted by unanimous vote of the Boards of Directors and Members, as applicable, of Merging Corporation A, Merging Corporation B and Surviving Corporation, pursuant to the applicable provisions of Sections 23-17-10-4, 23-17-5-2 and 23-17-19-3 of the Indiana Nonprofit Corporation Act of 1991, as amended, and Sections 5727, 5763 and 5924 of the Pennsylvania Nonprofit Corporation Law of 1988, as amended.

(a) This Agreement is being entered into to facilitate the Merger of three (3) affiliated nonprofit corporations. The corporations that are parties to this Agreement are described as follows:

(i) Merging Corporation A is Catholic Health East, a Pennsylvania nonprofit corporation that was originally incorporated in the Commonwealth of Pennsylvania on October 1, 1997 under the name Catholic Health East;

(ii) Merging Corporation B is CHE Trinity, Inc., an Indiana nonprofit corporation that was originally incorporated in the State of Indiana on January 11, 2013, under the name CHE Trinity, Inc.; and

ATTACHMENT
5

(iii) Surviving Corporation is Trinity Health Corporation, an Indiana nonprofit corporation that was originally incorporated in the State of Indiana on November 10, 1978, under the name Holy Cross Health System Corporation.

(b) The sole Member of Merging Corporation A and Surviving Corporation is Merging Corporation B. Merging Corporation B has no Members. All membership rights and interests held by Merging Corporation B relative to Merging Corporation A and Surviving Corporation will, as part of the Merger, be contributed to the Surviving Corporation in consideration of the parties' representations and warranties under this Agreement. No cash consideration is to be paid or delivered in exchange for such contribution of all membership rights and interests held by Merging Corporation B relative to Merging Corporation A and Surviving Corporation.

(c) As of the Effective Time (as described in Section 1.02 below), Merging Corporation A and Merging Corporation B shall be merged with and into the Surviving Corporation, which after such Merger will exist and be governed by the laws of the State of Indiana under the name of CHE Trinity, Inc. (f/k/a Trinity Health Corporation) or such other name as may be selected by the Board of the Surviving Corporation.

1.02 Effective Time. The effective date and time of the Merger referenced in this Agreement ("Effective Time") shall be the date and time described in Articles of Merger to be filed of record with the Departments of State of Indiana and Pennsylvania, respectively. As of the Effective Time, Surviving Corporation shall be an Indiana nonprofit corporation with no Members.

1.03 Articles of Incorporation and Bylaws. The Articles of Incorporation of the Surviving Corporation shall be amended and restated as of the Effective Time to be in the form attached as Exhibit A hereto. The Bylaws of the Surviving Corporation shall be amended and restated as of the Effective Time to be in a form approved by the Board of Directors of the Surviving Corporation prior to such Effective Time.

1.04 Effect of Merger. The effect of the Merger on Surviving Corporation and Merging Corporation B shall be as set forth in Section 23-14-19-5 of the Indiana Nonprofit Corporation Act of 1991, as amended. The effect of the Merger on Merging Corporation A shall be as set forth in Section 5929 of the Pennsylvania Nonprofit Corporation Law of 1988, as amended.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF CORPORATIONS

2.01 Representations and Warranties of Merging Corporation A. As a condition to entering into this Agreement, Merging Corporation A represents and warrants to Merging Corporation B and Surviving Corporation that the following statements are true and correct:

(a) Merging Corporation A is a nonprofit corporation duly organized, validly existing, and in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and authority to own property and carry on its business as it is now being conducted; and

(b) Merging Corporation A has received all appropriate authorizations necessary to enter into, execute and deliver this Agreement in accordance with its Articles of Incorporation and Bylaws.

2.02 Representations and Warranties of Merging Corporation B. As a condition to entering into this Agreement, Merging Corporation B represents and warrants to Merging Corporation A and Surviving Corporation that the following statements are true and correct:

(a) Merging Corporation B is a nonprofit corporation duly organized, validly existing, and in good standing under the laws of the State of Indiana, with corporate power and authority to own property and carry on its business as it is now being conducted; and

(b) Merging Corporation B has received all appropriate authorizations necessary to enter into, execute and deliver this Agreement in accordance with its Articles of Incorporation and Bylaws.

2.03 Representations and Warranties of the Surviving Corporation. As a condition to entering into this Agreement, Surviving Corporation represents and warrants to Merging Corporation A and Merging Corporation B that the following statements are true and correct:

(a) Surviving Corporation is a nonprofit corporation duly organized, validly existing, and in good standing under the laws of the State of Indiana with corporate power and authority to own property and carry on its own business as it is now being conducted; and

(b) Surviving Corporation has received all appropriate authorizations necessary to enter into, execute and deliver this Agreement in accordance with its Articles of Incorporation and Bylaws.

ARTICLE III

DIRECTORS AND OFFICERS

3.01 Directors and Officers of Surviving Corporation.

(a) The Board of Directors of the Surviving Corporation as of the Effective Time shall continue to serve as the Board of Directors of the Surviving Corporation after the Merger in accordance with the Bylaws of the Surviving Corporation, as amended, until such Directors' respective successors have been duly elected and qualified or until their earlier resignation, removal or death.

(b) All persons who are Officers of the Surviving Corporation shall remain as Officers of the Surviving Corporation as of the Effective Time after the Merger until the Board of Directors of the Surviving Corporation, as amended, shall otherwise determine in accordance with the Bylaws of the Surviving Corporation.

ARTICLE IV

BEQUESTS AND DISTRIBUTIONS

4.01 Receipt of Bequests and Distributions. All parties hereto understand and agree that from time to time, Merging Corporation A or Merging Corporation B may be designated as a beneficiary of a last will and testament, testamentary trust, inter vivos trust, or other similar instrument. Any and all such bequests and distributions received on account of such instruments shall, consistent with applicable law, be distributed and delivered to the Surviving Corporation for use by such Surviving Corporation in accordance with the intent of the decedent, settlor, grantor or other granting entity, or if no such intent is expressed, in accordance with the corporate purposes of the Surviving Corporation.

ARTICLE V

INTERPRETATION AND ENFORCEMENT

5.01 Further Assurances. Merging Corporation A and Merging Corporation B agree that from time to time after the Effective Time, as and when requested by the Surviving Corporation or by its successors or assigns, they will execute and deliver or cause to be executed and delivered in their names by their last respective acting officers, all deeds, affidavits and other instruments, and take any and all further actions as the Surviving Corporation may deem necessary or desirable to vest or perfect in, or to confirm of record or otherwise in favor of the Surviving Corporation, title to and possession of all of the property, rights, privileges and powers, now owned or as they may hereafter be entitled to acquire or receive, and to otherwise carry out the intent and purposes of this Agreement. To the extent necessary to carry out the intent of this Section 5.01, Merging Corporation A and Merging Corporation B hereby irrevocably delegate to Surviving Corporation, as successor-in-interest, all authority that as may be necessary or appropriate to act on behalf of Merging Corporation A and Merging Corporation B in furtherance of this Section 5.01.

5.02 Entire Agreement and Counterparts. This Agreement contains the entire agreement between the parties with respect to the transactions contemplated by this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

5.03 Amendments. Neither this Agreement nor any term of provision hereof may be amended or waived except pursuant to a written agreement between all parties hereto.

5.04 Captions. The captions to this Agreement are for convenience of reference only and in no way define, limit, or describe the scope or intent of this Agreement or any part hereof, nor in

any way affect this Agreement or any part hereof. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

5.05 Assignment. No party may assign any of its rights or obligations under this Agreement without the prior written consent of the other parties.

5.06 Third Parties. Nothing in this Agreement shall be construed to give any person (including patients, employees and their family members or personal or other representatives) other than the parties any benefits, rights, or remedies hereunder.

5.07 Governing Law. This Agreement shall be construed, and the rights and liabilities of the parties hereto determined, in accordance with the laws of the State of Indiana.

5.08 Severability. If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted.

5.09 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and permitted assigns.

5.10 Survival. Notwithstanding the rights of each party to rely on the representations, warranties, covenants and agreements of the other parties contained in this Agreement through the Effective Time, all such representations, warranties, covenants and agreements will not survive and will expire upon completion of the Merger.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers, all as of the date and year first above written.

CHE TRINITY, INC.

By: _____
Name: Richard J. Gilfillan
Title: President and CEO

By: _____
Name: Paul G. Neumann, Esq.
Title: Secretary

CATHOLIC HEALTH EAST

By: _____
Name: Richard J. Gilfillan
Title: President and CEO

By: _____
Name: Paul G. Neumann, Esq.
Title: Secretary

TRINITY HEALTH CORPORATION

By: _____
Name: Richard J. Gilfillan
Title: President and CEO

By: _____
Name: Paul G. Neumann, Esq.
Title: Secretary

EXHIBIT A

RESTATED AND AMENDED ARTICLES OF INCORPORATION

OF

CHE TRINTIY, INC.

AS SURVIVING CORPORATION

RESTATED AND AMENDED ARTICLES OF INCORPORATION

OF

CHE TRINITY, INC.

An Indiana Nonprofit Corporation

These Restated and Amended Articles of Incorporation ("Articles of Incorporation") of CHE Trinity, Inc. ("Corporation") are executed pursuant to the provisions of the Indiana Nonprofit Corporation Act of 1991 (hereinafter referred to as the "Act"). These Restated and Amended Articles of Incorporation were approved by a sufficient vote of the Corporation's Board of Directors and no member approval or approval by any other person was required.

Article I

Name; Date of Incorporation

The name of the Corporation is CHE Trinity, Inc. The former names of the Corporation are Trinity Health Corporation and Holy Cross Health System Corporation. The date of the Corporation's incorporation was November 10, 1978.

Article II

Purposes

The Corporation is a public benefit corporation.

The purposes for which the Corporation has been organized are:

A. To promote, support and further any and all scientific, religious, charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, or comparable provisions of subsequent legislation (the "Code") and at all times shall be operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more Code Section 509(a)(1) or 509(a)(2) organizations that carry out the healthcare mission of Catholic Health Ministries, on behalf of and as an integral part of the Roman Catholic Church in the United States.

B. To engage in the delivery of and to carry on, sponsor or participate, directly or through one or more affiliates, in any activities related to the delivery of health care and health care related services of every kind, nature and description which, in the opinion of the Directors of the Corporation, are appropriate in carrying out the health care mission of Catholic Health Ministries. The Corporation shall take all such actions including, but not limited to, support and assistance of affiliates,

as may be necessary or desirable to accomplish the foregoing purpose within the restrictions and limitations of these Articles of Incorporation, the Bylaws of the Corporation or applicable law, including, without limitation, promoting and carrying on scientific research and educational activities related to the care of the sick and promotion of health, and establishing, maintaining, owning, managing, operating, transferring, conveying, supporting, assisting and acquiring institutions, facilities and programs in several states, directly or through one or more affiliates, including, but not limited to, hospitals and clinics, which shall provide diagnosis and treatment to inpatients and outpatients and shall provide such support services as, but not limited to, extended care, shared services, pastoral care, home care, long-term care, operation of senior residences, care of the elderly and the handicapped, care of the economically needy, child care, social services, mental health and substance abuse services;

C. To be operated exclusively for the support and benefit of its affiliates in order to enhance their ability to effectively meet the health care needs of the communities they serve, consistent with their purposes;

D. To take all such actions as may be necessary or desirable to accomplish the foregoing purposes within the restrictions and limitations of these Articles of Incorporation, the Bylaws of the Corporation and applicable law, provided that no substantial part of the activities of the Corporation shall be to carry out propaganda, or to otherwise attempt to influence legislation; and the Corporation shall not participate or intervene in any political campaign on behalf of or in opposition of any candidate for public office (by the publishing or distribution of statements or otherwise), in violation of any provisions applicable to corporations exempt from taxation under Code Section 501(c)(3) and the regulations promulgated thereunder as they now exist or as they may be amended;

E. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its Directors, Officers or other private individuals, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered to or for the Corporation and to make payments and distributions in furtherance of the purposes set forth herein; and

F. Notwithstanding any other provisions of these Articles of Incorporation, the Corporation shall not carry on any activity not permitted to be carried on by (i) a corporation exempt from federal income tax under Code Section 501(c)(3), (ii) a corporation, contributions of which are deductible under Code Section 170(c)(2), or (iii) a corporation described in Code Section 509(a)(3) (or, if the Corporation is so classified, Code Section 509(a)(1)).

Article III

Catholic Identity

The activities of the Corporation shall be carried out in a manner consistent with the teachings of the Roman Catholic Church and "Founding Principles of Catholic Health Ministries" or a successor document which sets forth the principles describing how the apostolic and charitable works of Catholic Health Ministries are to be carried out; as well as the values and principles inherent in the medical-moral teachings of the Roman Catholic Church (such as the *Ethical and Religious Directives for Catholic Health Care Services*) as promulgated from time to time by the United States Conference of Catholic Bishops (or any successor organization) and as amended from time to time.

Article IV

Organization

The Corporation will not have members. The Corporation is organized as a nonstock corporation, governed by its Board of Directors in the manner provided in its Bylaws.

Article V

Registered Office and Registered Agent

The address of the Corporation's registered office 251 East Ohio, Suite 500, Indianapolis, Indiana 46204. The name of the registered agent is Corporation Service Company. The Corporation's Board of Directors may change the Corporation's registered office and/or name of its registered agent from time to time.

Article VI

Directors

Directors shall be appointed and removed, with or without cause, as provided in the Bylaws of the Corporation, as amended from time to time (the "Bylaws"). Directors of the Corporation shall be those individuals who serve as members of Catholic Health Ministries ("CHM"). The number of Directors shall be set forth in the Bylaws.

Except as otherwise provided in these Articles of Incorporation, provisions related to the membership, terms of office, manner and election and removal, time and place of meetings, powers, duties and indemnification of the Board of Directors of the Corporation shall be governed by the Bylaws.

Article VII

Dissolution

Upon the dissolution of the Corporation and the winding up of its affairs, the assets of the Corporation remaining after satisfaction of all of its obligations will be distributed to a qualifying entity, exempt from federal taxation under Code Section 501(c)(3), as directed by the Board of Directors of the Corporation and approved by Catholic Health Ministries, taking into account the requirements of civil law and the Code of Canon Law.

Article VIII

Reserved Powers

Catholic Health Ministries shall have the exclusive power to authorize the following actions of the Corporation:

a) To adopt and amend the Articles of Incorporation of the Corporation;

b) To adopt and approve the Bylaws of the Corporation, and any amendments, modifications or restatements thereto;

c) To adopt and approve the Mission and Core Values of the Corporation and the Founding Principles of Catholic Health Ministries and any changes thereto, and approve matters that affect the Catholic Identity of the Corporation;

d) To approve the sale, lease, mortgage, transfer, easement or encumbrance of any property of the Corporation, the alienation of which would require approval under the Canon Law of the Roman Catholic Church;

e) To approve the merger, consolidation, acquisition, liquidation or dissolution of the Corporation, or the sale of all or substantially all of the assets of the Corporation;

f) To ratify the appointment and removal of the President of the Corporation; and

g) To ratify the election of the Chair of the Board of Directors of the Corporation.

Article IX

Effective Date

These Restated and Amended Articles of Incorporation shall be effective as of July 1, 2014.

IN WITNESS WHEREOF, the undersigned authorized officer of the Corporation executes this document and verifies, subject to penalties of perjury that the facts contained herein are true this 9th day of January 2014.

By: Paul G Neumann
Name: Paul G Neumann
Title: Secretary

ATTACHMENT
5

ILLINOIS FACILITIES AGREEMENT

THIS ILLINOIS FACILITIES AGREEMENT (this "Agreement") is made and entered into this 9th day of January, 2014, by and between Trinity Health Corporation, an Indiana nonprofit corporation ("Trinity"), CHE Trinity, Inc., an Indiana nonprofit corporation ("CHE Trinity"), and Catholic Health East, a Pennsylvania nonprofit corporation ("CHE").

RECITALS

WHEREAS, CHE Trinity is currently the sole corporate member of Trinity;

WHEREAS, Trinity is currently the sole corporate member of Loyola University Health System ("LUHS") and Mercy Health System of Chicago ("Mercy System");

WHEREAS, LUHS owns and operates (either directly or through its affiliates) the following Illinois licensed facilities: (1) Foster G. McGaw Hospital - Loyola University Medical Center, a 569 bed general acute care hospital located in Maywood, Illinois; (2) Gottlieb Memorial Hospital, a 264 bed general acute care hospital located in Melrose Park, Illinois; (3) Loyola University Medical Center Outpatient Dialysis Center, a provider based, 31 station end stage renal disease facility located in Maywood, Illinois; and (4) Loyola University Medical Center Ambulatory Surgery Center, a provider based, 8 operating room ambulatory surgery center located in Maywood, Illinois (collectively, the "LUHS Illinois Licensed Facilities");

WHEREAS, Mercy System owns and operates (either directly or through its affiliates) the following Illinois licensed facility: (1) Mercy Hospital & Medical Center, a 449 bed general acute care hospital located in Chicago, Illinois (collectively, with the LUHS Illinois Licensed Facilities, the "Trinity Illinois Licensed Facilities");

WHEREAS, On May 1, 2013, Trinity, CHE Trinity and CHE consolidated their respective ministries into a single health care system (i.e., CHE Trinity), serving patients in 20 states from coast to coast ("Phase I");

WHEREAS, in connection with Phase I, CHE Trinity became the sole corporate member of Trinity and CHE;

WHEREAS, Phase I of the consolidation received exemption approvals for each of the Trinity Illinois Licensed Facilities from the Illinois Health Facilities & Services Review Board (the "Illinois Review Board") in exemptions numbered 015-13, 014-13, 013-13, 012-13, and 011-13;

WHEREAS, in the final step of the consolidation, Trinity, CHE Trinity and CHE intend to execute that certain Merger Agreement (the "Merger Agreement"), pursuant to which Trinity, CHE Trinity and CHE will merge into one entity, with Trinity to remain as the surviving corporation;

WHEREAS, pursuant to the Merger Agreement, Trinity will retain its reserve powers and control over its own Trinity subsidiaries, including, but not limited to, the Trinity Illinois Licensed Facilities;

WHEREAS, pursuant to the Merger Agreement, Trinity will also be granted reserve powers and control over the CHE subsidiaries;

WHEREAS, the transactions set forth in the Merger Agreement (the "Merger") are set to be effectuated on July 1, 2014; and

WHEREAS, because the Merger will result in a change in the membership or sponsorship of a not-for-profit corporation that owns or controls an Illinois licensed facility (as well as its physical plant and capital assets), Trinity and CHE Trinity will need to file five certificate of exemptions (the "Illinois COEs") for the Trinity Illinois Licensed Facilities with the Illinois Review Board.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the Trinity, CHE Trinity and CHE hereto as follows:

PROVISIONS

1. The above recitals are an integral part of this Agreement and are incorporated as part of this Agreement by reference.

2. Trinity, CHE Trinity and CHE agree that they shall not effectuate the Merger as to the Trinity Illinois Licensed Facilities unless and until the Illinois Review Board reviews and approves the Illinois COEs.

3. Notwithstanding anything to the contrary in this Agreement, except for the Trinity Illinois Licensed Facilities, Trinity, CHE Trinity and CHE agree that the effectuation of the Merger shall not be contingent upon, or impacted by, the Illinois Review Board's review and approval of the Illinois COEs.

4. Except as otherwise amended by this Agreement, the terms and conditions of the Merger Agreement shall remain and continue in full force and effect.

5. This Agreement may be executed in counterparts, which together shall be enforceable as a single original Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, this Illinois Facilities Agreement has been executed by the duly authorized representatives whose signatures appear below.

TRINITY HEALTH CORPORATION

By: _____

Name: Paul G Neumann

Title: Secretary

CHE TRINITY, INC.

By: _____

Name: Paul G Neumann

Title: Secretary

CATHOLIC HEALTH EAST

By: _____

Name: Paul G Neumann

Title: Secretary

Attachment 6
Financial Information

The following documents are attached at Attachment 6:

1. Proof of CHE Trinity Inc.'s "AA" bond rating from Fitch Ratings (dated as of October 3, 2013).

2. Proof of CHE Trinity Inc.'s "AA-" bond rating from Standard & Poors (dated as of October 3, 2013).

3. Proof of CHE Trinity Inc.'s "Aa2" bond rating from Moody's Investor's Services (dated as of October 3, 2013).

4. Trinity Health Corporation's audited consolidated financial statements for the year ended June 30, 2013 (which includes comparative data for the year ended June 30, 2012).

5. CHE Trinity Inc.'s unaudited consolidated financial statements for the twelve months ended June 30, 2013 (which includes comparative data for the year ended June 30, 2012). This information was originally set forth in that certain Official Statement for certain bonds that were offered on October 18, 2013.

For informational purposes only, the following documents are also attached at Attachment 6:

6. Catholic Health East's audited consolidated financial statements for the year ended December 31, 2012 (which includes comparative data for the year ended December 31, 2011).

FitchRatings

FITCH RATES CHE TRINITY'S (MI) 2013 REVS 'AA/F1+'; OUTLOOK STABLE

Fitch Ratings-New York-03 October 2013: Fitch Ratings has assigned 'AA' long-term ratings and 'F1+' short-term ratings to the following revenue bonds to be issued on behalf of CHE-Trinity Health Credit Group.

--$45.1 million Idaho Health Facilities Authority Hospital Revenue Bonds, Series 2013ID;
--$69.9 million Michigan Finance Authority Hospital Revenue Bonds, Series 2013MI;
--$103.1 million Montgomery County, Maryland Revenue Bonds, Series 2013MD;
--$86.4 million County of Franklin, Ohio Revenue Bonds, Series 2013OH;
--$75 million Michigan Finance Authority Hospital Revenue Bonds, Series 2013MI-3(a)

(a)The series 2013MI-3 are not supported by self-liquidity and only carry the 'AA' long-term rating.

Additionally, Fitch upgrades to 'AA' from 'A+' the long-term rating on its rated outstanding revenue bonds issued on behalf of Catholic Health East; affirms the 'AA' long-term rating on its rated revenue bonds on behalf of Trinity Health Credit Group and affirms the 'F1+' short-term rating on approximately $767.1 billion of bonds and commercial paper program issued by Trinity Health Credit Group supported by CHE Trinity's internal liquidity.

CHE Trinity plans to remarket two series of variable rate demand bonds ($63.6 million Saint Mary Hospital Authority Health System Revenue Bonds Catholic Health East Issue, Series 2012B and $25.2 million North Carolina Medical Care Commission Health System Revenue Bonds Catholic Health East Issue, Series 2008), which will continue to carry the 'AA/F1+' rating.

The Rating Outlook is Stable.

The series 2013 bonds are expected to be structured as variable-rate debt and will be priced the week of Oct. 28, 2013 through negotiated sale. Proceeds will be used for refunding of certain maturities of currently outstanding Catholic Health East (CHE) debt, reimbursement of $285 million for prior capital expenditures, $280 million towards redemption of commercial paper, remarketing of certain CHE outstanding bonds, and pay costs of issuance.

SECURITY

On Oct. 3, 2013, CHE Trinity, Trinity Health and CHE formed the CHE Trinity Health Credit Group pursuant to a Master Trust Indenture, dated as of Oct. 3, 2013. The series 2013 bonds are general unsecured obligations of the CHE Trinity Credit Group. The CHE Trinity Health master indenture provides for security interests in 'pledged property' of members at the CHE Trinity obligated group and certain designated affiliates with pledged property including: all receipts, revenues, income and other moneys received, and including rights to receive accounts and health care insurance receivables.

KEY RATING DRIVERS

GEOGRAPHICALLY DIVERSE SYSTEM: CHE Trinity is the second largest nonprofit healthcare provider in the US with approximately $13.3 billion in total revenue operating 82 hospitals in 21 states with more than 87,000 employees. Fitch views the system's size, scope of operations, and geographic dispersion as a primary credit strength that helps protect the organization from adverse economic events that could severely affect any of its core markets.

STRONG MANAGEMENT PRACTICES: Fitch views CHE Trinity's management team as a

primary credit strength despite the interim status of some senior managers. The team's strong management practices are evident through continued improved revenue collection efforts, consolidation of redundant services, and a willingness to close or divest in poor performing markets.

GOOD PROFITABILITY: As of June 30, 2013 (year-end consolidated; unaudited), CHE Trinity earned nearly $413 million from operations, which translated into 3.1% operating margin and 9.4% operating EBITDA margin. Fitch believes the system's profitability is sufficient to generate adequate debt service coverage metrics for the 'AA' rating level.

MODERATE DEBT BURDEN: Maximum annual debt service (MADS) of approximately $294.5 million represented 2.2% of revenues as of June 30, 2013, which compared favorably against Fitch's 'AA' category median of 2.6%. CHE Trinity's debt burden is expected to remain relatively consistent going forward despite the system's large capital plan.

ADEQUATE LIQUIDITY: CHE Trinity had sound balance sheet indicators in fiscal 2013 as the system had $6.7 billion in unrestricted cash and investments, which equated to 201 days cash on hand, 22.8x cushion ratio, and 137% cash to debt. Fitch views the system's absolute liquidity growth favorably, increasing to a pro forma $7 billion (after series 2013 debt issuance) from $6.1 billion in 2012.

RATING SENSITIVITIES

LARGE CAPITAL PLANS: Over the next three years management has budgeted to spend approximately $3.9 billion in capital investments including major facility renovations, information technology, and routine capital spending. Fitch would expect profitability to be sustained to support the organization's spending plans.

CREDIT PROFILE

On May 1, 2013 CHE Trinity became the sole corporate member of Catholic Health East (rev bonds rated 'A+') and Trinity Health Corporation (rev bonds rated 'AA'), which created one of the largest nonprofit healthcare delivery systems in the US. Today, the system has operating revenues of $13.3 billion, operating 82 hospitals, 89 continuing care facilities with more than 87,000 employees. Additionally, CHE Trinity is now the nation's largest PACE and home health provider.

'AA' RATING ASSIGNMENT

The credit factors supporting CHE Trinity's 'AA' rating include the benefits that accrue from the size and scale of the system's operations, solid overall financial profile, and effective management practices. CHE Trinity's geographic diversity of its operations, providing care in 21 states, allows the organization to realize economies of scale through on-going consolidation of certain shared administrative and financial services, as well as the ability to export clinical and operational 'best practices' across the system. Fitch believes that the system can generate further clinical and operational efficiencies throughout the system over the near to medium term, which should offset the effects of tighter reimbursement and slowing volume growth.

Using consolidated financial statements for fiscal 2012 and 2013 (unaudited) Fitch believes the system has a solid overall financial profile that's characterized by sizable liquidity, sound operations, and a moderate debt burden. CHE Trinity's operating and operating EBITDA margins of 3.1% and 9.4% are consistent with its rated peer group and produce solid pro forma debt service coverage metrics of 4.2x in 2013. As provided by the underwriter, consolidated pro forma maximum annual debt service (MADS) is estimated at $294.5 million which equates to 2.2% of 2013 total revenue which is in line as compared to the 'AA' category median of 2.6%. Going forward, management is budgeting for consistent operational profitability, which Fitch believes will continue to support the organization's capital investment program without significantly deteriorating the system's financial profile.

'F1+' SHORT-TERM LIQUIDITY RATING

The 'F1+' rating reflects the adequacy of CHE Trinity's eligible cash, investments, and dedicated lines of credit to fund any unremarketed puts on its variable rate demand bonds and commercial paper (CP) program. At Aug. 31, 2013, CHE Trinity had a total of approximately $2.5 billion of highly liquid, unrestricted cash and fixed income securities available. CHE Trinity secured a $731 million dedicated credit facility from a consortium of 12 banks for additional liquidity. CHE Trinity has total funding sources available to meet the maximum one-week tender exposure well in excess of Fitch's 'F1+' threshold of 1.25x. Fitch received a written internal procedures letter from the organization, which outlines internal policies to meet any funding requirements. Fitch receives monthly investment reports, which are used to monitor CHE Trinity's cash and investment position relative to its liquidity coverage.

OUTSTANDING DEBT PROFILE

CHE Trinity's debt profile is 62% fixed rate and 38% variable rate. The system has several outstanding swaps with a total mark-to-market valuation of negative $112 million as of June 30, 2013. Overall Fitch views the organization's debt profile favorably with a majority of fixed-rate debt.

Contact:

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Additional information is available at 'www.fitchratings.com'

Applicable Criteria and Related Research:
--'Nonprofit Hospitals and Health Systems Rating Criteria' (May 20, 2013).

Applicable Criteria and Related Research:
Nonprofit Hospitals and Health Systems Rating Criteria – Effective Aug. 12, 2011 to July 23, 2012
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648836

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STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Trinity Health, Michigan
Catholic Health East, Pennsylvania
CHE Trinity Health Credit Group, Michigan; CP; Hospital; Joint Criteria; System

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Table Of Contents

Rationale

Outlook

Enterprise Profile

Financial Profile

Related Criteria And Research

ATTACHMENT
6

Trinity Health, Michigan
Catholic Health East, Pennsylvania
CHE Trinity Health Credit Group, Michigan; CP; Hospital; Joint Criteria; System

Credit Profile		
US$103.14 mil rev bnds (CHE Trinity Hlth Credit Group) ser 2013MD dtd 10/28/2013 due 12/01/2048		
Long Term Rating	AA-/A-1+/Stable	New
US$86.35 mil rev bnds (CHE Trinity Hlth Credit Group) ser 2013OH dtd 10/28/2013 due 12/01/2048		
Long Term Rating	AA-/A-1+/Stable	New
US$45.12 mil hosp rev bnds (CHE Trinity Hlth Credit Group) ser 2013ID dtd 10/28/2013 due 12/01/2048		
Long Term Rating	AA-/A-1+/Stable	New
Franklin Cnty, Ohio		
Trinity Health , Michigan		
Series 2005A, 2010C		
Long Term Rating	AA-/Stable	Downgraded
Tampa, Florida		
Catholic Health East, Pennsylvania		
Tampa (Catholic Health East) Series 1998A-2		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services lowered its long-term rating and underlying rating (SPUR) to 'AA-' from 'AA' and to 'AA-/A-1+' from 'AA/A-1+' on various series of bonds issued for Trinity Health (Trinity), Mich. Standard & Poor's also raised its long-term rating and SPUR to 'AA-' from 'A+' on various series of bonds issued for Catholic Health East (CHE), Pa.

In addition, Standard & Poor's assigned its dual 'AA-/A-1+' rating to the Idaho Health Facilities Authority's $45.12 million series 2013ID bonds issued in windows mode, to the Michigan Finance Authority's $69.91 million series 2013MI-1 bonds issued in quarterly term mode, to Montgomery County, Md.'s $103.14 million series 2013MD issued in quarterly term mode, and to Franklin County, Ohio's $86.35 million series 2013OH bonds issued in windows mode. All bonds were issued for the CHE Trinity Health Credit Group (CHE Trinity). The outlook on all ratings is stable.

The 'A-1+' short-term component of the dual ratings reflects our view of the credit strengths inherent in the 'AA-' long-term rating, as well as our view that CHE Trinity's assets provide sufficient self-liquidity support for its variable-rate debt. CHE Trinity has clear and detailed procedures to meet any liquidity demands on a timely basis. Standard & Poor's monitors the liquidity and sufficiency of CHE Trinity's fixed-income assets on a monthly basis.

In our view, Trinity and CHE's merger as CHE Trinity creates opportunities for operational efficiencies and growth based on size, scale, and ability to respond to the inherent challenges in the health care sector. We believe that CHE Trinity's enterprise profile is enhanced but that key financial profile metrics, most specifically key balance sheet metrics, are diluted and now more consistent with our 'AA-' medians. Our longer-term view is that balance sheet metrics will improve as CHE Trinity continues to realize the benefits of the merger.

Since its May 1 closing, CHE Trinity has moved quickly to consolidate all debt under a new master trust indenture (MTI), whereby Trinity Health's MTI will be amended to expand the obligated group to include CHE Trinity, CHE, and Trinity Health under a consolidated obligated group structure.

The rating actions reflect our view of the completed CHE Trinity's new MTI and that the new obligated group will issue debt as a single organization for the first time, with the result that all "legacy" Trinity Health and CHE debt will carry the same rating as that on CHE Trinity.

CHE maintained a fiscal year ending Dec. 31 and Trinity Health maintained a fiscal year ending June 30. CHE Trinity has adopted a June 30 fiscal year end, and the financial information in this report reflects combined unaudited pro forma financial results for the 12 months ended June 30, 2013 based on Trinity Health's audited information and CHE's unaudited six-month information through that date.

As part of the current plan of finance and the 2013 new debt issuances, CHE Trinity, is also replacing (remarketing) its letter-of-credit (LOC) facilities with self-liquidity (on or about Oct. 30) for the former CHE North Carolina Medical Care Commission's $25.275 million series 2008 bonds and former CHE Saint Mary Hospital Authority's $63.615 million series 2012B bonds, both to be remarketed in weekly mode. The dual rating on the series 2012B will be revised to 'AA-/A-1+' from 'AAA/A-1+' as part of this transaction at the time of the remarketing. Because of the substitution of the LOC with the Bank of New York Mellon for self-liquidity, the series no longer qualifies for joint criteria and the 'AA-/A-1+' dual rating will be applied based on CHE Trinity credit and liquidity support. In addition, at the time of the remarketing Standard & Poor's will assign its 'AA-/A-1+' dual rating to North Carolina's series 2008, which has historically carried a rating based only on an LOC provider.

The 'AA-' rating reflects our view of CHE Trinity's:

- National presence, with a distributed geographic presence in 21 states on the East Coast, in the South, and in the Midwest through 82 inpatient facilities;
- Strong balance sheet, highlighted by excellent operational liquidity equal to approximately 200 days' cash on hand as of June 30, 2013;
- Consistent financial performance, which generates good 5.2x coverage of pro forma maximum annual debt service (MADS) using June 30, 2013 data; and
- Strong management team that has demonstrated consistent operating income levels during periods of economic stress, combined with a very measured approach to capital expenditures.

Partly offsetting the above strengths, in our view, are CHE Trinity's:

- Need to successfully manage the ongoing challenges and opportunities inherent in a merger of this magnitude, although initial results from its Integration Management Office (IMO) are promising;
- Projected capital expenditures (including routine, technology, and expansion) of about $1.3 billion per year for the

next several years, which could limit liquidity growth; and
- Improved but still high unfunded pension expenses, which limit financial flexibility; and
- Key operational and balance sheet metrics that are now more consistent with our 'AA-' rating medians.

Bond proceeds of approximately $733 million -- which includes the proceeds of the rated series 2013 mentioned above, remarketings of the series 2008 North Carolina bonds and series 2012B Pennsylvania bonds, and approximately $325 million in proceeds from unrated direct placement bonds -- will largely be used to repay approximately $278 million of commercial paper (CP) and provide about $283 million in reimbursement for prior capital expenditures, with the remainder allocated to remarketing/refunding selected series of bonds as well to paying cost of issuance. We anticipate that the $283 million in reimbursement for prior capital expenditures will be immediately placed back onto the balance sheet.

Outlook

The stable outlook reflects our opinion that CHE Trinity will continue to consistently generate its projected operating income levels, which in turn would continue to generate good MADS coverage for the two-year outlook period. In addition, we anticipate that CHE Trinity will maintain a solid balance sheet with around 200 days' cash on hand and leverage of less than 40%.

We would favorably view the successful resolution to the final sale of CHE's discontinued operations, improved operating margins through its integration efforts, and gradually improving credit metrics, and do not rule out revising the outlook to positive during the two-year outlook period.

Conversely, we could revise the outlook to negative if, in the two-year outlook period, CHE Trinity Health borrows significantly more than anticipated or if its balance sheet or operating margins weaken.

Enterprise Profile

Market position/Organizational overview

CHE Trinity has a presence in 21 states, with operating revenue of more than $13 billion, 82 hospitals, more than 87,000 full-time equivalent (FTE) employees, and approximately 4,100 employed physicians and residents, making it one of the largest not-for-profit health care and home health organizations in the country. CHE Trinity consists of the former Trinity Health, which is largely located in the Midwest (particularly Michigan and Ohio), and CHE, which has great market diversification with hospitals in states up and down the Eastern Seaboard. Trinity Health and CHE hospitals have typically not been the dominant providers in their respective markets and face strong competition from other hospitals or health systems. In addition, they also tend to be in mature markets with slow population growth.

Combined patient service volume indicates that CHE Trinity will see more than 500,000 discharges and approximately 13 million outpatient visits in 2013, both metrics increasing from 2012 but largely because of acquisitions during the prior year. We anticipate that inpatient volume will level off and gradually decline as the shift to the outpatient setting continues because the CHE Trinity markets generally have little population growth or aging of the population (which increases utilization). We do, however, anticipate that the combined organization will see an increase in emergency

room visits, home health visits, and skilled nursing days as a result of this shift, and CHE Trinity has put considerable efforts into expanding these service line segments.

Management

Significant movement has taken place in senior management, with the naming of new leadership positions under CHE Trinity. Former Trinity Health CEO Joe Swedish left the organization in early 2013. CHE Trinity appointed Judith Persichilli, former president and CEO of CHE, as the interim president and CEO of CHE Trinity, and Larry Warren, former interim CEO of Trinity Health, as the interim chief operating officer (COO) of CHE Trinity. Persichilli reports that the organization is progressing in a search for a permanent CEO and anticipates interviewing final candidates in early October 2013, with the search targeted for completion by calendar year end.

We believe that the combined system will remain financially disciplined and focused, but that challenges do lie ahead in successfully integrating two very large and diverse operations, especially in light of continued reform and uncertainty in the sector. We also believe that the combination of Trinity Health and CHE has enhanced the leadership team's ability to affect health care on a national level through its advocacy efforts.

Financial Profile

Operations

CHE Trinity's financial performance improved in fiscal 2013, producing an operating income of $415 million, which is equal to a 3.1% operating margin. This is an improvement over the $372 million operating income level, or 3.0% operating margin, in fiscal 2012. Operating income excludes losses associated with discontinued operations (St. Michael's and Mercy Health), which totaled $163 million in fiscal 2013. CHE Trinity is divesting Saint Michael's Medical Center in Newark, N.J., to Prime Healthcare Services and Mercy Health System in Portland, Maine, to Eastern Maine Health System, and we view these actions as credit positive. CHE Trinity still owns Saint Michael's and Mercy Health System Maine, and accounts for the two facilities' operations as discontinued operations.

Operational improvements identified through synergies derived from the consolidation of CHE and Trinity Health have been identified at $300 million in annual cost savings, which management aims to achieve in full by fiscal 2016. Savings are in the broad areas of improvements in the revenue cycle, supply chain management, clinical initiatives, and information systems. CHE Trinity has formed what it is calling the IMO, which has formed and which is overseeing 15 integration teams that are managing specific projects and initiatives. Initial work is underway, with estimates of savings at approximately $80 million in fiscal 2014, ramping up to the full $300 million by fiscal year-end 2016.

CHE Trinity produced excess income of $762 million, or a 5.6% excess margin, in fiscal 2013 (per our calculations). Excess income excludes discontinued operations but includes realized equity earnings in unconsolidated organizations. Excess income of $347 million in fiscal 2013 excludes the $163 million of losses from discontinued operations (as previously mentioned and associated primarily with Saint Michael's as a write-down asset impairment) but does include non-operating income and $61.4 million of equity earnings in unconsolidated subsidiaries (primarily BayCare Health System, a multihospital system located in and around Tampa). Because these unconsolidated organizations do not return cash to CHE Trinity, their earnings do not contribute to debt service coverage or liquidity growth and we do

eliminate them from our coverage calculations. CHE Trinity produced good MADS coverage of about 5.2x on a pro forma basis in fiscal 2013 with this adjustment.

Balance sheet

Unrestricted liquidity increased at CHE Trinity to a little more than $6.7 billion, or 201 days' cash on hand, in fiscal 2013. With the 2013 debt issuance and the anticipated $285 million returning to CHE Trinity's balance sheet, unrestricted liquidity will increase to a little less than $7 billion on a pro forma basis. Cash on hand increases just slightly to 209 days, while CHE Trinity's overall leverage (debt to capitalization) increases slightly to 36% and cash to debt decreases to a little less than 135%, all on a pro forma basis using CHE Trinity's June 30, 2013 figures.

CHE Trinity anticipates maintaining balance sheet strength during the next several years, with cash on hand in the range of 200 to 210 days through fiscal 2016 and with leverage gradually declining to a little more than 30% and cash to debt measuring approximately 150% as of fiscal 2016. Similarly, the organization anticipates maintaining its historical target of approximately a 3% operating margin.

The former Trinity Health organization has a balanced asset allocation for its operating funds: approximately 50% fixed income and cash, 18% hedge funds and real assets, and 32% equities. The former CHE organization's investment allocation is similar, with 45% of assets invested in cash, cash equivalents, and fixed income, another 17% in hedge funds, and 38% in equities. CHE Trinity management reports an interest in moving toward more a more conservative allocation, wanting to preserve self-liquidity opportunities and modeling itself after 'AA' median ratios. Asset allocation decisions are still being studied and evaluated.

Trinity Health's projected benefit obligation (for fiscal 2013) for its defined benefit pension plan has an unfunded status of approximately $662 million (an approximately 87% funding level). CHE's projected benefit obligation (for fiscal 2013) for its defined benefit pension plan has an unfunded status of approximately $219 million (an approximately 82% funding level). This combined $881 million unfunded status is significant, and management anticipates further contributions over time, but the level has come down significantly from fiscal 2012's $1.4 billion. Although the unfunded status and funding level are credit risks, the liabilities have improved and CHE Trinity retains some financial flexibility because substantially all of the defined benefit plans have church plan status.

Capital expenditures

Management has capital plans totaling about $1.3 billion per year for the next several years, and CHE Trinity has historically funded or reimbursed itself for part of its strategic capital expenditures with debt issuances. In July 2013, CHE Trinity signed a non-binding letter of intent to acquire St. Joseph's Hospital and Health Center. The St. Joseph organization has about $600 million in annual revenue and a sizable market share in Syracuse.

Legal security

CHE Trinity Health is consolidating the obligations of the Trinity obligated group and the CHE obligated group under an amended and restated Trinity MTI. CHE Trinity Health is working with the bond trustees to accept replacement obligations issued by Trinity, as obligated group agent for the new CHE Trinity Health credit group, in exchange for obligations securing such bonds previously issued under the CHE MTI. These replacement obligations will be issued by Trinity, as obligated group agent, under and pursuant to the amended and restated Trinity master trust indenture. The CHE Trinity Health MTI provides for security interests in the "pledged property" of each member of the CHE

Trinity Health Obligated Group and certain designated affiliates, with pledge property being described as all receipts, revenue, income and other money received and including rights to receive accounts and health care insurance receivables.

St. Peter's Health Partners (St. Peter's) in New York is a subsidiary of CHE that we rate separately because New York regulations prohibit St. Peter's from joining an out-of-state obligated group. Saint Michael's Medical Center's (Saint Michael's) debt was also issued outside the former CHE obligated group under the New Jersey Hospital Asset Transformation Program. The debt is supported by state appropriations.

CHE Trinity Inc. Financial Summary

	--Fiscal year ended June 30--	
	2013	**2012**
Financial performance		
Net patient revenue ($000s)	11,636,786	11,060,558
Total operating revenue ($000s)	13,293,722	12,480,452
Total operating expenses ($000s)	12,878,650	12,108,924
Operating income ($000s)	415,072	371,528
Operating margin (%)	3.12	2.98
Net non-operating income ($000s)	346,669	126,779
Excess income ($000s)	761,741	498,307
Excess margin (%)	5.58	3.95
Operating EBIDA margin (%)	9.39	9.29
EBIDA margin (%)	11.69	10.2
Net available for debt service ($000s)	1,594,628	1,286,276
Maximum annual debt service ($000s)	294,524	294,524
Maximum annual debt service coverage (x)	5.41	4.37
Liquidity and financial flexibility		
Unrestricted cash and investments ($000s)	6,711,936	6,158,321
Unrestricted days' cash on hand	200.8	196.0
Unrestricted cash/total long-term debt (%)	1.37	1.33
Debt and liabilities		
Total debt ($000s)	4,906,055	4,641,534
Long-term debt/capitalization (%)	32.7	36.2
Debt burden (%)	2.15	2.33
Pro forma ratios		
Unrestricted days' cash on hand	209.3	
Unrestricted cash/total long-term debt (%)	134.61	
Long-term debt/capitalization (%)	36.4	

Related Criteria And Research

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- U.S. Not-For-Profit Health Care Sector Outlook: Providers Prove Adaptable But Face A Test In 2013 As Reform Looms, Jan. 4, 2013
- U.S. Not-For-Profit Health Care System Ratios: Metrics Remain Steady As Providers Navigate An Evolving Environment, Aug. 8, 2013
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- U.S. Not-For-Profit Health Care Providers Hone Their Strategies To Manage Transition Risk, May 16, 2012
- U.S. Not-For-Profit Health Care Providers Hone Their Strategies For Reform, May 16, 2011

Ratings Detail (As Of October 3, 2013)

Catholic Health East Series 1999G

Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Series 2008

Short Term Rating	A-1+	Affirmed

Athens Clarke Cnty Unif Govt, Georgia
Catholic Health East, Pennsylvania

Series 2002D & 2009

Long Term Rating	AA-/Stable	Upgraded

California Statewide Communities Dev Auth, California
Trinity Health , Michigan

Series 2011CA

Long Term Rating	AA-/Stable	Downgraded

Connecticut Hlth & Educl Facs Auth, Connecticut
Catholic Health East, Pennsylvania

Series 2010

Long Term Rating	AA-/Stable	Upgraded

Delaware Cnty Auth, Pennsylvania
Catholic Health East, Pennsylvania

Series 2001

Long Term Rating	AA-/Stable	Upgraded

Delaware Hlth Fac Auth, Delaware
Catholic Health East, Pennsylvania

Series 2003D

Long Term Rating	AA-/Stable	Upgraded

Franklin Cnty, Ohio
Trinity Health , Michigan

Series 1995

Ratings Detail (As Of October 3, 2013) (cont.)		
Long Term Rating	AA-/A-1+/Stable	Downgraded
Series 2011OH		
Long Term Rating	AA-/Stable	Downgraded
Greene Cnty Dev Auth, Georgia		
Catholic Health East, Pennsylvania		
series 2012A		
Long Term Rating	AA-/Stable	Upgraded
Idaho Hlth Fac Auth, Idaho		
Trinity Health , Michigan		
Series 2008B, 2010D		
Long Term Rating	AA-/Stable	Downgraded
Illinois Fin Auth, Illinois		
Trinity Health , Michigan		
Series 2011IL		
Long Term Rating	AA-/Stable	Downgraded
Indiana Fin Auth, Indiana		
Trinity Health , Michigan		
Conversion of Series 2008D-2		
Long Term Rating	AA-/A-1+/Stable	Downgraded
Series 2006B, 2009A		
Long Term Rating	AA-/Stable	Downgraded
Series 2010B		
Long Term Rating	AA-/Stable	Downgraded
Massachusetts Development Finance Agency, Massachusetts		
Catholic Health East, Pennsylvania		
Series 2002E, 2007, 2009 & 2010		
Long Term Rating	AA-/Stable	Upgraded
Miami, Florida		
Catholic Health East, Pennsylvania		
Series 2003B&C		
Long Term Rating	AA-/Stable	Upgraded
Michigan Fin Auth, Michigan		
Trinity Health , Michigan		
Series 2008C		
Long Term Rating	AA-/Stable	Downgraded
Series 2009B&C		

Ratings Detail (As Of October 3, 2013) (cont.)		
Long Term Rating	AA-/Stable	Downgraded
Series 2010A		
Long Term Rating	AA-/Stable	Downgraded
Series 2011MI		
Long Term Rating	AA-/Stable	Downgraded
Michigan St Hosp Fin Auth, Michigan		
Trinity Health , Michigan		
Michigan St Hosp Fin Auth (Trinity Health) Series 2005D		
Unenhanced Rating	AA-(SPUR)/Stable	Downgraded
Series 2005E, 2005F, 2008C, 2009B&C		
Long Term Rating	AA-/A-1+/Stable	Downgraded
Series 2012MI, 2005D, 2006A, 2008A		
Long Term Rating	AA-/Stable	Downgraded
Montgomery Cnty, Maryland		
Trinity Health , Michigan		
Series 2011MD		
Long Term Rating	AA-/Stable	Downgraded
Montgomery Cnty Hgr Ed & Hlth Auth, Pennsylvania		
Catholic Health East, Pennsylvania		
Series 2004C, 2007 & 2009		
Long Term Rating	AA-/Stable	Upgraded
New Jersey Hlth Care Facs Fincg Auth, New Jersey		
Catholic Health East, Pennsylvania		
New Jersey Hlth Care Fac Fin Auth (Catholic Health East) Series 1998E		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Series 2007, 2009E & 2010		
Long Term Rating	AA-/Stable	Upgraded
North Carolina Med Care Comm, North Carolina		
Catholic Health East, Pennsylvania		
Series 2010 & 2012A		
Long Term Rating	AA-/Stable	Upgraded
Ontario Hosp Fac Auth, Oregon		
Trinity Health , Michigan		
Series 2010E		
Long Term Rating	AA-/Stable	Downgraded

Ratings Detail (As Of October 3, 2013) (cont.)

St. Mary Hosp Auth, Pennsylvania

Catholic Health East, Pennsylvania

Series 2004A&B, 2007, 2009, 2010A&B and 2012A

Long Term Rating	AA-/Stable	Upgraded

Series 2012B

Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Long Term Rating	AAA/A-1+	Affirmed

Tampa, Florida

Catholic Health East, Pennsylvania

Series 2010 & 2012A

Long Term Rating	AA-/Stable	Upgraded

Many issues are enhanced by bond insurance.

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MOODY'S
INVESTORS SERVICE

Rating Update: Moody's upgrades Catholic Health East's to Aa2; outlook is negative

Global Credit Research - 03 Oct 2013

$687 million of rated debt affected

SAINT MARY HOSPITAL AUTHORITY, PA
Hospitals & Health Service Providers
PA

Opinion

NEW YORK, October 03, 2013 --Moody's Investors Services has upgraded to Aa2 from A2 the ratings assigned to Catholic Health East's (CHE) $687 million of outstanding long-term rated debt issued through various authorities (see RATED DEBT section of this report). The outlook is negative. CHE is now part of CHE Trinity, Inc. (referred to as CHE Trinity) and the rating upgrade and negative outlook are based on our analysis of CHE Trinity. The rating upgrade is attributable to a proposed substitution of notes that is scheduled to take place the week of October 1, 2013. At this time we are assigning Aa2/VMIG 1 ratings to the previously issued Series 2012B bonds issued through the Saint Mary Hospital Authority and the Series 2008 bonds issued through the North Carolina Medical Care Commission. These bonds are expected to be remarketed at the time that CHE Trinity issues its 2013 bonds. The long-term and short-term ratings are based on the credit quality of CHE Trinity, CHE Trinity's self liquidity program established originally by Trinity Health, and the proposed new debt security structure. Please see the CHE Trinity and Trinity Health reports issued concurrent with this report for a discussion of the analysis supporting the short term rating.

CHE Trinity became the new sole corporate member of Catholic Health East (CHE) and Trinity Health on May 1, 2013. CHE and Trinity Health currently maintain separate obligated groups in support of their respective organization's secured debt. As part of the merger, a new debt structure is being established whereby Trinity Health's Master Trust Indenture (MTI) will be amended to expand the Obligated Group to include CHE Trinity, CHE and Trinity Health. Trinity Health's debt will continue to be secured under the amended MTI and CHE's debt that is not refunded or refinanced will become secured under the new MTI through a proposed substitution of notes for the existing outstanding bonds, scheduled to occur on October 2, 2013. CHE Trinity is issuing $305 million of Series 2013 bonds. Concurrent with this bond sale, CHE's debt is being upgraded to Aa2 from A2 to reflect the new security and Trinity Health's bond ratings are being affirmed (see separate rating reports issued concurrently for CHE Trinity and Trinity Health).

Should the proposed substitution of notes not take place as outlined, CHE's rating will be revisited and could be downgraded.

SUMMARY RATING RATIONALE:

The Aa2 rating is attributable to CHE Trinity's position as one of the nation's largest multi-state health systems that has expanded into 21 states, with anticipated operating revenues to be just shy of $14 billion in fiscal year (FY) 2014 following the May 1, 2013 consolidation of Trinity Health and CHE. This geographic diversification generates cash flow diversification, with only three ministry organizations generating greater than 10% of system operating cash flow, and reducing the exposure to unfavorable fluctuations in any one state to only 25% of system revenues. Trinity Health's margins softened at the end of the last decade but have remained stable at 9.6% for the past three years (FY 2013 excludes net rural floor settlement of $50 million). While CHE experienced operational improvement in FY 2012 (ended December 31), the operating cash flow margin of 7.8% remains below that of Trinity Health (excludes net rural floor settlement of $24 million). On a pro forma basis as of June 30, 2013 including Trinity Health's audited financial performance and twelve months of CHE ended June 30, 2013, the combined group shows a adequate pro forma 9.0% operating cash flow margin and good debt service coverage of over 5 times on a moderate debt load. Cash on hand is adequate at just over 200 days, yet cash to direct debt is well below average for a Aa at 137% (Aa2 median is 222%).

The negative outlook speaks to the absence of a permanent top executive management team at this time, the

weakened combined pro forma performance prior to the realization of annualized $302 million of cost control improvements and $100 million of anticipated revenue enhancements over the next three years, and the potential for the addition of organizations with weaker credit profiles that will place pressure on the rating.

STRENGTHS

*CHE Trinity has material geographic diversification across 21 states that reduces risk to any healthcare changes in an individual state. Only three markets comprise greater than 10% individually of system operating cash flow in FY 2013 (Columbus, OH, Ann Arbor, MI, and Chicago, IL), yet these regional systems hold strong market positions.

* CHE Trinity is now the second largest system in our portfolio with operating revenues projected to near $14 billion in FY 2014. Trinity Health, the stronger of the two combining systems, represents about 67% of the newly formed system's revenues and brings a history of strong centralized services.

*The organizations undertook separate cultural surveys prior to the merger that evidenced two highly aligned corporate cultures. A lack of geographic overlap will help mitigate conflicts of clinical integration on a market-by-market basis that can sometimes impair mergers over the short term. Concomitantly, however, it limits large scale clinical cost avoidance savings.

*Trinity Health has experienced a stable operating cash flow margin across the past three years (June yearend) and CHE reported improved performance in FY 2012 (December yearend). The combined operating performance is below average for a Aa2 rating (pro forma 9.0% operating cash flow margin for FY 2013), but remains good compared to peers with comparably large revenues bases. Operational improvement is anticipated across the next three years with annualized $302 million targeted in cost controls as the system's functions are consolidated and $100 million of anticipated revenue enhancements.

*Pro forma Moody's adjusted maximum annual debt service (MADS) coverage remains good at over 5 times on an average debt load of 37% debt to revenues.

*Growth in absolute liquidity has maintained cash on hand at or above 200 days with a strong treasury management function. CHE's assets have been consolidated with Trinity Health's treasury function and an anticipated rebalancing of the portfolio will occur over the next six months.

*Both organizations maintain a history of strategic mergers/acquisitions and divestitures to improve system operating performance. Trinity Health demonstrated a highly successful turnaround at Loyola University Health System in Chicago. CHE has pending divestitures of unprofitable markets that are expected to close in the near term.

*A sizable unrestricted liquidity portfolio along with a dedicated syndicated line of credit, solid treasury management, and appropriate liquidation procedures support the tender features on variable rate demand debt supported by internal liquidity.

CHALLENGES

*CHE Trinity is without a permanent top executive management team, currently functioning with an interim chief executive officer (the CEO from CHE), an interim COO from the Trinity Health Board, and an interim chief financial officer (the CFO from CHE). The longstanding CEO of Trinity Health was slated to be the CEO of CHE Trinity, but an unexpected departure from the organization mandated a change in plans. A new CEO is expected by the end of the calendar year.

*Trinity Health experienced slow decline of the operating cash flow margin in the last decade, followed by stability at a lower level in 2011-2013. The operating performance and balance sheet profile of Aa2 rated Trinity Health Credit Group was further weakened with the merger of CHE. CHE Trinity has signed a letter of intent with Ba1 rated St. Joseph's Hospital Health Center in NY, whose projected $600 million in revenues could cause additional pressure on ratios.

*CHE Trinity expects to issue debt annually to fund capital projects and strategic growth, though management has proven an ability and willingness to pull back on capital spending when either operations or liquidity are stressed.

*Current liquidity is strained relative to the Aa2 level with ratios below the Aa2 median: pro forma cash on hand of 201 days versus median of 290 days and pro forma cash to direct debt low at 137% versus median of 222%. Additionally, CHE Trinity has underfunded pension plans and a sizable swap program.

*Many of the system's hospitals operate in highly competitive markets, with some not holding leading market share positions.

*Protracted efforts to complete various planned divestitures of CHE underperforming assets is a credit risk and continued consumption of time and resources.

DETAILED CREDIT DISCUSSION

Legal Structure: With the current bond sale by CHE Trinity, a newly amended MTI will go into affect whereby the debt issued by CHE Trinity, Trinity Health and CHE will be secured on parity. The system has stated its intent to exercise its right to issue note substitutions for the outstanding CHE bonds, replacing the current security with the new security. The newly established Obligated Group will be a joint and several obligation of CHE Trinity, Trinity Health and CHE, but does not include the hospitals. Trinity Health may not withdraw from the Obligated Group. The Credit Group will consist of Members of the Obligated Group and the Designated Affiliates. The Designated Affiliates include the majority of the hospitals except for the New York facilities and Mercy Chicago. The Obligated Group pledges to cause the Designated Affiliates to pay, loan or otherwise transfer to the Obligated Group such moneys as are necessary to pay amounts due on the bonds. Rate covenant of 1.1 times. Pledge of revenue derived from the operation of all facilities of the majority of Designated Affiliates, including rights to receive accounts and heath care-insurance receivables.

INTEREST RATE DERIVATIVES: CHE Trinity has an extensive swap portfolio with $2.55 billion in outstanding notional amount. As of June 30, 2013 the swap program consists of $1.5 billion in basis swaps, $682 million in floating-to-fixed rate swaps, $125 million in fixed-to-floating rate swaps, $195 million in constant maturity swaps and $73 million in total return swaps. The swaps are spread across six counterparties. The fair market value of the swaps as of June 30, 2013 was a liability of $112 million. Certain collateral posting requirements are in effect, and as of June 30, 2013 CHE Trinity had posted $11.2 million in collateral.

MARKET POSITION/COMPETITIVE STRATEGY: SIGNIFICANT GEOGRAPHIC DIVERSIFICATION VIEWED FAVORABLY

Through the merger, CHE Trinity has become the second largest not-for-profit organization in our portfolio, operating over 80 hospitals across 21 states. Together with a 4,100 employed physician base (including residents), a sizable presence in continuing care, home care and hospice, CHE Trinity is projected to generate just under $14 billion in revenues in FY 2014. The consolidation brought together mid-west/west coast based Trinity Health with east coast based CHE. These two Catholic based systems discovered a very strong cultural alignment across the two systems through a formal audit by an outside consultant. This alignment will be tested when new senior management is in place and as corporate services are consolidated. The absence of geographic overlap between Trinity Health and CHE hospitals also mitigates some of the cultural compatibility risks of clinical consolidation that we often see in other mergers but also limits larger upside savings.

The organization is currently without a permanent top executive management team, operating with an interim CEO, COO and CFO from within the two legacy systems. A new CEO is anticipated by the end of the calendar year, and the current interim CEO, who was the CEO of CHE, will remain on board to assist with the management transition. Following the hiring of a permanent CEO, the new CEO will be charged with structuring the executive team. The Board of Directors of CHE Trinity consists of board members who previously served on the Boards of both Trinity Health and CHE and two new board members appointed October 1. Trinity Health and CHE Boards mirror the CHE Trinity Board.

Both Trinity Health and CHE have histories of acquisitions/ mergers and divestitures to maintain a strong operating system. Most recently, Trinity Health entered the Chicago, IL market with the July 1, 2011 acquisition of Loyola University Health System and the April 1, 2012 acquisition of Mercy Health System of Chicago, which combined generated $1.4 billion in operating revenues in FY 2013. Trinity Health turned a combined FY 2012 operating (profit of $5.1 million into a $46.7 million profit in FY 2013 in a market with a minority market share and gained an academic medical center. Effective October 1, 2011, CHE successfully merged three organizations into St. Peter's Health Partners (Albany, NY) and increased operating cash flow by $17 million in FY 2013. The systems also have experience with divestitures. Trinity Health sold its 50% equity interest in Battle Creek, MI in July 2011. CHE has two pending divestitures - Mercy Hospital in Portland, Maine and St. Michael's Medical Center in Newark, New Jersey. Both are distressed markets with large losses incurred for several years. Divestiture discussions have been ongoing for over a year with various suitors named. Inability to successful divest these hospitals remains a credit risk despite the accounting treatment which reports the losses as discontinued operations.

CHE Trinity has signed a non-binding letter of intent to acquire St. Joseph's Hospital Health Center in Syracuse, NY. St. Joseph's is currently rated Ba1, and represents a weaker credit profile and brings a highly competitive market into the portfolio. We believe that in the near term, while representing less than 5% of revenues, this acquisition would be slightly dilutive to CHE Trinity's performance and balance sheet.

OPERATING PERFORMANCE: MODEST PRO FORMA PERFORMANCE; STRONGER TRINITY HEALTH REPRESENTS TWO-THIRDS OF SYSTEM REVENUES

Pro forma CHE Trinity performance (management prepared based on Trinity Health's audited 2013 performance and 12 months of CHE ended June 30, 2013) reports a 9.0% operating cash flow margin and 5.6 times MADS coverage. This is weaker than Trinity Health's performance and stronger than CHE's performance. With the consolidation, the stronger Trinity Health represents about 67% of total system revenues.

Trinity Health has had stable operating cash flow margins across the past three years at 9.6% after experiencing a slight decline in the final years of the past decade ($50 million of net Medicare rural floor settlement removed in FY 2013). The three largest markets for Trinity Health, and now CHE Trinity, are St. Joseph Mercy Health System in Ann Arbor, MI, Mount Carmel Health System in Ohio, and now Loyola University Health System, which represent the only markets generating greater than 10% of the system's operating cash flow. St. Joseph and Mount Carmel generated double digit cash flow margins in FY 2013 despite some volume declines. CHE improved operationally in FY 2012 to report a 7.8% operating cash flow margin in FY 2012 (excluding a $24 million net Medicare rural floor settlement) compared to 7.1% the prior year.

Management is projecting for $302 million in cost controls over the next three years as the two organizations are fully integrated and over $100 million in revenue enhancements. A large portion of the savings is from supply chain management, with additional benefits from revenue cycle improvements, information systems, finance and some clinical improvements. Steps have already been taken to consolidate insurance programs, consolidated the treasury function, and reduce management staffing. The FY 2014 operating cash flow margin is projected to increase to 9.6%.

BALANCE SHEET POSITION:FAVORABLE BALANCE SHEET METRICS; HISTORY OF DISCIPLINED CAPITAL SPENDING EXPECTED TO CONTINUE

Absolute liquidity for CHE Trinity reached $6.7 billion as of June 30, 2013, with cash on hand a pro forma 201 days, below the Aa2 median of 290 days. Trinity Health's absolute liquidity of $5.3 billion at June 30, 2013 generated cash on hand of 235 days, with the weaker profile at CHE bringing cash on hand down but remaining over 200 days. Both organizations maintain exposures to hedge funds and private equity funds, but less than 20% combined. Each maintained greater than 10% in cash and greater than 25% in fixed income securities. The current new money portion of the bond proceeds reimburses for prior capital expenditures, adding to absolute liquidity. Trinity Health has a practice of funding strategic capital needs throughout the year with its commercial paper program, then issuing long term financing to pay down the outstanding CP. This practice will continue for CHE Trinity.

The combined pro forma debt load is moderate at 37% debt-to-operating revenues, with pro forma cash-to-direct debt weak at 137% (Aa2 median is 222%). The pro forma debt load is 62% fixed rate and 38% variable rate, with the majority of variable rate bonds supported by the self liquidity program.

The Series 2013 debt structure includes the issuance of variable rate bonds in the Windows mode. In this mode, bondholders may tender their bonds at any time. The remarketing agent has 30 days to try to remarket the bonds. If the remarketing fails, the bonds are put back to the bondholder and CHE Trinity has 180 days to either pay off or refinance the bonds, or remarket the bonds under a different mode. Additional optional modes include, daily, weekly, flexible, various index modes, FRN rate mode, term, and fixed rate. CHE Trinity has a procedures letter whereby they system outlines a plan over the six months to pay off the tender. The P-1 rating on these bonds does not speak to the tender structure but to CHE Trinity's ability to access the capital markets to pay off the tender.

The Series 2013 debt structure also includes the issuance variable rate bonds in a Term mode. The initial term will be quarterly, under which the remarketing agent will attempt to remarket the bonds over the quarter. CHE Trinity will be notified five days prior to the mandatory tender date of any unremarketed bonds. In CHE Trinity's procedures letter management has outlined their plans to begin liquidating funds to meet the tender four days before the mandatory purchase should sufficient cash not be available. CHE Trinity will initiate a cash transfer of funds on the mandatory purchase date.

OUTLOOK

The negative outlook reflects the absence of a permanent senior leadership team, a lengthy effort to complete the divestiture of some distressed CHE facilities, recent tempering of pro forma operating performance and balance sheet metrics, and potential future acquisitions that could stymie near-term improvement.

WHAT COULD MOVE THE RATNG UP

A rating upgrade would be considered with material and sustained improvement in operating and operating cash flow margins that generate improved debt coverage metrics on a sustained basis. Establishment of a permanent top executive team is a must. Growth in liquidity and an overall strengthening of the balance sheet, including higher coverage under the self-liquidity program would need to be reached. Successful integration of the two merged organizations with a track record at higher performance levels would be an additional factor.

WHAT COULD MOVE THE RATING DOWN

A rating downgrade would be considered if CHE Trinity is unable to improve operating performance due to challenges with the integration of the two systems or acquisitions/ mergers that further dilute operations or the balance sheet. Continued protracted effort to divest of two distressed CHE markets will also pressure the rating. The inability to establish a permanent and effective new executive management team for this complex organization will create rating pressure. Any tempering of the balance sheet, in particular a weakening of liquidity balances, could place stress on the long term rating.

KEY INDICATORS

Assumptions & Adjustments:

-Based on financial statements for Trinity Health and Catholic Health East

-First number reflects Trinity Health audit year ended June 30, 2013

-Second number reflects pro forma CHE Trinity adding Trinity Health 2013 audit with CHE 2012 audit (CHE audit year ended December 31, 2012)

-Third number reflects management's pro forma CHE Trinity with Trinity Health 2013 audit and CHE for the twelve months ended June 30, 2013

-Excludes from other operating revenues net Medicare rural floor settlements of $50 million for Trinity Health and $24 million for CHE in FY 2012

-Reclassified investment income of $9.6 million from Trinity Health's FY 2013 audit

-Excludes from operating expenses non-recurring consolidation costs of $17.0 million from Trinity Health FY 2013

-Investment returns smoothed at 6%

-Comprehensive debt includes direct debt, operating leases, and pension obligation, if applicable

-Monthly liquidity to demand debt ratio is not included if demand debt is de minimis

*Inpatient admissions: 347,309;477,069; NA (Designated Affiliates only)

*Observation stays: not available

*Medicare % of gross revenues: 37%; NA; NA

*Medicaid % of gross revenues: 11%; NA; NA

*Total operating revenues ($): $8.9 billion; $13.1 billion; $13.3 billion

*Revenue growth rate (%) (3 yr CAGR): 8.4%; NA; 10.7%

*Operating margin (%): 2.9%; 2.9%; 3.1%

*Operating cash flow margin (%): 9.6%; 9.2%; 9.4%

*Debt-to-cash flow (x): 3.31 times; 3.03 times; NA

*Days cash on hand: 235 days; 213 days; NA

*Maximum annual debt service (MADS) ($): $200.8 million; $318.9 million; NA

*MADS coverage with reported investment income (x): 5.32 times; 4.87 times; NA

*Moody's-adjusted MADS Coverage with normalized investment income (x): 5.9 times; 5.9 times; NA

*Direct debt ($): $3.5 billion; $4.8 billion; $4.9 billion

*Cash-to-direct debt (%): 149%; 146%; 137%

*Comprehensive debt: $3.5 billion; $5.7 billion; NA

*Cash-to-comprehensive debt (%): 149%; 123%; NA

RATED DEBT (debt outstanding as of June 30, 2013)

-Series 1999G taxable fixed rate bonds ($3.7 million outstanding), rated Aa2

Development Authority of the Unified Government of Athens-Clarke County, GA:

-Series 2002 fixed rate bonds ($2.0 million outstanding), rated Aa2

-Series 2009 fixed rate bonds ($15.9 million outstanding), rated Aa2

State of Connecticut Health and Educational Facilities Authority:

-Series 2010 fixed rate bonds ($19.3 million outstanding), rated Aa2

Delaware Health Facilities Authority:

-Series 2003D fixed rate bonds ($16.6 million outstanding, $0 to remain outstanding post refunding), rated Aa2

Greene County Development Authority, GA:

-Series 2012 fixed rate bonds ($39.1 million outstanding), rated Aa2

Massachusetts Health and Educational Facilities Authority:

-Series 2007C index mode bonds ($12.4 million outstanding), rated Aa2

-Series 2009 fixed rate bonds ($30.1 million outstanding), rated Aa2

-Series 2010 fixed rate bonds ($11.4 million outstanding), rated Aa2

City of Miami, FL Health Facilities Authority:

-Series 2003B fixed rate bonds ($27.9 million outstanding, $0 to remain outstanding post refunding), rated Aa2

Montgomery County Higher Education and Health Authority, PA:

-Series 2004C fixed rate bonds ($1.3 million outstanding), rated Aa2

-Series 2007D index mode bonds ($9.9 million outstanding), rated Aa2

-Series 2009 fixed rate bonds ($5.5 million outstanding), rated Aa2

New Jersey Health Care Facilities Financing Authority:

-Series 1998E fixed rate bonds ($5.2 million outstanding, $0 to remain outstanding post refunding), rated Aa2

-Series 2003A fixed rate bonds ($1.3 million outstanding, $0 to remain outstanding post refunding), rated Aa2

-Series 2007E index mode bonds ($1.4 million outstanding), rated Aa2

-Series 2010 fixed rate bonds ($115.8 million outstanding), rated Aa2

North Carolina Medical Care Commission:

-Series 2008 variable rate bonds ($25.3 million outstanding), rated Aa3/VMIG 1 based upon a Letter of Credit ; these bonds are being refinanced and the short term rating will be supported by Trinity Health's own self liquidity

-Series 2010 fixed rate bonds ($11.8 million outstanding), rated Aa2

-Series 2012A fixed rate bonds ($17.1 million outstanding), rated Aa2

Saint Mary Hospital Authority, PA:

-Series 2004A fixed rate bonds ($8.9 million outstanding), rated Aa2

-Series 2004B fixed rate bonds ($5.7 million outstanding), rated Aa2

-Series 2007F index mode bonds ($4.0 million outstanding), rated Aa2

-Series 2009 fixed rate bonds ($34.0 million outstanding), rated Aa2

-Series 2010A fixed rate bonds ($92.8 million outstanding), rated Aa2

-Series 2010B fixed rate bonds ($42.4 million outstanding), rated Aa2

-Series 2012A fixed rate bonds ($102.5 million outstanding), rated Aa2

City of Tampa, Florida:

-Series 2010 fixed rate bonds ($20.2 million outstanding), rated Aa2

-Series 2012A fixed rate bonds ($28.0 million outstanding), rated Aa2

The principal methodology used in the long term rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. An additional methodology used in rating the short term rating was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in May 2013. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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Trinity Health

Consolidated Financial Statements as of and for the Years Ended June 30, 2013 and 2012, and Independent Auditors' Report

ATTACHMENT
6

TRINITY HEALTH

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012:	
Balance Sheets	3–4
Statements of Operations and Changes in Net Assets	5–7
Statements of Cash Flows	8–9
Notes to Consolidated Financial Statements	10–51

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trinity Health
Livonia, Michigan

We have audited the accompanying consolidated financial statements of Trinity Health and subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditor's 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 Corporation'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 Corporation'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.

Member of
Deloitte

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity Health and subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the consolidated financial statements, the Corporation adopted the presentation and disclosure requirements of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, and changed its presentation of the provision for bad debts in the consolidated statements of operations and changes in net assets. Our opinion is not modified with respect to this matter.

Deloitte + Touche LLP

September 25, 2013

ATTACHMENT
6

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND 2012
(In thousands)

ASSETS	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	$ 709,683	$ 708,889
Investments	2,088,973	1,883,325
Security lending collateral	114,865	130,702
Assets limited or restricted as to use — current portion	27,112	27,420
Patient accounts receivable — net of allowance for doubtful accounts of $268.1 million and $217.5 million in 2013 and 2012, respectively	942,880	965,573
Estimated receivables from third-party payors	155,534	140,614
Other receivables	137,579	140,718
Inventories	137,780	133,634
Prepaid expenses and other current assets	103,530	159,674
Total current assets	4,417,936	4,290,549
ASSETS LIMITED OR RESTRICTED AS TO USE — Noncurrent portion:		
Held by trustees under bond indenture agreements	-	51,114
Self-insurance, benefit plans and other	388,758	419,685
By Board	2,475,659	2,153,574
By donors	141,647	129,628
Total assets limited or restricted as to use — noncurrent portion	3,006,064	2,754,001
PROPERTY AND EQUIPMENT — Net	4,548,908	4,221,827
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	127,899	126,678
GOODWILL	118,542	107,704
INTANGIBLE ASSETS — Net of accumulated amortization of $20.4 million and $17.1 million in 2013 and 2012, respectively	65,409	64,475
OTHER ASSETS	164,735	110,681
TOTAL ASSETS	$ 12,449,493	$ 11,675,915

ATTACHMENT
6

LIABILITIES AND NET ASSETS	2013	2012
CURRENT LIABILITIES:		
Commercial paper	$ 368,923	$ 134,989
Short-term borrowings	867,130	892,865
Current portion of long-term debt	30,862	32,362
Accounts payable	419,050	351,931
Accrued expenses	130,383	138,114
Salaries, wages and related liabilities	439,214	421,448
Current portion of self-insurance reserves	92,300	121,045
Payable under security lending agreements	114,865	130,702
Estimated payables to third-party payors	285,419	269,377
Total current liabilities	2,748,146	2,492,833
LONG-TERM DEBT — Net of current portion	2,299,594	2,302,236
SELF-INSURANCE RESERVES — Net of current portion	507,845	513,602
ACCRUED PENSION AND RETIREE HEALTH COSTS	686,946	1,057,566
OTHER LONG-TERM LIABILITIES	403,928	440,668
Total liabilities	6,646,459	6,806,905
NET ASSETS:		
Unrestricted net assets	5,627,077	4,707,202
Noncontrolling ownership interest in subsidiaries	19,758	18,160
Total unrestricted net assets	5,646,835	4,725,362
Temporarily restricted net assets	113,438	102,978
Permanently restricted net assets	42,761	40,670
Total net assets	5,803,034	4,869,010
TOTAL LIABILITIES AND NET ASSETS	$ 12,449,493	$ 11,675,915

The accompanying notes are an integral part of the consolidated financial statements.

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
UNRESTRICTED REVENUE:		
Patient service revenue — net of contractual and other allowances	$8,288,991	$7,849,161
Provision for bad debts	480,302	431,457
Net patient service revenue less provision for bad debts	7,808,689	7,417,704
Capitation and premium revenue	467,093	422,493
Net assets released from restrictions	13,566	12,120
Other revenue	689,037	617,136
Total unrestricted revenue	8,978,385	8,469,453
EXPENSES:		
Salaries and wages	3,793,347	3,549,999
Employee benefits	841,318	831,816
Contract labor	86,365	82,903
Total labor expenses	4,721,030	4,464,718
Supplies	1,468,953	1,430,933
Purchased services	857,177	775,408
Depreciation and amortization	479,882	464,750
Occupancy	370,404	348,864
Medical claims	238,209	210,245
Interest	110,533	102,781
Other	410,448	401,745
Total expenses	8,656,636	8,199,444
OPERATING INCOME BEFORE CONSOLIDATION COSTS	321,749	270,009
CONSOLIDATION COSTS	(16,950)	-
OPERATING INCOME	304,799	270,009
NONOPERATING ITEMS:		
Investment income (loss)	325,646	(19,159)
Change in market value and cash payments of interest rate swaps	45,818	(114,468)
Loss from early extinguishment of debt	-	(13,458)
Gain on bargain purchase and inherent contribution	-	216,796
Other, including income taxes	(9,824)	27,333
Total nonoperating items	361,640	97,044
EXCESS OF REVENUE OVER EXPENSES	666,439	367,053
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	10,566	8,312
EXCESS OF REVENUE OVER EXPENSES — Net of noncontrolling interest	$ 655,873	$ 358,741

ATTACHMENT
6

	2013		
	Controlling Interest	Noncontrolling Interest	Total
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	$ 655,873	$ 10,566	$ 666,439
Net assets released from restrictions for capital acquisitions	15,594	-	15,594
Net change in retirement plan related items	261,557	-	261,557
Other	(3,646)	(8,968)	(12,614)
Increase in unrestricted net assets before discontinued operations	929,378	1,598	930,976
Discontinued operations — Battle Creek Health System (BCHS) — loss from operations	(9,503)	-	(9,503)
Increase in unrestricted net assets	919,875	1,598	921,473
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	35,831	-	35,831
Net investment gain	3,246	-	3,246
Net assets released from restrictions	(29,160)	-	(29,160)
Other	543	-	543
Increase in temporarily restricted net assets	10,460	-	10,460
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	1,230	-	1,230
Net investment gain	2,278	-	2,278
Other	(1,417)	-	(1,417)
Increase in permanently restricted net assets	2,091	-	2,091
INCREASE IN NET ASSETS	932,426	1,598	934,024
NET ASSETS — Beginning of year	4,850,850	18,160	4,869,010
NET ASSETS — End of year	$ 5,783,276	$ 19,758	$ 5,803,034

The accompanying notes are an integral part of the consolidated financial statements.

(Continued)

	2012		
	Controlling Interest	Noncontrolling Interest	Total
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	$ 358,741	$ 8,312	$ 367,053
Net assets released from restrictions for capital acquisitions	20,496	-	20,496
Net change in retirement plan related items	(673,340)	-	(673,340)
Other	6,090	(6,287)	(197)
(Decrease) increase in unrestricted net assets before discontinued operations	(288,013)	2,025	(285,988)
Discontinued operations — BCHS:			
Net change in retirement plan-related items	21,678	-	21,678
Loss on transfer of shares	(28,534)	-	(28,534)
Loss from operations	(5,447)	-	(5,447)
Decrease due to transfer	-	(81,153)	(81,153)
Decrease in unrestricted net assets	(300,316)	(79,128)	(379,444)
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	38,022	-	38,022
Net assets released from restrictions	(32,616)	-	(32,616)
Decrease due to transfer of shares of BCHS	(1,628)	(1,628)	(3,256)
Acquisition of Loyola University Health System (LUHS)	20,362	-	20,362
Acquisition of Mercy Health System of Chicago (MHSC)	4,016	-	4,016
Other	1,535	-	1,535
Increase (decrease) in temporarily restricted net assets	29,691	(1,628)	28,063
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	636	-	636
Net investment loss	(421)	-	(421)
Decrease due to transfer of shares of BCHS	(129)	(129)	(258)
Acquisition of LUHS	6,671	-	6,671
Other	(549)	-	(549)
Increase (decrease) in permanently restricted net assets	6,208	(129)	6,079
DECREASE IN NET ASSETS	(264,417)	(80,885)	(345,302)
NET ASSETS — Beginning of year	5,115,267	99,045	5,214,312
NET ASSETS — End of year	$ 4,850,850	$ 18,160	$ 4,869,010

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 934,024	$ (345,302)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	479,882	464,750
Provision for bad debts	480,302	431,457
Deferred retirement (gain) loss arising during the year	(168,009)	718,203
Change in net unrealized and realized gains on investments	(262,870)	80,538
Change in market values of interest rate swaps	(65,387)	97,189
Undistributed equity earnings from unconsolidated affiliates	(33,738)	(33,584)
Restricted contributions and investment income received	(10,972)	(19,583)
Restricted net assets acquired related to LUHS and MHSC	-	(31,610)
Gain on bargain purchase agreement and inherent contribution — LUHS and MHSC	-	(216,796)
Net change in retirement plan related items due to transfer of shares of BCHS	-	(21,678)
Loss on transfer of shares of BCHS	-	28,534
Decrease in noncontrolling interest due to transfer of BCHS	-	82,910
Loss from extinguishment of debt	-	5,557
Gain on sale of assets and other adjustments	(10,788)	(2,302)
Changes in, excluding assets and liabilities acquired:		
Patient accounts receivable	(454,796)	(478,813)
Other assets	55,018	(42,829)
Accounts payable and accrued expenses	(2,215)	43,872
Estimated receivables from third-party payors	(14,920)	-
Estimated payables to third-party payors	16,043	8,003
Self-insurance reserves	(26,682)	31,342
Accrued pension and retiree health costs	(203,990)	(67,444)
Other liabilities	12,262	(32,063)
Total adjustments	(210,860)	1,045,653
Net cash provided by operating activities	723,164	700,351

	2013	2012
INVESTING ACTIVITIES:		
Purchases of investments	$(1,858,000)	$(1,672,413)
Proceeds from sales of investments	1,638,138	1,602,586
Purchases of property and equipment	(732,213)	(605,288)
Acquisition of subsidiaries — net of $85.0 million in cash assumed in 2012	(14,087)	(85,889)
Dividends received from unconsolidated affiliates and other changes	32,006	25,748
Increase in assets limited as to use	(6,406)	(3,678)
Proceeds received from the transfer of shares of BCHS	-	15,843
Proceeds from sales and disposal of assets	12,914	7,178
Net cash used in investing activities	(927,648)	(715,913)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	18,941	1,073,790
Repayments of debt	(58,568)	(961,604)
Net increase in commercial paper	233,933	35,011
Increase in financing costs and other	-	(9,647)
Restricted net assets acquired related to LUHS and MHSC	-	31,049
Proceeds from restricted contributions and restricted investment income	10,972	19,583
Net cash provided by financing activities	205,278	188,182
NET INCREASE IN CASH AND CASH EQUIVALENTS	794	172,620
CASH AND CASH EQUIVALENTS — Beginning of year	708,889	536,269
CASH AND CASH EQUIVALENTS — End of year	$ 709,683	$ 708,889
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	$ 110,090	$ 96,115
New capital lease obligations for buildings and equipment	1,486	5,822
Accruals for purchases of property and equipment and other long-term assets	95,771	37,457
Unsettled investment trades — purchases	9,124	11,367
Unsettled investment trades — sales	4,027	12,346
Decrease in security lending collateral	15,837	18,940
Decrease in payable under security lending agreements	(15,837)	(18,940)

The accompanying notes are an integral part of the consolidated financial statements.

ATTACHMENT
6

1. ORGANIZATION AND MISSION

Trinity Health, an Indiana not-for-profit corporation, and its subsidiaries are collectively referred to as the Corporation. Effective May 1, 2013, the Corporation and Catholic Health East, a Pennsylvania nonprofit corporation, consolidated to form CHE Trinity, Inc., a unified Catholic national health system that enhances the mission of service to people and communities across the United States. This transaction was accounted for as a merger and thus the Corporation's balance sheet continues to be recorded at its historical basis under the carryover method. Transition and integration are on-going with the Corporation incurring approximately $17 million in costs during the year ended June 30, 2013, as a result of the transaction, which are included in consolidation costs in the consolidated statement of operations and changes in net assets. These consolidated financial statements reflect the results of operations and financial position of the Corporation only.

The Corporation is sponsored by Catholic Health Ministries (CHM), a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care, and rehabilitation services located in 10 states. The mission statement for the Corporation is as follows:

We, CHE Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Community Benefit Ministry — Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance or other payments, such as copays and deductibles because of inadequate resources and/or are uninsured or underinsured, and to improve the health status of the communities in which it operates. The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA), *A Guide for Planning and Reporting Community Benefit, 2012 Edition.*

The quantifiable costs of the Corporation's community benefit ministry for the years ended June 30, 2013 and 2012, are as follows:

	2013	2012
	(In thousands)	
Ministry for the poor and underserved:		
Charity care at cost	$ 183,482	$ 177,747
Unpaid cost of Medicaid and other public programs	181,020	211,104
Programs for the poor and the underserved:		
Community health services	19,451	18,210
Subsidized health services	34,950	39,296
Financial contributions	3,972	5,362
Community building activities	1,792	1,908
Community benefit operations	3,117	2,268
Total programs for the poor and underserved	63,282	67,044
Ministry for the poor and underserved	427,784	455,895
Ministry for the broader community:		
Community health services	7,858	8,452
Health professions education	85,840	89,649
Subsidized health services	23,624	18,876
Research	7,006	9,203
Financial contributions	25,895	25,631
Community building activities	3,143	4,410
Community benefit operations	1,871	3,061
Ministry for the broader community	155,237	159,282
Community benefit ministry	$ 583,021	$ 615,177

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, which is reported as bad debt at cost and not included in the amounts reported above. During the years ended June 30, 2013 and 2012, the Corporation reported bad debt at cost (determined using a cost to charge ratio applied to the provision for bad debts) of $170.6 million and $157.5 million, respectively.

Ministry for the poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured, and the indigent. This is done with the conviction that health care is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation's established policies as further described in Note 4. The cost of charity care is calculated using a cost to charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost to charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health services are activities and services for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, free immunization services, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals such as medical residents, nursing students, technicians, and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies. These amounts include special system-wide funds used for charitable activities, as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, develop leadership skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments, and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation and all wholly owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other revenue in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

As further described in Note 3, the Corporation transferred its shares of BCHS to Bronson Healthcare Group, Inc., effective July 1, 2011. The consolidated financial statements have been reclassified to present the operations of BCHS as a discontinued operation. The consolidated statements of cash flows include impacts of cash flows related to BCHS. Notes to these consolidated financial statements exclude BCHS.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances; provisions for bad debts and charity care; recorded values of investments and goodwill; reserves for losses and expenses related to health care professional and general liability; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses on investments, holding gains and losses, and equity earnings. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Board for debt redemption, assets held for borrowings under the intercompany loan program, and assets deposited in trust funds by a captive insurance company for self-insurance purposes in accordance with industry practices are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings from all other unrestricted investments and board-designated funds are included in nonoperating investment income, unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day, the market value of the collateral is less than the required value, additional collateral is

obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. At June 30, 2013 and 2012, the Corporation had securities loaned of $121.9 million and $141.4 million, respectively, and received collateral (cash and noncash) totaling $125.7 million and $143.4 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in investment income (loss) in the consolidated statements of operations and changes in net assets.

Assets Limited as to Use – Assets set aside by the Board for future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation's various ministry organizations are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted average cost method.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 2 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Intangible Assets – Intangible assets include both definite and indefinite-lived intangible assets. The majority of the net balance of definite-lived intangible assets include noncompete agreements and physician guarantees with finite lives amortized using the straight-line method over their estimated useful lives, which range from 2 to 23 years and 2 to 12 years, respectively. Indefinite-lived intangible assets include trade names and renewable licenses.

Asset Impairment –

Property and Equipment – Impairment testing is performed following a triggering event or whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. There is a two-step process for determining goodwill impairment. Step one compares the carrying value of each reporting unit with its fair value. If this test indicates the fair value is less than the carrying value, then step two is required. Step two compares the implied fair value of the reporting unit's goodwill with the carrying value of reporting unit's goodwill. The Corporation estimates the fair value of its reporting units using a discounted cash flow analysis.

Intangible Assets:

Definite-Lived – Impairment testing is performed if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. The Corporation estimates the fair value of its intangible assets using an undiscounted cash flow analysis.

Indefinite-Lived – Impairment testing is performed on an annual basis or more frequently if events or changes in circumstance indicate the asset may be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. The Corporation estimates the fair value of its intangible assets using a discounted cash flow analysis including the use of net revenue associated with the trade names.

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation at June 30:

	2013	2012
	(In thousands)	
As of July 1:		
Goodwill	$ 115,559	$ 116,152
Accumulated impairment loss	(7,855)	(7,855)
Total	107,704	108,297
Goodwill acquired during the year	10,858	2,090
Decrease due to sale of subsidiary	-	(2,683)
Impairment loss	(20)	-
Total	$ 118,542	$ 107,704
As of June 30:		
Goodwill	$ 126,417	$ 115,559
Accumulated impairment loss	(7,875)	(7,855)
Total	$ 118,542	$ 107,704

The following table provides information regarding other intangible assets, which are included in the accompanying consolidated balance sheets of the Corporation at June 30:

	(In thousands)		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
As of June 30, 2013:			
Definite-lived intangible assets:			
Noncompete agreements	$21,169	$15,968	$ 5,201
Physician guarantees	7,888	2,615	5,273
Other	6,190	604	5,586
Total definite-lived intangible assets	35,247	19,187	16,060
Indefinite-lived intangible assets:			
Trade names	43,702	-	43,702
Other	6,889	1,242	5,647
Total indefinite-lived intangible assets	50,591	1,242	49,349
Total intangible assets	$85,838	$20,429	$65,409
As of June 30, 2012:			
Definite-lived intangible assets:			
Noncompete agreements	$19,439	$13,199	$ 6,240
Physician guarantees	5,256	2,384	2,872
Other	6,085	187	5,898
Total definite-lived intangible assets	30,780	15,770	15,010
Indefinite-lived intangible assets:			
Trade names	43,762	-	43,762
Other	7,022	1,319	5,703
Total indefinite-lived intangible assets	50,784	1,319	49,465
Total intangible assets	$81,564	$17,089	$64,475

The following is a schedule of estimated future amortization of definite-lived intangible assets as of June 30, 2013:

	(In thousands)
Years ending June 30:	
2014	$ 5,459
2015	2,617
2016	1,491
2017	1,127
2018	569
Thereafter	4,797
Total	$ 16,060

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors and Net Patient Service Revenue – The Corporation has agreements with third-party payors that provide for payments to the Corporation's ministry organizations at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Estimated receivables from third-party payors include amounts receivable from Medicare and state Medicaid meaningful use programs.

Allowance for Doubtful Accounts – The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though the Corporation does not assess the patient's ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts). For uninsured patients that do not qualify for charity care, the Corporation establishes an allowance to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is established based on the aging of accounts receivable and the historical collection experience by ministry organization and for each type of payor. A significant portion of the Corporation's provision for doubtful accounts relates to self-pay patients, as well as co-payments and deductibles owed to the Corporation by patients with insurance.

Short-Term Borrowings – Short-term borrowings include puttable variable rate demand bonds supported by self liquidity or liquidity facilities considered short-term in nature.

Other Long-Term Liabilities – Other long-term liabilities include accrued payments for the acquisition of Loyola University Health System as stipulated in the Definitive Agreement, deferred compensation, asset retirement obligations and interest rate swaps.

Premium and Capitation Revenue – The Corporation has certain ministry organizations that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due

monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheets.

Certain of the Corporation's ministry organizations have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's ministry organizations are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the ministry organization is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations, extraordinary items and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements –

On July 1, 2012, the Corporation adopted Accounting Standard Update (ASU) 2011-04, "*Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.*" This guidance amends the fair value disclosure requirements regarding transfers between Level 1 and Level 2 of the fair value hierarchy, and also the categorization by level of the fair value hierarchy for items that are not measured at fair value in the financial statements but for which the fair value is required to be disclosed. The adoption of this guidance resulted in additional disclosures in the footnotes to the Corporation's consolidated financial statements.

On July 1, 2012, the Corporation adopted ASU 2011-07, "*Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities.*" This guidance requires certain health care entities to present the provision for bad debts related to patient service revenues as a deduction from revenue,

net of contractual allowances and discounts, versus as an expense in the statement of operations. In addition, it also requires enhanced disclosures regarding revenue recognition policies and the assessment of bad debt. The adoption of this guidance resulted in a reduction of net patient service revenue, operating revenue, and operating expense but had no impact on operating income in the consolidated statement of operations and changes in net assets. All periods presented have been reclassified in accordance with the provisions of ASU 2011-07. The adoption of this guidance also resulted in additional disclosures as presented in the allowance for doubtful accounts policy within Note 2 and net patient service revenue disclosures presented within Note 4.

On July 1, 2012, the Corporation adopted ASU 2011-08, "*Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.*" This guidance provides entities the option of first assessing qualitative factors about the likelihood of goodwill impairment to determine whether further impairment assessment is necessary. The adoption of this guidance had no impact on the Corporation's consolidated financial statements.

Forthcoming Accounting Pronouncements –

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, "*Disclosures About Offsetting Assets and Liabilities.*" This guidance contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. This guidance is effective for the Corporation beginning July 1, 2013, and retrospective application is required. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, "*Intangibles Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment.*" This guidance provides entities the option of first assessing qualitative factors about the likelihood that an indefinite-lived intangible asset is impaired to determine whether further impairment assessment is necessary. It also enhances the consistency of the impairment testing guidance among long-lived asset categories by permitting entities to assess qualitative factors to determine whether it is necessary to calculate the asset's fair value when testing an indefinite-lived intangible asset for impairment. This guidance is effective for the Corporation beginning July 1, 2013, with early adoption permitted. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-05, "*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.*" This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. This guidance is effective for the Corporation beginning July 1, 2013, with early adoption permitted. The Corporation does not expect this guidance to have a material impact on its consolidated statement of cash flows.

In January 2013, the FASB issued ASU 2013-01, "*Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities.*" This guidance provides clarification on the scope of the offsetting disclosure requirements in ASU 2011-11. This guidance is effective for the Corporation beginning July 1, 2013. with early adoption permitted. The Corporation does not expect this guidance to have a material impact on its consolidated balance sheets.

In February 2013, the FASB issued ASU 2013-04, "*Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date.*" This guidance requires entities to measure obligations resulting from the joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at

the reporting date. This guidance is effective for the Corporation beginning July 1, 2014, with early adoption permitted. The Corporation has not yet evaluated the impact this guidance may have on its consolidated financial statements.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Investments in Unconsolidated Affiliates – The Corporation and certain of its ministry organizations have investments in entities that are recorded under the cost and equity methods of accounting. At June 30, 2013, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 3% to 50%. The Corporation's share of equity earnings from entities accounted for under the equity method was $33.7 million and $33.6 million for the years ended June 30, 2013 and 2012, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets.

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method as of and for the periods ended June 30 are as follows:

	2013 (In thousands)					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 63,069	$ 94,075	$ 71,019	$ 25,728	$ 167,523	$421,414
Total debt	36,094	11,685	37,027	17	38,609	123,432
Net assets	22,481	58,804	26,425	6,806	100,543	215,059
Revenue, net	11,712	165,426	116,943	29,663	205,753	529,497
Excess of revenue over expenses	7,954	19,295	34,938	916	14,927	78,030

	2012 (In thousands)					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	$ 88,425	$116,970	$ 76,078	$ 17,530	$137,711	$436,714
Total debt	51,182	17,804	36,003	27	35,800	140,816
Net assets	30,765	69,368	29,733	5,576	80,235	215,677
Revenue, net	22,823	155,521	125,615	20,537	169,724	494,220
Excess of revenue over (under) expenses	1,607	24,908	44,245	(188)	13,972	84,544

Business Acquisitions – The Corporation entered into the following significant acquisition activities during the year ended June 30, 2012:

Acquisition of Mercy Health System of Chicago (MHSC) – Effective April 1, 2012, the Corporation became the sole member of MHSC. MHSC is the parent of Mercy Hospital and Medical Center (Mercy Hospital) and other subsidiaries and affiliates that provide health care services in Chicago, Illinois. Mercy Hospital has a network of primary care clinics, physician offices and satellite facilities. The fair value of assets acquired exceeded liabilities assumed resulting in an inherent contribution of $140.8 million, which was recorded in gain on bargain purchase and inherent contribution in the consolidated statement of operations and changes in net assets for the year ended June 30, 2012. Transactions costs accrued and paid totaled $0.8 million, primarily for legal and consulting services, and are included in purchased services in the consolidated statement of operations and changes in net assets.

Summarized consolidated opening balance sheet information for MHSC is shown below:

(In thousands)			
Cash, cash equivalents and investments	$ 13,777	Current portion of long-term debt	$ 819
Patient accounts receivable, net	42,746	Accounts payable and accrued expenses	41,815
Other current assets	35,018	Other current liabilities	12,957
Assets limited or restricted as to use	16,451	Long-term debt	48,907
Property and equipment	166,529	Self-insurance reserves	36,362
Intangibles	11,000		
Other assets	749	Total liabilities acquired	$140,860
Total assets acquired	$286,270		
		Unrestricted noncontrolling interest	$ 561
		Temporarily restricted net assets	4,016
		Total net assets	$ 4,577

The operating results of MHSC for the year ended June 30, 2013, include total unrestricted revenue of $244.3 million, operating income of $4.6 million and excess of revenue over expense of $4.5 million. The operating results of MHSC for the period April 1, 2012 through June 30, 2012, included total unrestricted revenue of $64.0 million, operating income of $4.7 million, and excess of revenue over expense of $4.5 million.

Acquisition of Loyola University Health System (LUHS) – On July 1, 2011, the Corporation replaced Loyola University of Chicago (University) as the sole member of LUHS, an Illinois not-for-profit corporation. LUHS is the sole member of Loyola University Medical Center and Gottlieb Memorial Hospital (Gottlieb), both Illinois not-for-profit corporations. LUHS was also the sole shareholder of Loyola University of Chicago Insurance Company (LUCIC), a Cayman Islands Corporation until December 31, 2011, as further described in Note 7. The Corporation will coordinate with the University to support health science education and research. The entities seek to work collaboratively both within and outside the Chicago market to become one of the nation's leading providers of Catholic health care, research and medical education.

The Corporation acquired LUHS for $212.9 million, $88.3 million in cash at the effective date, $49.6 million in cash based on a post closing reconciliation adjustment to the purchase price as stipulated in the Definitive Agreement paid in October 2011, and an accrual of an additional $75.0 million to be paid over future years, which remains outstanding as of June 30, 2013. The Corporation recorded indefinite-lived intangible assets, primarily for a trade name, of $36.1 million in the consolidated balance sheet at the acquisition date. Based on the purchase price allocation, the fair value of assets acquired and liabilities assumed exceeded the fair value of consideration paid and accrued. As a result, the Corporation recognized a gain of $76.0 million in gain on bargain purchase and inherent contribution in the consolidated statement of operations and changes in net assets. Transaction costs accrued and paid totaled $6.0 million, primarily for legal and consulting services, and are included in purchased services in the consolidated statement of operations and changes in net assets.

Summarized consolidated opening balance sheet information for LUHS is shown below:

(In thousands)			
Cash, cash equivalents and investments	$ 76,865	Current portion of long-term debt	$163,834
Patient accounts receivable, net	153,006	Accounts payable and accrued expenses	50,947
Inventory	15,276	Estimated payables to third party payors	72,320
Other current assets	49,568	Other current liabilities	48,245
Assets limited or restricted as to use	298,997	Long-term debt	212,536
Property and equipment	522,076	Self-insurance reserves	242,058
Intangibles	36,170	Pension and post retirement plan obligations	59,866
Other assets	32,378	Other liabilities	18,596
Total assets acquired	$ 1,184,336	Total liabilities acquired	$868,402
		Temporarily restricted net assets	$ 20,362
		Permanently restricted net assets	6,671
		Total net assets	$ 27,033

As of August 8, 2011, all of LUHS' debt was retired with the proceeds from the Corporation's issuance of $234 million of taxable commercial paper and cash on hand as further described in Note 6.

As part of the LUHS acquisition, certain executed agreements provide for ongoing financial support from the Corporation including:

- A Definitive Agreement upon which the Corporation has agreed that over the seven year period from July 1, 2011 to 2018, at least $300 million will be expended on capital projects and, if certain operating thresholds are met, the amount may be increased to $400 million.

- An Academic Affiliation Agreement, which has an initial term of ten years starting July 1, 2011, and provides for an annual academic support payment from the Corporation to the University adjusted annually for inflation. The payment totaled $22.7 million and $22.5 million for the years ended June 30, 2013 and 2012, respectively.

- A Shared Services Agreement between the University and LUHS who have agreed on a cost sharing agreement related to common employees and services. Cost incurred to the University totaled $7.1 million and $9.6 million for the years ended June 30, 2013 and 2012, respectively.

The operating results of LUHS for the years ended June 30, 2013 and 2012 include total unrestricted revenue of $1.2 billion and $1.1 billion, respectively, operating income of $42.1 million and $0.3 million, respectively, and excess (deficiency) of revenue over expense of $51.6 million and ($13.0) million, respectively.

The amount of the Corporation's revenue, earnings, and changes in net assets had the acquisitions of LUHS and MHSC occurred on July 1, 2011, are as follows:

	2013	2012
	(In thousands)	
Total operating revenue	$8,978,385	$8,662,121
Excess of revenue over expenses	666,439	374,352
Change in unrestricted net assets	921,473	(372,145)
Change in temporarily restricted net assets	10,460	27,871
Change in permanently restricted net assets	2,091	6,079

Business Divestitures:

On July 1, 1991, Battle Creek Health System (BCHS) was formed through an agreement between the Corporation and Community Hospital Association of Battle Creek, Michigan, with the Corporation owning 50% of the stock of BCHS with effective control of BCHS. Effective July 1, 2011, the Corporation transferred its shares of BCHS to Bronson Healthcare Group, Inc., for $76.0 million. As described in Note 2, the consolidated financial statements for year ended June 30, 2012, present the operations of BCHS as a discontinued operation. As a result of the transfer, the Corporation reported a loss of $28.5 million, which includes a pension curtailment gain of $5.8 million and settlement loss of $27.5 million in discontinued operations in the consolidated statements of operations and changes in net assets. For the years ended June 30, 2013 and 2012, the Corporation reported a loss on operations of $9.5 million and $5.4 million, respectively, in discontinued operations in the consolidated statements of operations and changes in net assets.

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care – The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify for charity care, they are not reported as net patient service revenue in the consolidated statements of operations and changes in net assets.

Patient service revenues, net of contractual and other allowances (but before the provision for bad debts), recognized during the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Medicare	$3,149,767	$2,958,591
Blue Cross	1,899,297	1,865,238
Medicaid	1,005,540	828,620
Uninsured	350,887	314,292
Commercial and other	1,883,500	1,882,420
Total	$8,288,991	$7,849,161

A summary of net patient service revenue before provision for bad debts for the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Gross charges:		
Acute inpatient	$ 9,496,833	$ 9,226,067
Outpatient, nonacute inpatient, and other	10,744,217	10,045,912
Gross patient service revenue	20,241,050	19,271,979
Less:		
Contractual and other allowances	(11,228,833)	(10,725,957)
Charity care charges	(552,429)	(541,490)
Allowance for self-insured health benefits	(170,797)	(155,371)
Net patient service revenue before provision for bad debts	$ 8,288,991	$ 7,849,161

In October 2012, the Corporation received cash of $50.0 million, net of legal costs, as a result of an industry-wide settlement with the U.S. Department of Health and Human Services (HHS), the Secretary of HHS and the Centers for Medicare and Medicaid Services that corrects Medicare payments made to providers for inpatient hospital services for a number of prior periods. The net gain is recorded in patient service revenue, net of contractuals and other allowances, for the year ended June 30, 2013.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2013	2012
	(In thousands)	
Land	$ 246,363	$ 237,551
Buildings and improvements	4,880,923	4,651,308
Equipment	3,405,298	3,158,288
Capital leased assets	87,022	84,083
Total	8,619,606	8,131,230
Less accumulated depreciation	(4,542,149)	(4,220,346)
Less accumulated amortization	(24,818)	(19,969)
Construction in progress	496,269	330,912
Property and equipment, net	$ 4,548,908	$ 4,221,827

At June 30, 2013, commitments to purchase property and equipment of approximately $367 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following ministry organizations: Holy Cross Hospital in Silver Spring, Maryland - $182 million; Mount Carmel Health System in Columbus, Ohio - $54 million; Saint Joseph Mercy Oakland in Pontiac, Michigan - $34 million; St. Joseph Mercy Ann Arbor, Michigan - $33 million; LUHS in Chicago, Illinois - $26 million, and MHSC in Chicago, Illinois - $14 million. Costs of these projects are expected to be financed by proceeds from bond issuances, available funds, future operations of the hospitals and contributions.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt at June 30 is as follows:

	2013	2012
	(In thousands)	
Short-term borrowings:		
Variable rate demand bonds with contractual maturities through 2048. Interest payable monthly at rates ranging from 0.04% to 0.82% during 2013 and from 0.02% to 0.86% during 2012	$ 867,130	$ 892,865
Long-term debt:		
Tax-exempt revenue bonds and refunding bonds, fixed rate term and serial bonds, payable at various dates through 2048. Interest rate ranges from 2.0% to 6.5% during 2013 and 2012	$2,134,525	$2,162,070
Notes payable to banks. Interest payable at rates ranging from 2.0% to 7.8%, fixed and variable, payable in varying monthly installments through 2021	3,941	4,582
Capital lease obligations (excluding imputed interest of $41.3 million and $51.2 million at June 30, 2013 and 2012, respectively)	73,126	72,746
Mortgage obligations. Interest payable at rates ranging from 4.1% to 6.5% during 2013 and 4.1% to 6.0% during 2012	82,507	64,000
Other	7,888	-
Total long-term debt	2,301,987	2,303,398
Less current portion, net of current discounts	(30,862)	(32,362)
Unamortized premiums, net	28,469	31,200
Long-term debt, net of current portion	$2,299,594	$2,302,236

Contractually obligated principal repayments on short-term borrowings and long-term debt as of June 30, 2013, are as follows:

	(In thousands)	
	Short-Term Borrowings	Long-Term Debt
Years ending June 30:		
2014	$ 33,250	$ 31,131
2015	23,710	41,189
2016	25,015	48,289
2017	26,590	42,466
2018	28,000	43,700
Thereafter	730,565	2,095,212
Total	$867,130	$2,301,987

ATTACHMENT
6

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Interest costs incurred	$ 118,901	$ 108,390
Less capitalized interest	(8,368)	(5,609)
Interest expense included in operations	$ 110,533	$ 102,781

Obligated Group and Other Requirements – The Corporation has debt outstanding under a Master Trust Indenture dated July 1, 1998, as amended and supplemented thereto, the Amended and Restated Master Indenture (ARMI). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are general, direct obligations of the Corporation and any future members of the Trinity Health Obligated Group. Proceeds from the tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Since the implementation of the ARMI, the Corporation is the sole member of the Trinity Health Obligated Group. Certain ministry organizations of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan, or otherwise transfer to the Corporation such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Corporation, the designated affiliates and all other controlled affiliates are referred to as the Credit Group. The Corporation has granted a security interest in certain pledged property and has caused not less than 85% of the designated affiliates representing, when combined with the Corporation and any future members, not less than 85% of the consolidated net revenue of the Credit Group to grant to the Corporation security interests in certain pledged property in order to secure all obligations issued under the ARMI. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) were $3,002 million and $3,055 million at June 30, 2013 and 2012, respectively.

There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any Material Designated Affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the total revenues of the Credit Group for the most recent fiscal year). Long-term debt outstanding at June 30, 2013 and 2012, excluding amounts issued under the ARMI, is generally collateralized by certain property and equipment.

MHSC has a commitment from the U.S. Department of Housing and Urban Development (HUD) to insure an approximate $66 million mortgage loan, under the Federal Housing Administration's Section 242 Hospital Mortgage Insurance Program. At June 30, 2013 and 2012, the outstanding obligation was $63 million and $53 million, respectively. MHSC's main hospital campus and two satellite facilities are collateral for the mortgage. The mortgage loan agreement with HUD contains various covenants, including those relating to limitations on incurring additional debt, disposing of designated property, financial performance, insurance coverage and timely submission of specified financial reports.

Issuance and Defeasance of Debt – In May 2012, the Corporation issued $101.9 million in tax-exempt, fixed rate hospital revenue bonds (Series 2012 Bonds) under its ARMI. The proceeds, along with cash, were used to refund the Corporation's $126.2 million series 2002C bonds and pay costs of issuance. Concurrently, with the series 2012 financing, the Corporation re-offered approximately $192.8 million

of its existing series 2008C, series 2009B and series 2009C variable rate demand bonds in a long-term fixed rate mode. The Corporation also defeased $35.0 million of outstanding hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of $7.0 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets. In addition, on June 1, 2012, the Corporation converted $189.3 million of its currently outstanding variable rate bonds (Series 2008D-2 Bonds) from a weekly mode to a flexible mode.

In December 2011, the Corporation defeased $36.2 million of outstanding hospital revenue bonds. This transaction resulted in a loss from extinguishment of debt of $0.7 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets.

In October 2011, the Corporation issued $648.7 million in tax-exempt, fixed rate hospital revenue bonds and $100.0 million in variable rate hospital revenue bonds (Series 2011 Bonds) under its ARMI. The proceeds were used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. Proceeds, together with assets released from bond trustees, were used to retire $69.4 million of the Corporation's then outstanding fixed rate hospital revenue bonds and $102.9 million of the Corporation's then outstanding variable rate hospital revenue bonds. These transactions resulted in a loss from extinguishment of debt of $2.5 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets. In addition, $354.0 million of the proceeds were used to pay off commercial paper obligations.

In July 2011, the Corporation extinguished $338.4 million of outstanding hospital revenue bonds related to LUHS through the issuance of commercial paper. These transactions resulted in a loss from extinguishment of debt of $3.3 million, which has been included in nonoperating items in the consolidated statement of operations and changes in net assets.

The outstanding balance of all bonds advance refunded through net defeasance and excluded from the consolidated balance sheets was $170.0 million and $318.5 million at June 30, 2013 and 2012, respectively. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in U.S. government securities.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to $600 million. In fiscal year 2013, the Corporation issued $234 million in commercial paper with a total of $368.9 million and $135.0 million outstanding at June 30, 2013 and 2012, respectively. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during the years ended June 30, 2013 and 2012, ranged from 0.07% to 0.20% and 0.08% to 0.22%, respectively.

Liquidity Facilities – In July 2012, the Corporation renewed the Amended and Restated 2010 Revolving Credit Agreements (2012 Credit Agreements) with U.S. Bank National Association, which acts as an administrative agent for a group of lenders thereunder. The 2012 Credit Agreements establish a revolving credit facility for the Corporation under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time, but as of June 30, 2013, the amount available was $731 million. Amounts drawn under the 2013 Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of

the $731 million, $150 million expires in July 2013, $110 million expires in July 2014, $256 million expires in July 2015, and $215 million expires in July 2016. In addition, in August 2012, the Corporation added a second general purpose facility of $200 million, which expires in July 2016. There were no draws on these credit agreements during the years ended June 30, 2013 or 2012.

Standby Letters of Credit – The Corporation entered into various standby letters of credit totaling approximately $22.9 million and $21.5 million at June 30, 2013 and 2012, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. There were no draws on these letters of credit during the years ended June 30, 2013 or 2012.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation's insurance company, Venzke Insurance Company, Ltd. (Venzke), a wholly owned subsidiary of Trinity Health, qualifies as a captive insurance company in the domicile where it operates and provides certain insurance coverage to the Corporation's ministry organizations. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation, and certain other claims. The Corporation, through Venzke, has limited its liability by purchasing reinsurance and commercial coverage from unrelated third-party insurers.

As discussed in Note 3, on July 1, 2011, Trinity Health-Michigan, a wholly-owned subsidiary of Trinity Health, replaced LUHS as the sole shareholder of LUCIC, a captive insurance company in the domicile where it operates. Effective July 1, 2011, Venzke's policies include the facilities and individuals that were previously insured with LUCIC. Policies issued and reinsurance purchased by LUCIC prior to July 1, 2011, and all losses previous to July 1, 2011, were assumed through a merger with Venzke at December 31, 2011. On April 1, 2012, the Corporation became the sole member of MHSC, which included assuming MHSC's professional liability losses.

For the years ended June 30, 2013 and 2012, the Corporation's self-insurance program includes $20 million per occurrence for the first layers of professional liability, as well as $10 million per occurrence for hospital government liability, $5 million per occurrence for errors and omission liability, and $1 million per occurrence for directors' and officers' liability and the insured auto liability program. Additional layers of professional liability insurance are available with coverage provided through other insurance carriers and various reinsurance arrangements. The total amount available for these subsequent layers is $100 million in aggregate. The Corporation also self-insures $500,000 in property damage liability with commercial insurance providing coverage up to $1 billion.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. Beginning in fiscal year 2013, the Corporation began discounting the reserves to their present value using a discount rate of 3.0%. The impact of this change resulted in a decrease of $43 million in expense in the consolidated statements of operations for fiscal year 2013, of which $37 million was recorded in other expense and $6 million was recorded in employee benefits. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2013, that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of Counsel, believes that the excess liability, if any, should not materially affect the consolidated financial position, operations, or cash flows of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's ministry organizations or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits of $170.8 million and $155.4 million for the years ended June 30, 2013 and 2012, respectively, which represented revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain ministry organizations that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of June 30, 2013 and 2012, the assets under these plans totaled $74.8 million and $60.8 million, and liabilities totaled $80.3 million and $67.4 million, respectively.

Retirement Plan Acquisitions – The Corporation acquired LUHS on July 1, 2011, including its benefit plans. LUHS maintains three qualified, noncontributory defined benefit pension plans that provide retirement benefits for substantially all full-time employees. Two of these plans are governed by the Employee Retirement Income Security Act of 1974 (ERISA). One of the ERISA plans was frozen by LUHS for employees with service through March 2004. This plan is a multiple-employer plan and administration of the plan is the responsibility of Loyola University of Chicago. LUHS's calculated accrued benefit obligation represents approximately 62% of the total multiple-employer plan accrued benefit obligation. The third plan is a Church plan as determined by the Internal Revenue Service and is not governed by ERISA. This plan was merged into the Corporation's Church plan on January 1, 2013. The Corporation amended the remaining two plans to freeze accrued benefits effective December 31, 2012, and participants in those plans became participants of the Corporation's defined benefit plan effective January 1, 2013. The amendments to freeze both plans resulted in a decrease in the plans' liabilities of $27.0 million at June 30, 2012.

LUHS also maintains qualified defined contribution plans for certain eligible employees as well as nonqualified pension programs and deferred compensation arrangements for eligible executives. In addition, LUHS provides other postretirement benefits (primarily health benefits) to an eligible group of employees. LUHS discontinued contributions to the cost of retiree health coverage in 2001 for certain future retirees. This plan is closed to new participants. Health benefits are provided subject to various cost-sharing features and are not prefunded.

The Corporation acquired MHSC on April 1, 2012, including its defined contribution plan. The plan covers substantially all of MHSC's employees and provides a 1.5% employer contribution and an employer matching contribution of up to 2% of compensation.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. The plans include discretionary employer matching contributions of up to 3% of compensation. Effective January 1, 2013, the Corporation suspended the majority of employer matching contributions for the calendar year 2013. Employer and employee contributions are self-directed by plan participants in defined contribution plans. Contribution expense under the plans totaled $35.2 million and $71.4 million during the years ended June 30, 2013 and 2012, respectively.

Noncontributory Defined Benefit Pension Plans (Pension Plans) – Substantially all of the Corporation's employees participate in a qualified, noncontributory defined benefit pension plan. Certain non-qualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants. For the majority of plan participants prior to June 30, 2010, benefits were based on years of service and employees' highest five years of compensation at which time an accrued frozen benefit was calculated for all active participants. As of July 1, 2010, participants accrue benefits based on a cash balance formula, which credits participants annually with a percentage of eligible compensation based on age and years of service, as well as an interest credit based on a benchmark interest rate. A transition adjustment is provided to participants who were vested as of June 30, 2010, whose age and service met certain requirements at that date. The transition adjustment applies to the pension benefit earned through June 30, 2010, and increased compensation under the final average pay formula over a five-year period. Because the Pension Plan has Church Plan status as defined in the ERISA, funding in accordance with ERISA is not required. The Corporation's adopted funding policy for its qualified plan, which is reviewed annually, is to fund the current normal cost based on the accumulated benefit obligation at the plans' December 31 year-end, and amortization of any under or over funding over a ten year period. The Corporation funded $27.2 million in excess of the stated funding policy for the combined fiscal years 2013 and 2012.

During the year ended June 30, 2012, the Corporation recorded a pension curtailment gain of $5.8 million and a pension settlement loss of $27.5 million related to the sale of BCHS described in Note 3. The net loss is included in the loss from discontinued operations in the 2012 consolidated statement of operations and changes in net assets.

Postretirement Health Care and Life Insurance Benefits (Postretirement Plans) – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The plans cover certain hourly and salaried employees who retire from certain ministry organizations. Medical benefits for these retirees are subject to deductibles and co-payment provisions. Effective January 1, 2011, the funded plans provide benefits to certain retirees at fixed dollar amounts in Health Reimbursement Account arrangements for Medicare eligible participants.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations, and changes in plan assets and funded status of the plans for both the Pension and Postretirement Plans for the years ended June 30, 2013 and 2012:

	2013	2012	2013	2012
	(In thousands)			
	Pension Plans		Postretirement Plans	
Change in benefit obligation:				
Benefit obligation, beginning of year	$5,161,197	$ 3,961,864	$116,721	$110,739
Service cost	143,567	141,408	884	1,023
Interest cost	255,483	256,058	5,371	6,254
Amendments	(1,998)	(32,761)	-	-
Actuarial (gain) loss	(214,944)	601,102	(10,137)	(482)
Benefits paid	(176,572)	(159,211)	(5,067)	(5,707)
Medicare Part D reimbursement	-	-	96	674
Acquisition of LUHS	-	392,737	-	4,220
Benefit obligation, end of year	5,166,733	5,161,197	107,868	116,721
Change in plan assets:				
Fair value of plan assets, beginning of year	4,141,192	3,647,407	79,160	78,254
Actual return on plan assets	254,759	168,122	9,131	4,649
Employer contributions	285,132	146,347	1,299	1,964
Benefits paid	(176,572)	(159,211)	(5,067)	(5,707)
Acquisition of LUHS	-	338,527	-	-
Fair value of plan assets, end of year	4,504,511	4,141,192	84,523	79,160
Unfunded amount recognized June 30	(662,222)	(1,020,005)	(23,345)	(37,561)
Recognized in prepaid assets	-	-	1,379	-
Recognized in accrued liabilities	$ (662,222)	$ (1,020,005)	$ (24,724)	$ (37,561)

Actuarial gains and losses incurred during the years ended June 30, 2013 and 2012 are primarily related to changes in discount rates used to measure the plan's liabilities.

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the years ended June 30 are as follows:

	2013	2012
	(In thousands)	
	Pension Plans	
Accumulated benefit obligation	$5,074,277	$5,038,497
Fair value of plan assets	4,504,511	4,141,192
Funded status	$ (569,766)	$ (897,305)

ATTACHMENT
6

Components of net periodic benefit cost for the years ended June 30 consisted of the following:

	2013	2012	2013	2012
	(In thousands)			
	Pension Plans		Postretirement Plans	
Service cost	$ 143,567	$ 141,408	$ 884	$ 1,023
Interest cost	255,483	255,990	5,371	6,254
Expected return on assets	(317,426)	(317,290)	(5,675)	(6,025)
Amortization of prior service cost	(23,092)	(19,438)	(7,318)	(7,318)
Recognized net actuarial loss	122,718	70,336	1,243	1,283
Net periodic benefit cost (income)	$ 181,250	$ 131,006	$ (5,495)	$ (4,783)

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows:

	(In thousands)		
	Pension Plans		
	Net Loss (Gain)	Prior Service Cost	Total
Balance at July 1, 2011	$ 1,183,248	$ (198,349)	$ 984,899
Curtailments/settlements	(21,678)	-	(21,678)
Reclassified into net periodic benefit cost	(70,336)	19,438	(50,898)
Arising during the year	750,047	(32,762)	717,285
Balance at June 30, 2012	1,841,281	(211,673)	1,629,608
Reclassified into net periodic benefit cost	(122,718)	23,092	(99,626)
Arising during the year	(158,207)	3,785	(154,422)
Balance at June 30, 2013	$ 1,560,356	$ (184,796)	$ 1,375,560

	(In thousands)			
	Postretirement Plans			All Plans
	Net Loss (Gain)	Prior Service Credit	Total	Grand Total
Balance at July 1, 2011	$ 18,480	$ (24,795)	$ (6,315)	$ 978,584
Curtailments/settlements	-	-	-	(21,678)
Reclassified into net periodic benefit cost	(1,283)	7,318	6,035	(44,863)
Arising during the year	918	-	918	718,203
Balance at June 30, 2012	18,115	(17,477)	638	1,630,246
Reclassified into net periodic benefit cost	(1,243)	7,318	6,075	(93,551)
Arising during the year	(13,584)	-	(13,584)	(168,006)
Balance at June 30, 2013	$ 3,288	$ (10,159)	$ (6,871)	$ 1,368,689

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during 2014:

	(In thousands)	
	Pension Plans	Postretirement Plans
Amortization of prior service credit	$ (22,738)	$ (5,763)
Recognized net actuarial loss (gain)	98,729	(167)
Total	$ 75,991	$ (5,930)

Assumptions used to determine benefit obligations and net periodic benefit cost were as follows:

	2013	2012	2013	2012
	Pension Plans		Postretirement Plans	
Benefit obligations:				
Discount rate	4.95%–5.45%	4.70%–5.05%	4.40%–5.20%	4.25%–4.85%
Rate of compensation increase in 2013 graduated to 4% by 2017	3.0 %	2.0 %	N/A	N/A
Net periodic benefit cost:				
Discount rate	4.70%–5.10%	5.95%–6.0%	4.25%–4.85%	5.10%–5.75%
Expected long-term return on plan assets	7.00%–7.50%	7.80%–8.0%	7.50 %	8.00 %
Rate of compensation	2.0 %	4.0 %	N/A	N/A

Approximately 95% of the Corporation's pension plan liabilities are measured using the 5.45% discount rate at June 30, 2013.

The Corporation uses an efficient frontier analysis approach in determining its asset allocation and long-term rate of return for plan assets. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as follows:

	2013	2012
Medical and drugs, pre-age 65	7.8 %	8.3 %
Medical and drugs, post-age 65	7.8 %	8.3 %
Ultimate trend rate	5.0 %	5.0 %
Year rate reaches the ultimate rate	2018	2018

A one-percentage point change in assumed health care cost trend rates would have the following effects at June 30, 2013:

	(In thousands)	
	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on postretirement benefit obligation	$3,181	$(2,721)
Effect on total of service cost and interest	251	(210)

The Corporation's investment allocations at June 30, by investment category, are as follows:

	2013	2012	2013	2012
	Pension Plans		Postretirement Plans	
Investment category:				
Cash and cash equivalents	10 %	10 %	1 %	2 %
Marketable securities:				
U.S. and non-U.S equity securities	5	7	65	59
Equity mutual funds	7	2	-	-
Debt securities	30	35	34	39
Other investments:				
Commingled funds	9	11	-	-
Hedge funds	30	30	-	-
Private equity funds	6	5	-	-
Other	3	-	-	-
Total	100 %	100 %	100 %	100 %

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Other investments, such as hedge funds, interest rate swaps, and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. For the majority of the Corporation's pension plan investments, the combined target investment allocation at June 30, 2013 was U.S. and non-U.S. equity securities 15%; fixed-income obligations 35%; hedge funds 20%; long/short equity 15%; private equity 5%; opportunistic fixed income 7%; and real assets 3%.

The following tables summarize the Pension and Postretirement Plans' assets measured at fair value at June 30, 2013 and 2012. See Note 10 for definitions of Levels 1, 2, and 3 of the fair value hierarchy.

	2013 (In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Pension plans:				
Cash and cash equivalents	$ 452,032	$ 11,073	$ -	$ 463,105
Equity securities	238,493	-	-	238,493
Debt securities				
Government and government agency obligations	-	322,538	-	322,538
Corporate bonds	-	1,000,922	1,632	1,002,554
Asset backed securities	-	34,342	-	34,342
Mutual funds				
Equity mutual funds	309,119	-	-	309,119
Fixed-income mutual funds	95,504	9,533	-	105,037
Commingled funds	-	416,453	-	416,453
Hedge funds	-	344,730	1,016,262	1,360,992
Private equity	-	-	251,228	251,228
Real estate partnerships	-	-	52	52
Other	598	-	-	598
Total pension plans' assets at fair value	$ 1,095,746	$ 2,139,591	$ 1,269,174	$ 4,504,511
Postretirement plans:				
Mutual funds				
Short-term investment mutual funds	$ 817	$ -	$ -	$ 817
Fixed-income mutual fund	28,321	-	-	28,321
Commingled funds	-	55,385	-	55,385
Total postretirement plans' assets at fair value	$ 29,138	$ 55,385	$ -	$ 84,523

	2012 (In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Pension plans:				
Cash and cash equivalents	$396,043	$ 1,422	$ -	$ 397,465
Equity securities	273,125	682	-	273,807
Debt securities				
Government and government agency obligations	-	433,634	-	433,634
Corporate bonds	-	1,010,844	-	1,010,844
Asset backed securities	-	23,046	-	23,046
Mutual funds				
Equity mutual funds	96,352	-	-	96,352
Fixed-income mutual funds	11,393	7,617	-	19,010
Commingled funds	-	438,575	-	438,575
Hedge funds	-	39,693	1,211,388	1,251,081
Private equity	-	-	204,250	204,250
Real estate partnerships	-	-	520	520
Other	(7,392)	-	-	(7,392)
Total pension plans' assets at fair value	$769,521	$1,955,513	$1,416,158	$4,141,192
Postretirement plans:				
Mutual funds				
Short-term investment mutual funds	$ 1,178	$ -	$ -	$ 1,178
Fixed-income mutual fund	31,291	-	-	31,291
Commingled funds	-	46,638	-	46,638
Other	53	-	-	53
Total postretirement plans' assets at fair value	$ 32,522	$ 46,638	$ -	$ 79,160

Unfunded capital commitments related to Level 3 private equity investments totaled $181.8 million and $191.5 million at June 30, 2013 and 2012, respectively.

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2013 or 2012.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of equity and debt securities, mutual funds, commingled funds, and hedge funds.

Private Equity – These assets include several private equity funds that invest primarily in the United States, Asia and Europe, both directly and on the secondary market, pursuing distressed opportunities and natural resources, primarily energy. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

Real Estate Partnerships – These assets are reported at fair value based on either independent appraisals performed by the general partner during the year, or estimated using discounted cash flow and market analysis, supported by sales comparison information.

ATTACHMENT
6

Other – Represents unsettled transactions relating primarily to purchases and sales of plan assets, accrued income, and derivatives. Due to the short maturity of these assets and liabilities, the fair value is equal to the carrying amounts. Concerning derivatives, the Pension Plans are party to certain agreements, which are designed to manage exposures to equities and interest rate risks. These instruments are used for the purpose of hedging changes in the fair value of assets and actuarial present value of accumulated plan benefits that result from interest rate changes or as an efficient substitute for traditional securities. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension Plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

The following tables summarize the changes in Level 3 Pension Plan assets for the years ended June 30:

	(In thousands)				
	Corporate Bonds	Hedge Funds	Private Equity	Real Estate Partnerships	Total
Balance at July 1, 2011	$ -	$ 1,045,751	$ 134,336	$ 3,848	$ 1,183,935
Acquisition of LUHS	-	-	7,038	119	7,157
Realized gain	-	24,990	6,761	18	31,769
Unrealized (loss) gain	-	(29,924)	3,730	(480)	(26,674)
Purchases	-	537,598	75,340	-	612,938
Sales	-	(367,524)	(2,911)	(36)	(370,471)
Settlements	-	497	(20,044)	(2,949)	(22,496)
Balance at June 30, 2012	-	1,211,388	204,250	520	1,416,158
Realized gain	-	82,063	7,711	-	89,774
Unrealized (loss) gain	(142)	33,232	11,444	81	44,615
Purchases	1,774	286,768	63,668	-	352,210
Sales	-	(389,652)	(2,180)	(452)	(392,284)
Settlements	-	(240)	(33,665)	(97)	(34,002)
Transfers to Level 2	-	(207,297)	-	-	(207,297)
Balance at June 30, 2013	$ 1,632	$ 1,016,262	$ 251,228	$ 52	$ 1,269,174

Transfers out of Level 3 to Level 2 were made for direct hedge funds where initial lock-up periods expired during fiscal 2013.

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

Expected Contributions – The Corporation expects to contribute $163.0 million to its Pension Plans, and $1.4 million to its Postretirement Plans during the year ended June 30, 2014 under the Corporation's stated funding policy.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits, which reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy.

	(In thousands)		
	Pension Plans	Postretirement Plans	Postretirement Medicare Part D Subsidy
2014	$ 223,491	$ 7,508	$ 107
2015	231,604	7,707	104
2016	253,976	7,929	99
2017	280,171	8,092	94
2018	309,031	8,186	88
Years 2019–2023	1,938,177	40,463	335

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, equipment, and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was $105.1 million and $103.2 million for the years ended June 30, 2013 and 2012, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year:

	(In thousands)
Years ending June 30:	
2014	$ 73,886
2015	58,281
2016	48,131
2017	39,093
2018	29,995
Thereafter	94,327
Total	$ 343,713

Asset Retirement Obligations – The Corporation has conditional asset retirement obligations for certain fixed assets mainly related to the removal of asbestos contained within facilities and the removal of underground storage tanks.

A reconciliation of the asset retirement obligations at June 30 is as follows:

	2013	2012
	(In thousands)	
Asset retirement obligation, beginning of year	$ 18,857	$ 17,487
Accretion	716	587
Liabilities incurred	27	877
Liabilities settled	(111)	(94)
Asset retirement obligation, end of year	$ 19,489	$ 18,857

Litigation and Settlements –

On September 21, 2007, in Boise, Idaho a jury awarded $58.9 million in damages to MRI Associates, LLP, an Idaho limited partnership (MRIA) against Saint Alphonsus Regional Medical Center and its subsidiary Saint Alphonsus Diversified Care, Inc. (collectively, "Saint Alphonsus"). The lawsuit involved Saint Alphonsus' withdrawal from the MRIA partnership. The jury's award was reduced by the trial judge to $36.3 million, which was offset by the award of $4.6 million to Saint Alphonsus, the value of its partnership interest in MRIA. St. Alphonsus appealed and, in October 2009, the Idaho Supreme Court overturned the trial court decision and remanded the case for a new trial. The second trial was held during October 2011 with a jury awarding approximately $52 million in damages to MRIA. After Saint Alphonsus filed an objection, the trial court entered amended judgments indicating that the plaintiffs could execute alternative judgments which vary in amount from approximately $20 million to $52 million. Saint Alphonsus continues to have an offset of $4.6 million plus 10% interest running from September 21, 2007. Saint Alphonsus filed a Notice of Appeal to the Idaho Supreme Court in May 2012, because the Corporation believes that the proof of damages is insufficient to sustain the jury's award under Idaho law. The Corporation recorded management's estimation for litigation expense of $20 million in the consolidated statement of operations and changes in net assets during the year ended June 30, 2007. As of June 30, 2013 and 2012, the liability is included in other long-term liabilities in the consolidated balance sheets in the event of an unfavorable resolution of this matter.

In June 2007, the Corporation was added to litigation pending in the United States District Court for the Eastern District of Michigan, alleging that certain hospitals in Southeastern Michigan conspired to suppress the wages of nurses over a period of five years. The plaintiffs brought the action on their own behalf and on behalf of all others similarly situated and seeking certification of the class. The complaint alleges that there was a direct agreement among the executives of defendant hospitals to suppress compensation and that they shared non-public compensation information, which had an anticompetitive effect on wages. The complaint specifically references certain of the Corporation's Southeast Michigan hospitals. Mediation was held in November 2011 and the parties reached a settlement in March 2013, the amount of which is immaterial to these financial statements.

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

10. FAIR VALUE MEASUREMENTS

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation's consolidated balance sheets include cash, cash equivalents, equity securities, debt securities, mutual funds, commingled funds, hedge funds, securities lending collateral, and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is 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. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets
- Quoted prices for identical or similar instruments in non-active markets (few transactions, limited information, non-current prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 – Unobservable inputs that cannot be corroborated by observable market data

Valuation Methodologies – Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures. The inputs to these models depend on the type of security being priced, but are typically benchmark yields, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation's Level 3 securities are primarily investments in hedge funds. The fair values of Level 3 investments in these securities are predominately valued using a net asset value per share, which is provided by third-party administrators; however, in some cases, they are obtained directly from the investment fund manager. We have not adjusted the prices we have obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs, and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers of the Corporation's Level 3 securities have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, we believe that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets at June 30, 2013 and 2012, respectively.

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheets.

Commercial Paper – The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs, including security cost, maturity, and credit rating. Commercial paper is classified as either cash and cash equivalents or marketable securities in the consolidated balance sheets depending upon the length to maturity when purchased.

Security Lending Collateral – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is comprised primarily of short-term securities. The fair value amounts of the commingled collateral fund are determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying investments valued using techniques similar to those used for marketable securities noted below.

Equity Securities – Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded or are estimated using quoted market prices for similar securities.

Debt Securities – Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

Mutual Funds – Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned.

Commingled Funds – Commingled funds are developed for investment by institutional investors only and therefore do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on either the underlying investments that have a readily determinable market value or based on net asset value, which is calculated using the most recent fund financial statements. Commingled funds are categorized as Level 2 unless they have a redemption restriction greater than 90 days, in which case they are categorized as Level 3.

Hedge Funds – The Corporation invests in various hedge fund strategies. These funds utilize either a direct or a "fund-of-funds" approach resulting in diversified multi-strategy, multi-manager investments. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements. Hedge funds are categorized as Level 2, unless they have a redemption restriction greater than 90 days, in which case, they are categorized as Level 3.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds and hedge funds as trading securities. Holding gains (losses) included in the excess of revenue over expenses for the years ended June 30, 2013 and 2012, were $238.9 million and ($44.3) million, respectively.

Equity Method Investments – The Corporation accounts for certain other investments using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of "fund-of-funds" and direct fund investment resulting in a diversified multi-strategy, multi-manager investments approach. Some of these funds are developed by investment managers specifically for the Corporation's use and are similar to mutual funds, but are not traded on a public exchange. Underlying investments in these funds may include other funds, equities, fixed-income securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds' year-end. Management's estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management's internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Investment managers meet with the Corporation's Investment Subcommittee of the Finance and Stewardship Committee of the Board of Directors on a periodic basis. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. The balance of these investments at June 30, 2013 and 2012, was $781.5 million and $999.8 million, respectively. Unfunded capital commitments related to equity method investments totaled $113.7 million and $89.1 million at June 30, 2013 and 2012, respectively.

Cash and cash equivalents, equity and debt securities, mutual funds, commingled funds, hedge funds, and equity method investments totaled $5,906 million and $5,308 million at June 30, 2013 and 2012, respectively.

Interest Rate Swaps – The fair value of the Corporation's derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation's nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded at June 30:

	2013 (In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 1,283,675	$ 46,370	$ -	$ 1,330,045
Security lending collateral	-	114,865	-	114,865
Equity securities	432,398	405	1,449	434,252
Debt securities:				
Government and government agency obligations	-	297,195	-	297,195
Corporate bonds	-	260,138	2,886	263,024
Asset backed securities	-	30,412	-	30,412
Other	-	11,731	-	11,731
Mutual funds:				
Equity mutual funds	494,910	-	-	494,910
Fixed-income mutual funds	725,890	2,944	-	728,834
Real estate investment funds	5,705	-	-	5,705
Other	5,218	2,674	-	7,892
Commingled funds	-	674,956	-	674,956
Hedge funds	-	304,262	419,509	723,771
Interest rate swaps	-	30,500	-	30,500
Total assets	$ 2,947,796	$ 1,776,452	$423,844	$ 5,148,092
Liabilities:				
Interest rate swaps	$ -	$ 144,576	$ -	$ 144,576

	2012 (In thousands)			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 1,295,525	$ 55,634	$ -	$ 1,351,159
Security lending collateral	-	130,702	-	130,702
Equity securities	533,221	463	1,472	535,156
Debt securities:				
Government and government agency obligations	-	405,740	-	405,740
Corporate bonds	-	273,845	1,114	274,959
Asset backed securities	-	76,537	559	77,096
Other	-	6,795	-	6,795
Mutual funds:				
Equity mutual funds	199,080	39	-	199,119
Fixed-income mutual funds	157,334	3,338	-	160,672
Real estate investment funds	7,173	-	-	7,173
Other	2,403	2,363	-	4,766
Commingled funds and hedge funds	-	1,167,130	109,165	1,276,295
Interest rate swaps	-	27,183	-	27,183
Total assets	$ 2,194,736	$ 2,149,769	$ 112,310	$ 4,456,815
Liabilities:				
Interest rate swaps	$ -	$ 205,111	$ -	$ 205,111

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the years ended June 30, 2013 or 2012. Transfers out of Level 3 to Level 2 were made for direct hedge funds where initial lock-up periods expired during fiscal 2013.

The following table summarizes the changes in Level 3 assets for the years ended June 30:

	(In thousands)					
	Equity Securities	Government and Government Agency Obligations	Corporate Bonds	Asset Backed Securities	Hedge Funds	Total
Balance at July 1, 2011	$ 500	$ 116	$ 2,467	$ 715	$ 8,600	$ 12,398
Realized gain	35	-	(7)	44	-	72
Unrealized (loss) gain	(35)	-	(81)	-	2,361	2,245
Purchases	972	-	992	-	98,227	100,191
Settlements	-	-	-	(200)	-	(200)
Transfers to Level 2	-	(116)	(2,257)	-	(23)	(2,396)
Balance at June 30, 2012	1,472	-	1,114	559	109,165	112,310
Realized gain	-	-	(53)	(43)	-	(96)
Unrealized (loss) gain	(19)	-	(23)	43	40,568	40,569
Purchases	-	-	-	-	310,000	310,000
Settlements	(6)	-	(125)	(559)	-	(690)
Transfers (to) from Level 2	2	-	1,973	-	(40,224)	(38,249)
Balance at June 30, 2013	$ 1,449	$ -	$ 2,886	$ -	$419,509	$423,844

Investments in Entities that Calculate Net Asset Value per Share: The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of June 30, 2013 or 2012. The fair value and redemption rules of these investments are as follows:

	Investments Held at June 30, 2013		
(In thousands)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 615,684	Daily–Monthly	0–60 days
Hedge funds	723,771	Monthly, quarterly, semi-annually	30–95 days
Total	$ 1,339,455		

	Investments Held at June 30, 2012		
(In thousands)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 965,096	Monthly	5 days
Hedge funds	249,592	Monthly, quarterly, semi-annually	30–95 days
Total	$ 1,214,688		

The hedge fund category includes equity long/short hedge funds, multi-strategy hedge funds and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in U.S. common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. Multi-strategy hedge funds pursue multiple strategies to diversify risks and reduce volatility. Relative value hedge funds' strategy is to exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties.

The commingled fund category primarily includes investments in funds that invest in financial instruments of U.S. and non-U.S. entities, primarily bonds, notes, bills, debentures, currencies, and interest rate and derivative products.

The composition of investment returns included in the consolidated statement of operations and changes in net assets for the years ended June 30 is as follows:

	2013	2012
	(In thousands)	
Dividend, interest income and other	$ 77,900	$ 74,258
Realized gain, net	102,842	68,360
Realized equity gain (loss), other investments	69,693	(2,258)
Change in net unrealized gain (loss) on investments	90,335	(146,640)
Total investment return	$340,770	$ (6,280)
Included in:		
Operating income	$ 9,600	$ 13,300
Nonoperating items	325,646	(19,159)
Changes in restricted net assets	5,524	(421)
Total investment return	$340,770	$ (6,280)

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following at June 30:

	2013	2012
	(In thousands)	
Amounts expected to be collected in:		
Less than one year	$ 10,904	$ 8,632
One to five years	18,905	13,896
More than five years	4,059	3,676
	33,868	26,204
Discount to present value of future cash flows	(2,523)	(2,094)
Allowance for uncollectible amounts	(2,829)	(2,301)
Total unconditional promises to give, net	$28,516	$21,809

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors, and Current Liabilities – The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation's variable rate debt approximate their fair values. The fair value of the Corporation's fixed rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the fixed rate long-term revenue and refunding bonds was

$2,247 million and $2,389 million at June 30, 2013 and 2012, respectively. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The related carrying value of the fixed rate long-term revenue and refunding bonds was $2,135 million and $2,162 million at June 30, 2013 and 2012, respectively. The fair values of the remaining fixed rate capital leases, notes payable to banks, and mortgage loans are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks the Corporation enters into various derivative contracts, primarily interest rate swaps. Interest rate swaps are used to manage the effect of interest rate fluctuations.

Management reviews the Corporation's hedging program, derivative position, and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt, variable rate leases and a fixed-income investment portfolio. Cash payments on interest rate swaps totaled $19.6 million and $17.3 million for the years ended June 30, 2013 and 2012, respectively, and are included in nonoperating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Certain of the Corporation's interest rate swaps are secured by $11.2 million and $89.4 million of collateral included in prepaid expenses and other current assets in the Corporation's consolidated balance sheets at June 30, 2013 and 2012, respectively.

Effect of Derivative Instruments on Excess of Revenue over Expenses – The following table represents the effect derivative instruments had on the Corporation's financial performance for the years ended June 30:

Derivatives Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets	2013	2012
		(In thousands) Amount of Net Gain (Loss) Recognized in Excess of Revenue over Expenses	
Excess of revenue over expenses:			
Interest rate swaps	Change in market value and cash payment on interest rate swaps	$45,818	$(114,468)
Interest rate swaps	Investment income	(1,953)	1,087
		$43,865	$(113,381)

ATTACHMENT
6

Balance Sheet Effect of Derivative Instruments - The following table summarizes the estimated fair value of the Corporation's derivative financial instruments at June 30:

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	2013	2012
		(In Thousands)	
Asset derivatives:			
Interest rate swaps	Investments	$ 6,696	$ 8,401
Interest rate swaps	Other assets	23,804	18,782
Total asset derivatives		$ 30,500	$ 27,183
Liability derivatives:			
Interest rate swaps	Other long-term liabilities	$ 144,576	$ 205,111

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of non-performance. At June 30, 2013 and 2012, an adjustment for non-performance risk reduced derivative assets by $1.2 million and $1.1 million and derivatives liabilities by $5.3 million and $14.6 million, respectively.

12. ENDOWMENTS

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

Endowment net asset composition by type of fund at June 30 is as follows:

	2013 (In thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$456	$42,761	$43,217
Board-designated endowment funds	36,873	-	-	36,873
Total endowment funds	$36,873	$456	$42,761	$80,090

	2012 (In thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	$ -	$438	$40,670	$41,108
Board-designated endowment funds	34,291	-	-	34,291
Total endowment funds	$34,291	$438	$40,670	$75,399

Changes in endowment net assets for the years ended June 30 include:

	(In thousands)			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment net assets, July 1, 2011	$34,988	$446	$34,462	$69,896
Investment return:				
Investment gain	1,477	7	(30)	1,454
Change in net realized and unrealized gain and loss	(1,651)	(10)	(391)	(2,052)
Total investment return	(174)	(3)	(421)	(598)
Contributions	91	-	636	727
Appropriation of endowment assets for expenditures	(624)	(5)	-	(629)
Acquisition of LUHS	-	-	6,671	6,671
Other	10	-	(678)	(668)
Endowment net assets, June 30, 2012	34,291	438	40,670	75,399
Investment return:				
Investment gain (loss)	1,139	13	1,071	2,223
Change in net realized and unrealized gain and loss	2,174	14	1,207	3,395
Total investment return	3,313	27	2,278	5,618
Contributions	51	-	1,230	1,281
Appropriation of endowment assets for expenditures	(782)	(9)	-	(791)
Other	-	-	(1,417)	(1,417)
Endowment net assets, June 30, 2013	$36,873	$456	$42,761	$80,090

The table below describes endowment amounts classified as permanently restricted net assets and temporarily restricted net assets at June 30:

	2013	2012
	(In thousands)	
Permanently restricted net assets:		
Hospital operations support	$ 18,053	$ 17,537
Medical program support	6,491	5,941
Scholarship funds	2,912	2,247
Research funds	7,869	8,241
Community service funds	5,756	5,496
Other funds	1,680	1,208
Total endowment funds classified as permanently restricted net assets	$ 42,761	$ 40,670
Temporarily restricted net assets:		
Term endowment funds	$ 131	$ 127
Other	325	311
Total endowment funds classified as temporarily restricted net assets	$ 456	$ 438

Funds with Deficiencies – Periodically, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2013, the date the consolidated financial statements were issued. The following subsequent events were noted:

Liquidity Facilities – In July 2013, the Corporation renewed the Amended and Restated 2010 Revolving Credit Agreements (2013 Credit Agreements) discussed in Note 6 with U.S. Bank National Association, which acts as an administrative agent for a group of lenders thereunder. The 2013 Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agrees to lend to the Corporation amounts that may fluctuate from time to time but, as of September 25, 2013, the amount available was $731 million along with an option to increase that amount by $200 million.

* * * * * *

Summary Consolidated Statements of Operations and Changes in Unrestricted Net Assets and Consolidated Balance Sheets

The following table summarizes the unaudited pro-forma consolidated operating results for the System for the twelve months ended June 30, 2012 and 2013.

CHE Trinity Inc.
Summary Pro-Forma Consolidated Statement of Operations and Changes in Unrestricted Net Assets
(In Thousands)

	Twelve Months Ended June 30,	
	2012	**2013**
UNRESTRICTED REVENUE		
Patient service revenue, net of contractual and other allowances	$11,733,052	$12,336,476
Provision for bad debts	672,493	699,689
Net patient service revenue less provision for bad debts	11,060,559	11,636,787
Other revenue[1]	1,419,894	1,656,936
TOTAL UNRESTRICTED REVENUE	12,480,453	13,293,723
EXPENSES		
Labor expenses	6,625,939	7,076,268
Supplies	2,057,271	2,124,738
Purchased services[2]	1,547,302	1,721,626
Depreciation and amortization	642,617	677,126
Interest	145,352	155,761
Other[3]	1,090,443	1,123,131
TOTAL EXPENSES	12,108,924	12,878,650
OPERATING INCOME BEFORE OTHER ITEMS	371,529	415,073
Consolidation costs	-	(23,169)
Gain on sale of assets	94,850	21,021
Losses from SJHS	(23,014)	-
OPERATING INCOME	443,365	412,925
Investment (losses) earnings	(15,338)	451,462
Equity gains in unconsolidated affiliates	74,492	140,747
Gain on bargain purchase and inherent contributions	539,743	-
Other non-operating items	(105,987)	44,299
EXCESS OF REVENUE OVER EXPENSES	936,275	1,049,433
OTHER CHANGES IN TOTAL UNRESTRICTED NET ASSETS		
Change in retirement plan items	(846,355)	384,624
Other changes in unrestricted net assets	69,460	18,108
Increase in unrestricted net assets before discontinued operations	159,380	1,452,165
Discontinued operations:		
Loss from operations	(94,864)	(163,407)
Loss on transfer of shares	(28,534)	-
Change in retirement plan items	21,678	-
Decrease due to transfer of non-controlling interest	(81,153)	-
(DECREASE) INCREASE IN TOTAL UNRESTRICTED NET ASSETS	$ (23,493)	$ 1,288,758

(1) Includes capitation and premium revenue.
(2) Includes medical claims and capitation purchased services and medical and professional fees.
(3) Includes occupancy and insurance costs.

The following table presents the summary unaudited consolidated balance sheets of the System as of June 30, 2012 and 2013.

CHE Trinity Inc.
Summary Consolidated Balance Sheets
(In Thousands)

	As of June 30,	
	2012	**2013**
CURRENT ASSETS:		
Cash, cash equivalents and investments	$ 3,047,913	$ 3,248,696
Security lending collateral	203,785	153,583
Assets limited as to use	57,433	63,201
Patient accounts receivable, net	1,422,442	1,402,980
Other current assets	1,224,525	1,113,524
TOTAL CURRENT ASSETS	5,956,098	5,981,984
ASSETS LIMITED AS TO USE & OTHER ASSETS:		
Board designated	2,527,747	2,847,628
Investments	582,661	615,612
Other limited or restricted use assets	1,124,742	1,009,361
Property and equipment, net	6,032,705	6,474,533
Investments in unconsolidated affiliates	1,647,344	1,836,369
Other assets	454,035	580,358
TOTAL ASSETS	$18,325,332	$19,345,845
CURRENT LIABILITIES:		
Commercial paper and line of credit	$ 134,989	$ 368,923
Short-term borrowings	903,357	896,455
Current portion of long-term debt	84,978	128,273
Accounts payable and accrued expenses	866,581	954,327
Payable under security lending agreements	203,785	153,583
Other current liabilities	1,555,585	1,544,947
TOTAL CURRENT LIABILITIES	3,749,275	4,046,508
LONG-TERM DEBT	3,518,210	3,512,404
ACCRUED PENSION AND RETIREE HEALTH COSTS	1,482,524	921,995
OTHER LONG-TERM LIABILITIES	1,443,566	1,419,977
TOTAL NET ASSETS:		
Unrestricted	7,793,871	9,082,629
Temporarily restricted	249,776	269,653
Permanently restricted	88,110	92,679
TOTAL LIABILITIES AND NET ASSETS	$18,325,332	$19,345,845

Catholic Health East

Consolidated Financial Statements
December 31, 2012 and 2011

ATTACHMENT
6

Catholic Health East
Index
December 31, 2012 and 2011

	Page(s)
Report of Independent Auditors	1-2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–40
Supplemental Schedule	
Social Accountability Costs (Unaudited)	42

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Report of Independent Auditors

To the Board of Directors
Catholic Health East

We have audited the accompanying consolidated financial statements of Catholic Health East and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated entities which statements reflect net assets of $59,001,000 and $77,471,000 as of December 31, 2012 and 2011, respectively, and excess of revenues over expenses of $21,530,000 and $12,508,000 for the years then ended. In addition, we did not audit the financial statements of certain unconsolidated entities which are represented in the following consolidated financial statements for 2012 and 2011 as investments in unconsolidated organizations of $1,575,944,000 and $1,275,608,000 as of December 31, 2012 and 2011, respectively, and equity in earnings of unconsolidated organizations of $161,808,000 and $146,038,000 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. 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 our 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, we consider internal control relevant to the Company'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 Company'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.

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Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, the results of their operations and their cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

PricewaterhouseCoopers LLP

April 30, 2013

Catholic Health East
Consolidated Balance Sheets
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$368,351	$576,447
Investments	154,115	130,636
Marketable securities whose use is limited	18,106	10,218
Patient accounts receivable, net of estimated uncollectibles of $319,035 and $297,799 for 2012 and 2011, respectively	426,227	410,575
Collateral received on securities pledged	67,972	130,364
Other accounts receivable	118,744	106,512
Prepaid expenses and inventories	104,604	102,134
Assets held for sale	69,159	84,299
Total current assets	1,327,278	1,551,185
Marketable securities and investments whose use is limited		
Board-designated funds	300,328	340,757
Trustee-held funds	82,743	174,153
Donor-restricted funds	111,545	126,342
Investments	598,431	429,975
Total marketable securities and investments whose use is limited	1,093,047	1,071,227
Property and equipment, net	1,879,120	1,774,277
Equity investments in managed funds	334,721	246,270
Investments in unconsolidated organizations	1,616,988	1,450,068
Assets held for sale	267,203	389,174
Goodwill	32,852	10,470
Other assets	206,282	189,695
Total assets	$6,757,491	$6,682,366
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt and capital lease obligations	$97,365	$60,422
Portion of variable rate demand obligations classified as current	29,325	10,492
Accounts payable and accrued expenses	453,969	433,708
Collateral due broker on securities pledged	67,972	130,364
Estimated third party payor settlements, net	102,096	104,453
Other	152,659	164,851
Liabilities held for sale	101,105	115,605
Total current liabilities	1,004,491	1,019,895
Long-term debt, net	1,151,590	1,223,524
Other liabilities	149,397	139,869
Pension liabilities	417,481	438,537
Insurance liabilities, net of current portion	284,966	299,960
Other liabilities related to assets held for sale	318,811	326,593
Deferred revenue from entrance fees	91,059	92,085
Total liabilities	3,417,795	3,540,463
Net assets		
Unrestricted	3,146,859	2,954,583
Temporarily restricted	143,010	140,614
Permanently restricted	49,827	46,706
Total net assets	3,339,696	3,141,903
Total liabilities and net assets	$6,757,491	$6,682,366

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East
Consolidated Statements of Operations
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Unrestricted revenue, gains and other support		
Net patient service revenue, net of bad debt expense of $234,952 and $225,812 for 2012 and 2011, respectively	$3,877,621	$3,355,034
Other operating revenue, gains and other support	357,420	291,078
Total unrestricted revenue, gains and other support	4,235,041	3,646,112
Expenses		
Salaries, wages and benefits	2,298,084	1,954,805
Medical supplies	560,708	510,213
Purchased services, professional fees and other expenses	966,244	846,914
Depreciation and amortization	190,360	159,045
Interest	44,102	39,635
Insurance	57,066	45,451
Total expenses	4,116,564	3,556,063
Operating income before losses from St. Joseph's Health System	118,477	90,049
Losses from Saint Joseph's Health System	-	(31,249)
Operating income (including losses from St. Joseph's Health System)	118,477	58,800
Non-operating gains (losses)		
Investment returns, net	97,873	9,099
Equity in gains in earnings of unconsolidated organizations	135,405	90,258
Impairment losses	-	(4,571)
Gain on sale of assets	27,931	100,707
Unrestricted contribution income - St. Peter's Health Partners	-	322,947
Other non-operating losses	-	(474)
Loss on extinguishment of debt	(2,908)	(539)
Change in fair value of interest rate swaps	6,424	(1,232)
Total non-operating gains	264,725	516,195
Excess of revenue over expenses	$383,202	$574,995

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Unrestricted net assets		
Excess of revenue over expenses	$383,202	$574,995
Change in unrealized gains (losses) on available-for-sale securities	3,553	(3,638)
Decrease in pension liability adjustment - consolidated organizations	(15,219)	(143,002)
Decrease in pension liability adjustment - unconsolidated organizations	(8,875)	(30,485)
Net assets released from restriction for capital expenditures	10,418	35,478
Other changes	(9,032)	12,077
Increase in unrestricted net assets before discontinued operations	364,047	445,425
Loss from discontinued operations	(171,771)	(74,880)
Increase in unrestricted net assets	192,276	370,545
Temporarily restricted net assets		
Contributions	22,078	24,838
Investment income	1,272	685
Change in unrealized gains (losses) on investments	4,800	(648)
Net assets released from restrictions	(25,000)	(42,720)
Temporarily restricted contribution income - St. Peter's Health Partners	-	33,202
Other changes	(754)	(6,547)
Increase in temporarily restricted net assets	2,396	8,810
Permanently restricted net assets		
Contributions	670	75
Change in realized and unrealized gains on investments	1,248	147
Permanently restricted contribution income - St. Peter's Health Partners	-	18,670
Other changes	1,203	(656)
Increase in permanently restricted net assets	3,121	18,236
Increase in net assets	197,793	397,591
Net assets		
Beginning of year	3,141,903	2,744,312
End of year	$3,339,696	$3,141,903

The accompanying notes are an integral part of the consolidated financial statements.

Catholic Health East
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Cash flows from operating activities		
Increase in net assets	$197,793	$397,591
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from discontinued operations	171,771	74,880
Pension adjustment, including unconsolidated organizations	24,094	173,487
Loss on extinguishment of debt	2,908	539
Contribution income from contributed assets - St. Peter's Health Partners	-	(374,819)
Depreciation and amortization	190,360	159,045
Amortization of deferred entrance fees	(5,912)	(6,309)
Net realized gains on investments	(16,745)	(32,497)
Net unrealized (gains) losses on investments	(70,113)	23,379
Equity in earnings of unconsolidated organizations	(183,469)	(158,028)
Provision for bad debts	234,952	225,812
(Increase) decrease in market value of interest rate swaps	(6,424)	1,232
Restricted contributions and investment income received	(24,020)	(25,098)
Gain on sale of assets	(27,931)	(100,707)
Return on investment in health plan equity interests	7,674	34,643
Entrance fees received, net of refunds	4,886	1,635
Change in certain assets and liabilities		
Accounts receivable	(250,604)	(203,814)
Other receivables	(12,231)	47,776
Prepaid expenses, inventories and other assets	(19,057)	(69,866)
Assets held for sale	32,110	(25,475)
Accounts payable, accrued expenses and other current liabilities	20,261	(17,232)
Third party payables	(2,357)	20,430
Insurance and other liabilities	(33,516)	25,508
Pension liability	(36,275)	(33,439)
Net cash used in operating activities of discontinued operations	(66,771)	(83,109)
Net cash provided by operating activities	131,384	55,564
Cash flows from investing activities		
Additions to property and equipment	(382,619)	(193,905)
Cash contributed to St. Joseph's / Emory Healthcare Joint Operating Agreement	-	(57,117)
Cash received from St. Peter's Health Partners transaction	-	123,441
Proceeds from sale of health plan equity interests	-	194,000
Proceeds from sale of assets - Mercy Miami and Mercy Medical	-	144,000
Physician practice and surgery center acquisitions, net of cash	(22,382)	(10,438)
Posted collateral on interest rate swaps	-	(753)
Decrease (increase) in collateral received on securities pledged	62,392	(95,260)
(Purchases) sales of investments, managed funds and marketable securities whose use is limited, net	(54,780)	111,999
Proceeds from sale of assets	40,524	-
Net cash provided by (used in) investing activities of discontinued operations	87,374	(1,934)
Net cash (used in) provided by investing activities	(269,491)	214,033
Cash flows from financing activities		
Proceeds from restricted contributions and investment income received	24,020	25,098
Proceeds from issuance of long-term debt	201,450	51,045
Change in variable rate demand obligations classified as current	18,833	(12,186)
Repayments of long-term debt	(245,651)	(166,953)
(Decrease) increase in payable under collateral received on securities pledged	(62,392)	95,260
Net cash (used in) provided by financing activities of discontinued operations	(6,249)	3,884
Net cash used in financing activities	(69,989)	(3,852)
(Decrease) increase in cash and cash equivalents	(208,096)	265,745
Cash and cash equivalents		
Beginning of year	576,447	310,702
End of year	$368,351	$576,447
Supplemental disclosures of cash flow information		
Interest paid	$46,683	$44,127
Non-cash transaction	$5,556	$8,777

The accompanying notes are an integral part of the consolidated financial statements.

1. Organization and Mission Basis of Presentation

Catholic Health East ("CHE", the "System", or the "Company") was incorporated as a Pennsylvania nonprofit corporation on October 1, 1997. CHE is a catholic, multi-facility health system sponsored by seven religious congregations and Hope Ministries. Each sponsoring congregation appoints a representative to the Sponsors Council which maintains certain reserve powers, including the election of the CHE Board of Directors. CHE serves to carry out the health care ministries of the sponsoring congregations. The mission of CHE is to be a community of persons committed to being a transforming, healing presence within the communities it serves.

The consolidated financial statements of CHE include activities of its Regional Health Corporations ("RHCs") and related component corporations all of which are wholly or majority owned. These RHCs are located throughout eleven states and the healthcare activities provided by these RHCs include, but are not limited to, general acute care hospitals, long-term care facilities, skilled nursing facilities, behavioral health, residential facilities for the elderly, physician services, home health, outpatient surgery, and other services. A list of the name and location of each RHC is provided below.

Mercy Health System of Maine
Portland, Maine

Mercy Community Health, Inc.
West Hartford, Connecticut

St. James Mercy Health System, Inc.
Hornell, New York

Saint Michael's Medical Center
Newark, New Jersey

St. Mary Medical Center
Langhorne, Pennsylvania

Mercy Health System of Southeastern Pennsylvania
Conshohocken, Pennsylvania

St. Francis Hospital and Affiliates
Wilmington, Delaware

St. Mary's Health Care System, Inc.
Athens, Georgia

Mercy Medical Corporation
Daphne, Alabama

Sisters of Providence Health System, Inc.
Springfield, Massachusetts

St. Peter's Health Partners
Albany, New York

St. Francis Medical Center
Trenton, New Jersey

Lourdes Health System
Camden, New Jersey

Pittsburgh Mercy Health System, Inc.
Pittsburgh, Pennsylvania

Saint Joseph of the Pines, Inc.
Southern Pines, North Carolina

Saint Joseph's Health System, Inc.
Atlanta, Georgia

Mercy Hospital, Inc.
Miami, Florida

Holy Cross Hospital, Inc.
Fort Lauderdale, Florida

Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHE and its RHCs also participate in various joint ventures and partnerships, commonly referred to as joint operating agreements. These arrangements enable CHE to provide healthcare services to the broader community through involvement in larger healthcare organizations or systems.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of CHE include the financial information of the RHCs and component corporations, the System's wholly owned captive insurance company, various philanthropic foundations of which the System maintains control, and various other organizations or corporations. All significant inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the consolidated financial statements including, but not limited to, recognition of net patient service revenue, which includes contractual allowances and provisions for bad debt; estimates for healthcare professional and general liabilities; determination of fair values of certain financial instruments; and assumptions for measurement of pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include liquid investments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value.

Investments and Investment Income

Investments in marketable equities with readily determinable fair market values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Equity investments in managed funds, private partnerships, and other investments are accounted for under the equity method, which approximates fair value. Realized gains and losses on investments, unrealized gains and losses on trading securities, interest income (net of investment-related expenses), and dividends are included in investment returns, net, as part of non-operating gains and (losses) in the excess of revenue over expenses. Investment income restricted by donors or law is reported as an increase in temporarily or permanently restricted net assets.

The System's investments and marketable securities whose use is limited are invested and managed through the CHE Consolidated Investment Program (the "CIP Program"), and some investments are locally managed by the RHCs. Included in these investments are investments in managed funds, private partnerships, and other investments. The income (loss) from these managed funds is included in investment returns, net, in the accompanying consolidated statement of operations and change in net assets.

The System classifies all unrestricted investments as trading securities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated balance sheets and statements of operations and change in net assets.

Marketable Securities and Investments Whose Use Is Limited
Marketable securities and investments whose use is limited primarily include marketable securities and investments designated by governance for future capital improvements and other purposes, in accordance with agreements with outside parties, by trustees under bond indenture agreements, self-insurance arrangements, and by donor restrictions.

Derivative Financial Instruments
The System recognizes all derivative instruments in the balance sheets at fair value. The change in the fair value of derivatives is recognized as a component of excess of revenues over expenses in the consolidated statements of operations for the years ended December 31, 2012 and 2011.

Inventories
Inventory is valued at the lower of cost (first-in, first-out) or market, net of reserves for obsolescence.

Assets Held for Sale
CHE has classified certain long-lived assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. CHE has classified $336,362,000 and $473,473,000 as held for sale at December 31, 2012 and 2011, respectively. The Company has also classified $419,916,000 and $442,198,000 at December 31, 2012 and 2011, respectively, as liabilities related to assets held for sale.

Property and Equipment
Property and equipment acquisitions are recorded at cost. Depreciation is expensed over the estimated useful life of each class of depreciable assets and is computed using the straight-line method based on the following estimated useful lives:

Building and Improvements	5-40 years
Leasehold improvements	3-20 years
Equipment	3-20 years

Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

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

Goodwill
CHE records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company's goodwill and other intangible assets with indefinite lives are not amortized; rather, they are tested for impairment, at least annually, through a process which first evaluates any triggering event associate with an impairment, and, second, an actual measurement of the impairment, if necessitated. The Company recorded goodwill additions of $22,382,000 in 2012 related to acquisitions of physician practices and an ambulatory surgery center. The Company did not record any impairment to goodwill in 2011 or 2012.

Long-Lived Assets
CHE evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the System will recognize an impairment loss for the difference. Fair value is based on the exchange price that would be received for an asset or paid to transfer a liability. In 2012, the System recorded an impairment loss of long-lived assets of $105,000,000 related to Saint Michael's Medical Center. These assets are classified as held for sale as of December 31, 2012 and the impairment loss is included in losses from discontinued operations in the statement of operations and changes in net assets. The System recognized impairment losses of $4,571,000 for the year ended December 31, 2011.

Investments in Unconsolidated Organizations
Investments in unconsolidated organizations represent CHE investments in joint operating agreements, joint ventures, or partnerships. The equity method is used to account for these investments.

Deferred Revenue from Advance Fees
Certain RHCs operate residential facilities for the elderly. Fees paid by residents upon entering into continuing care contracts, net of the portion that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

Accrued Paid Time Off
CHE records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Deferred Debt Issuance Costs
Deferred debt issuance costs included in other assets at December 31, 2012 and 2011, totaling $14,222,000 and $18,240,000, respectively, are amortized using the straight-line method over the life of the related debt, which approximates the effective interest method.

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Net Patient Service Revenue
Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to the hospitals at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from established charges, and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Allowance for Doubtful Accounts
The System records an allowance for doubtful accounts for estimated losses resulting from non-payment for services from patients or payers. Management routinely evaluates patient account collection history in determining the sufficiency of the allowance for doubtful accounts and provision for bad debts. The allowance for doubtful accounts for those patients with third-party insurance is determined based on contractual agreements with payers. The provision for bad debts for uninsured patients is based on historical collection experience. Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and collection efforts cease.

Charity Care
CHE provides services to all patients regardless of ability to pay. In accordance with the System's policy, a patient is classified as a charity patient based on income eligibility criteria as established by the *Federal Poverty Guidelines*. Charges for services to patients who meet the System's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The costs (direct and indirect) associated with these services for charity care provided by the System approximate $435,914,000 and $339,190,000 in 2012 and 2011, respectively. These amounts do not include bad debt expense totaling $234,952,000 and $225,812,000 in 2012 and 2011, respectively, which is reflected separately in the consolidated statements of operations. The costs and provisions for bad debts do not include amounts classified as discontinued operations. Charity care data for services provided is based on the cost of patient care services with costs being determined by application of the standard cost-to-charge ratio.

Other Operating Revenue
Other revenue is derived from services other than the provision of health care services or coverage to patients or residents. This revenue consists primarily of federal and state grants, unrestricted contributions, incentive payments received for meeting Federal and State Electronic Health Record meaningful use requirements, rental income, income from health plan operations, support services,

parking garages, gift shop income, cafeteria income, maintenance fee income, foundation investment income, and other miscellaneous income.

Non-Operating Gains (Losses)
Non-operating gains (losses) consist primarily of investment returns, which include investment income, dividends, net unrealized gains (losses) on trading securities, and realized gains and losses on trading securities; equity in earnings of unconsolidated organizations; restructuring expenses and impairment losses; losses on extinguishment of debt; contribution income for contributed assets; gains on the sale of assets; and the change in the fair value of interest rate swaps.

Excess of Revenue over Expenses
The statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses include unrealized gains and losses on available for sale investments of unconsolidated organizations; permanent transfers of assets to and from affiliates for other than goods and services, pension adjustments, the cumulative effect of change in accounting principle, discontinued operations, and 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).

Donor-Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

Income Taxes
Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting guidance for income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact from this guidance on CHE's consolidated financial statements during the years ended December 31, 2012 and 2011.

Adoption of Accounting Pronouncements
On January 1, 2012, the Company adopted FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, the Provision for Bad Debts, and Allowance for Doubtful Accounts.* This guidance requires the Company to modify the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about the Company's policies for recognizing revenue and assessing bad debts, patient service revenue (net of

contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement-Topic 820: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 was effective during the fiscal year ended December 31, 2012 and is applied prospectively. The adoption of ASU 2011-04 did not have a material effect on CHE's financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which prohibits the offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure,* that requires health care entities to use cost as the measurement basis for charity care disclosures and defines cost as the direct and indirect costs of providing charity care. The accompanying notes to the consolidated financial statements reflect the amended disclosure requirements. The cost of caring for charity care patients is disclosed in the social accountability supplemental schedule. The cost of charity care provided to patients is disclosed in the supplementary financial information schedule that accompanies these financial statements. This guidance amended disclosure requirements only; therefore, there was no impact to the Company's consolidated financial statements upon adoption.

Reclassifications
Certain amounts have been reclassified in the prior year's financial statements to conform to the classifications used in the current year.

3. Net Patient Service Revenue

Net patient service revenue from the Medicare and Medicaid programs, exclusive of managed care, accounted for approximately 34.3% and 10.7%, respectively, of total net patient service revenues in 2012, and 29.0% and 9.6%, respectively of total net patient service revenue in 2011. Compliance with laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors. Estimated net settlements related to Medicare and Medicaid, collectively, of $70,327,000 and $65,225,000 in 2012 and 2011, respectively, are included as a component of current liabilities in the accompanying consolidated balance sheets. The amounts recorded for these estimated settlements approximate their fair value.

Net patient service revenue includes approximately $15,922,000 and $4,170,000 in 2012 and 2011, respectively, related to favorable changes in estimates for prior year cost report reopenings, appeals, and tentative and final cost reports, of which some are still subject to audit, additional reopening, and/or appeals.

The Company recognizes patient service revenue associated with services provided to patients who have third-party insurance based on contractual agreements with payers. For uninsured patients who do not qualify for charity care, the Company recognizes revenue based on a self pay discount policy. The Company records a provision for bad debts based on historical collection experience. The following summarizes net patient service revenue for the years ended December 31:

(in thousands of dollars)	2012		2011	
	Gross Charges	Deductions	Gross Charges	Deductions
Medicare	$5,618,273	$4,310,978	$5,007,959	$3,908,977
Medicaid	1,335,423	911,835	1,365,156	1,027,660
Managed care and other	7,108,836	4,946,267	6,441,040	4,483,612
Uninsured	811,709	592,588	674,909	487,969
	$14,874,241	10,761,668	$13,489,064	9,908,218
Provision for bad debts		234,952		225,812
Net patient service revenue		$3,877,621		$3,355,034

4. Marketable Securities and Investments Whose Use Is Limited and Equity Investments in Managed Funds

The composition of investments at December 31 is as follows:

(in thousands of dollars)	2012	2011
Reported at fair value		
Cash and cash equivalents	$262,904	$357,333
Marketable equity securities	552,529	452,084
Marketable debt securities	449,835	402,664
	1,265,268	1,212,081
Reported under the equity method		
Managed funds	334,721	246,270
	$1,599,989	$1,458,351

A portion of CHE's long-term investment assets are held in the CIP Program. The CIP Program is structured under a Program Participation Agreement (the "Agreement") between each participant RHC and CHE. All investments in the CIP Program are professionally managed under the administration of CHE.

Participants' investments held in the CIP Program are assigned a weighted value for the period of time the funds are invested in the CIP Program. Investment income from the CIP Program, including interest income, dividends, and realized gains and losses on sales of securities, and unrealized gains and losses are distributed to participants based on their weighted value of investment.

ATTACHMENT
6

The underlying fair value of investments in the CIP Program, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked prices.

CHE participates in a securities lending program wherein some investments are loaned on an overnight basis to various brokers. CHE receives lending fees and earns interest and dividends on the loaned securities. These securities are returnable on demand and are collateralized by cash deposits and U.S. Treasury Obligations. Collateral received is at 100% of the fair value of the securities on loan. CHE is indemnified against borrower default by the financial institution acting as lending agent. At December 31, 2012 and 2011, securities with a fair market value of $67,972,000 and $130,634,000, respectively, were loaned under securities lending agreements.

Investment returns, net, is comprised of the following for the years ended December 31:

(in thousands of dollars)

	2012	2011
Unrestricted net assets		
Investment returns, net		
Interest and dividends	$12,568	$15,518
Net realized gains	15,192	16,960
Net unrealized gains (losses) on investments - trading securities	70,113	(23,379)
	$97,873	$9,099
Net change in unrealized gains on available for sale securities (held by unconsolidated organizations)	$3,553	($3,638)
Temporarily restricted net assets		
Other changes in temporarily restricted net assets		
Investment income		
Interest and dividends	$967	$631
Net realized gains on investments	305	54
	$1,272	$685
Net unrealized gains (losses) on investments	$4,800	($648)
Permanently restricted net assets		
Other changes in permanently restricted net assets		
Net realized and unrealized gains on investments	$1,248	$147

The following managed fund investments are recorded under the equity method of accounting, which approximates the net asset value per share of the investments as of December 31:

	2012			
(in thousands of dollars)	Recorded Value	Unfunded Commitments	Commitment Term	Redemption Terms
Fund of Hedge Funds	$283,502	$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	22,767	$5,042	2-10 years	Redemption permitted upon expiration of commitment term
Private Equity	28,452	$14,109	3-15 years	Redemption permitted upon expiration of commitment term
Total	$334,721			

	2011			
(in thousands of dollars)	Recorded Value	Unfunded Commitments	Commitment Term	Redemption Terms
Fund of Hedge Funds	$200,307	$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	18,544	$6,987	3-11 years	Redemption permitted upon expiration of commitment term
Private Equity	27,419	$12,363	4-12 years	Redemption permitted upon expiration of commitment term
Total	$246,270			

5. Fair Value Measurements

The System adheres to applicable accounting guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and requires certain disclosures about fair value measurements. Fair value is defined under the guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, the guidance establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in the fair value guidance. The three valuation techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

The System measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk.

ATTACHMENT
6

Financial instruments at fair value at December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012				
	Level 1	Level 2	Level 3	Total	Valuation Technique
Consolidated investment program:					
Cash and cash equivalents (1)	$44,984	$33,440	$ -	$78,424	Market
Marketable equity securities (2)	323,521	146,147	-	469,668	Market
Marketable debt securities (3)	54,830	171,183	-	226,013	Market
Total consolidated investment program	423,335	350,770	-	774,105	
Locally invested:					
Cash and cash equivalents (1)	184,480	-	-	184,480	Market
Marketable equity securities (2)	69,564	13,297	-	82,861	Market
Marketable debt securities (3,4)	30,395	188,467	4,960	223,822	Market
Total locally invested	284,439	201,764	4,960	491,163	
Total marketable securities and investments whose use is limited at fair value	$707,774	$552,534	$4,960	1,265,268	
Managed funds				334,721	
Total marketable securities and investments whose use is limited and managed funds				$1,599,989	
Derivative financial instruments					
Interest rate swaps - asset (5)	$ -	$1,552	$ -		Market

	2011				
	Level 1	Level 2	Level 3	Total	Valuation Technique
Consolidated investment program:					
Cash and cash equivalents (1)	$63,099	$63,579	$ -	$126,678	Market
Marketable equity securities (2)	292,688	3,425	-	296,113	Market
Marketable debt securities (3)	44,668	109,280	-	153,948	Market
Total consolidated investment program	400,455	176,284	-	576,739	
Locally invested:					
Cash and cash equivalents (1)	230,655	-	-	230,655	Market
Marketable equity securities (2)	143,137	12,834	-	155,971	Market
Marketable debt securities (3,4)	88,524	155,597	4,595	248,716	Market
Total locally invested	462,316	168,431	4,595	635,342	
Total marketable securities and investments whose use is limited at fair value	$862,771	$344,715	$4,595	1,212,081	
Managed funds				246,270	
Total marketable securities and investments whose use is limited and managed funds				$1,458,351	
Derivative financial instruments					
Interest rate swaps - liability (5)	$ -	($4,872)	$ -		Market

There were no transfers between fair value levels for the years ended December 31, 2012 and 2011.

(1) **Cash & cash equivalents -** The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid. The fair value of certificates of deposit and commercial paper are classified as Level 2 Cash and Cash Equivalents because their valuations are based on multiple sources of information, including quoted prices from active and non-active markets, and amortized costs which approximates fair value.

(2) **Marketable equity securities** – Equity securities include both domestic equity and international equity asset classes. Investments in certain equity securities represent investments in commingled funds consisting primarily of equity securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges. At December 31, 2012 and 2011, notice periods are generally three (3) business days, according to provisions of the respective investment agreements. Investments in other equity (common and preferred) securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which daily closing stock prices are readily available.

(3) **Marketable debt securities** – Investments in certain fixed income securities represent investments in registered investment companies consisting primarily of fixed income securities. These investments, as well as investments in U.S. Government securities, are classified as Level 1 because they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available. Investments in other fixed income securities that are not considered registered investment companies or U.S. Government securities are comprised primarily of corporate debt instruments and mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets. Investments in certain fixed securities represent investments in commingled funds consisting primarily of fixed securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges.

(4) **Perpetual trusts** – Perpetual trusts are assessed a net asset value per share for these alternative investments that has been calculated in accordance with investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. They are classified as Level 3 because of the nature of the perpetual trust investment and its transparency to the underlying investments within the trust.

(5) **Interest rate swaps -** The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments Level 2. The volatility in the fair value of the swap agreements change as long-term interest rates change.

6. Property and Equipment

The following summarizes property and equipment at December 31:

(in thousands of dollars)	2012	2011
Land and improvements	$110,573	$102,496
Buildings and improvements	2,128,451	2,060,368
Equipment	1,596,472	1,459,998
	3,835,496	3,622,862
Less: Accumulated depreciation and amortization	(2,123,726)	(1,972,665)
	1,711,770	1,650,197
Construction in progress	167,350	124,080
	$1,879,120	$1,774,277

At December 31, 2012 and 2011, approximately $590,248,000 and $567,791,000 of property and equipment, net, is pledged as collateral under various loan agreements. Interest cost, net of related interest income, totaling approximately $1,939,000 and $3,181,000 was capitalized to construction in progress during 2012 and 2011, respectively.

7. Investments in Unconsolidated Organizations

Catholic Health East has investments in unconsolidated organizations totaling $1,616,988,000 and $1,450,068,000 at December 31, 2012 and 2011, respectively. Several significant investments, which are accounted for under the equity method, comprise this balance including, but not limited to, the following:

BayCare Health System
CHE has a fifty percent interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Catholic Health East BayCare Participants, Morton Plant Mease Health Care, Inc, and South Florida Baptist Hospital, Inc. (collectively, the Members). BayCare consists of three community health alliances located in the Tampa Bay area of Florida including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care with an aggregate of approximately 2,900 acute care beds. CHE has the right to appoint nine of the twenty-one members of the Board of Directors of BayCare. At December 31, 2012 and 2011, CHE's recorded investment in BayCare totaled $1,350,732,000 and $1,138,120,000, excluding wholly owned subsidiaries and other beneficial interests.

Catholic Health System, Inc.
CHE has a one-third interest in Catholic Health System, Inc. and Subsidiaries ("CHS"). CHS, formed in 1998, is a not-for-profit integrated delivery healthcare system in Western New York jointly sponsored by the Sisters of Mercy, Ascension Health System, the Franciscan Sisters of St. Joseph, and the Diocese of Buffalo. CHE, Ascension Health System, and the Diocese of Buffalo are the corporate members of CHS. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York, Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. At December 31, 2012 and 2011, CHE's recorded investment in CHS totaled $12,116,000 and $12,914,000, respectively.

Emory Healthcare/St. Joseph's Health System

On December 31, 2011, CHE entered into a joint operating agreement with Emory Healthcare as described in Note 18, and retains a forty-nine percent equity interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta, and John's Creek Hospital. At December 31, 2012 and 2011, CHE's recorded investment in EH/SJHS totaled $60,519,000 and $142,175,000, respectively.

Condensed consolidated balance sheets of BayCare, including wholly owned foundations and other beneficial interests, CHS and EH/SJHS as of December 31 are as follows:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS	
	2012	2011	2012	2011	2012	2011
Assets	$4,750,607	$4,014,123	$778,333	$682,748	$446,739	$639,369
Liabilities	$1,908,513	$1,597,252	$737,110	$639,128	$322,692	$313,233
Net assets	$2,842,094	$2,416,871	$41,223	$43,620	$124,047	$326,136

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, CHS and EH/SJHS for the years ended December 31:

(in thousands of dollars)	Baycare		CHS		EH/SJHS
	2012	2011	2012	2011	2012
Equity in earnings of unconsolidated organizations	$211,786	$74,611	$9,187	$8,747	($84,873)
Net unrealized losses on investments	-	19	-	-	-
Other changes in unrestricted and restricted net assets	825	(7,965)	(9,986)	(20,356)	(4,006)
	$212,611	$66,665	($799)	($11,609)	($88,879)

Additionally, certain RHCs have investments in unconsolidated organizations, the most significant of which is an investment in a Medicaid HMO joint venture at Mercy Health System of Southeastern Pennsylvania ("Mercy SEPA"). These investments total $193,621,000 and $156,859,000 in 2012 and 2011, respectively. CHE's proportionate share of the income of these investments was $34,050,000 and $70,846,000 for the years ended December 31, 2012 and 2011, respectively.

8. Long-Term Debt

At December 31, long-term debt consisted of the following:

(in thousands of dollars)	2012	2011
Revenue bonds		
Catholic Health East Health System Revenue Bonds		
Various Fixed Rate Series issued from 1998 to 2012; coupon rates ranging from 2.25% to 7.375%; annual principal payments through 2040	$870,596	$912,292
Various Variable Rate Series issued from 1997 to 2008; rates ranging from 0.03% to 0.36%; annual principal payments through 2036	99,955	103,825
Various Variable Rate Series swapped to fixed rating ranging from 1.09% to 1.17%; annual principal payments through 2034	27,660	27,740
Taxable Rate Series issued 1999 with rate of 7.62%; annual principal payments through 2017	3,710	4,415
	1,001,921	1,048,272
Other issues under $10,000	16,054	16,570
Less amortization and unamortized (discount) premium	13,524	789
Mortgages payable		
JP Morgan/Chase mortgage payable in monthly fixed principal installments of $56; interest at Libor plus 150 basis points through May 2021	5,681	6,356
Rensselaer County Industrial Development Agency and Albany County Industrial Development Agency, bearing interest at a fixed rate ranging from 4.36% - 5.375%	4,749	10,680
Various HUD insured mortgages (5.56% to 5.64%) payable through January 2027	11,360	11,986
Other mortgages and notes payable under $5,000, individually	4,365	4,921
Notes payable		
North Ridge VA Center, LTD (5.04%), semi-annual principal payments through 2023	32,320	34,601
Notes payable due at various dates through 2027; various rates	63,098	21,635
Revolving credit agreement, due in 2014	76,450	81,185
Capital lease obligations payable in various monthly amounts	48,758	57,443
Total long-term debt and obligations under capital leases	1,278,280	1,294,438
Less: Current maturities of long term debt	(97,365)	(60,422)
Less: Portion of variable rate demand obligations classified as current	(29,325)	(10,492)
Total long-term debt	$1,151,590	$1,223,524

Aggregate maturities of long-term debt and capital lease obligations as of December 31, 2012 are shown below.

(in thousands of dollars)

2013	$126,690
2014	60,337
2015	56,405
2016	55,705
2017	128,195
Thereafter	837,424
Unamortized discount and imputed interest	13,524
	$1,278,280

The fair value of the System's long term debt is based on quoted market prices or estimates using discounted cash flow analyses, based on the participating facility's incremental borrowing rates for similar types of borrowing arrangements (Level 2). The fair value of the System's long-term debt at December 31, 2012 and 2011 was $1,279,868,000 and $1,343,421,000, respectively, compared to the carrying value of $1,244,868,000 and $1,214,421,000, respectively. This excludes capital leases and mortgage notes.

On June 1, 2012 CHE issued $147,640,000 of Series 2012A Hospital Revenue Bonds through the Delaware County Authority (Pennsylvania) Health System, the City of Tampa, Florida Health, and North Carolina Medical Care Commission Health System. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.25%. The proceeds of this issue were used to refund and redeem certain of the outstanding Series 1998A Revenue Bonds issued previously and to pay the costs of issuance. As part of this transaction, CHE recorded a loss on extinguishment of debt totaling $2,908,000.

On December 31, 2011, CHE transferred the outstanding debt of St. Joseph's Hospital, including the Series 2007A Revenue Bonds of $9,900,000, the Series 2009 Revenue Bonds of $68,970,000, and the Series 2010 Revenue Bonds of $40,135,000 to the St. Joseph's/Emory Healthcare Joint Operating Agreement described in Note 18. Subsequent to the transfer date, the debt is guaranteed by Emory University and is no longer an obligation of the CHE Obligated Group.

On June 1, 2011, CHE repaid the outstanding debt of Mercy Hospital, Miami, including the Series 1998 Hospital Revenue Bonds of $10,000,000, the Series 2002 Hospital Revenue Bonds of $35,000,000, the Series 2003C Hospital Revenue Bonds of $14,000,000, the Series 2008 Hospital Revenue Bonds of $31,900,000, and the Series 2009 Hospital Revenue Bonds of $29,300,000. The debt was repaid with proceeds from the sale of certain entities of Mercy Hospital, Miami to HCA as described in Note 18.

On February 3, 2011, St. Peter's Health Care Services issued $34,200,000 of Series 2011 Hospital Revenue Bonds through the City of Albany Capital Resource Corporation. The bonds were issued as fixed rate bonds with interest rates ranging from 3.0% to 6.25%. The proceeds of this issue were used for St. Peter's Hospital Master Facilities Plan building and equipment projects, to fund a debt service reserve fund, to pay capitalized interest, and to pay the costs of issuance.

Certain CHE constituent corporations are members of the CHE Obligated Group. Under the Amended and Restated Master Trust Indenture dated January 1, 1998 and amended and restated as of September 30, 2006, Obligated Group members provide a revenue pledge and are joint and severally liable on all obligations outstanding under the Master Indenture. Additionally, the Obligated Group has agreed to comply with certain covenants including the repayment of principal and interest, notification regarding admission or withdrawal of members of the Obligated Group, to deliver financial statements and other related information by specified due dates, to maintain insurance, and to maintain a long-term debt service coverage of at least 1.10 to 1.00.

Pursuant to loan agreements between CHE and various RHCs, promissory notes have been executed by each RHC in amounts equal to the amount of proceeds necessary to defease previously existing debt and provide for capital projects.

In prior years, CHE advance refunded certain of its bonds which are no longer reflected in the consolidated financial statements since CHE has legally satisfied its obligation through defeasance. Funds are held in an irrevocable escrow with a trustee and are expected to be sufficient to satisfy the obligations.

CHE maintains a revolving credit loan facility which is structured through a consortium with five banks and extends through November 30, 2017. The credit facility totals $300,000,000 with an option to increase the credit facility to $350,000,000. At December 31, 2012 and 2011, approximately $32,812,000 and $43,697,000, respectively, of the total credit facility was obligated for standby letters of credit. Additionally, approximately $101,300,000 and $106,035,000 at December 31, 2012 and 2011, respectively, had been borrowed against the total credit facility. Borrowings under this agreement may be repaid at any time and are payable upon termination of the agreement. These borrowings were used to finance various capital projects at several of the RHCs. Use of the credit facility for standby letters of credit is limited to $100,000,000 of the total credit facility.

Certain of the System's variable rate demand bonds are supported by irrevocable letters of credit with expiration dates in 2013 and 2014. CHE is the guarantor for these letters of credit. The letters of credit and dates of expiration are as follows:

RHC	Associated Bond Issue	Expiration
Mercy Medical Corporation	Series 1997	11/1/2013
St. Mary Medical Center	Series 1997	11/1/2013
Holy Cross Hospital	Series 1997	11/1/2013
Holy Cross Hospital	Series 2000	12/31/2014
St. Francis Medical Center	Series 2003	12/31/2014
St. Joseph of the Pines, Inc.	Series 2008	4/23/2014

Blended Cost of Debt Program

CHE maintains a Blended Cost of Debt Program (the "Debt Program") to provide a uniform cost of debt for participating RHCs and to mitigate the interest rate risk of an RHC.

Under the Debt Program, all debt costs, excluding taxable debt, capitalized leases, and short-term borrowing, are blended. The calculation of the blended costs incorporates bond interest, both fixed and variable, debt-related fees, such as letters of credit, credit enhancement, remarketing, auction, as well as periodic rating agency, bond trustee, master trustee and issuing authority fees, net swap payments/receipts and put/guaranty receipts, along with other miscellaneous fees related to tax-exempt debt issued by CHE and its affiliates.

Participants in the Debt Program make periodic payments to CHE. Each participant's periodic payment is based on their respective percentage of total indebtedness included in the Debt Program. Principal payments are not blended. Participants make their scheduled principal payments to CHE in the month they are due.

9. Derivative Financial Instruments

CHE has entered into derivative transactions for the purpose of reducing interest rate volatility and to reduce interest expense. CHE has entered into fixed-to-floating interest rate swaps, total return swaps, basis swaps, and fixed-payor swaps.

At December 31, 2012 and 2011, fourteen *basis swap* transactions were outstanding in the CHE Debt Program with notional amounts totaling $717,000,000 and maturity dates ranging from February 2023 to December 2028. In the basis swap transactions, CHE receives a floating taxable rate and pays a floating tax-exempt rate. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012 and 2011, four and six *fixed-to-floating interest rate swap* agreements, respectively, were outstanding in the CHE Debt Program. The fixed-to-floating swaps had notional amounts totaling $95,000,000 and $150,000,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from March 2014 to April 2017. These fixed-to-floating interest rate swap agreements effectively convert a portion of the System's fixed rate debt to a floating rate basis and are not designated as hedges for financial reporting purposes.

At December 31, 2012 and 2011, four *fixed-payor interest rate swap* agreements, were outstanding in the CHE Debt Program. The fixed-payor swaps had notional amounts totaling $27,700,000 and maturity dates ranging from November 2032 to November 2034. Under these interest rate swap agreements CHE pays a fixed rate and receives a variable rate. Additionally, the cash flows from these interest rate swap agreements equal the rates on the bonds and therefore effectively convert the debt to a fixed rate. The notional amount of these interest rate swap agreements declines in relation to the annual principal payments on the hedged debt. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012 and 2011, five and seven *total return swap* agreements, respectively, were outstanding in the CHE Debt Program. The total return swaps had notional amounts totaling $85,525,000 and $104,300,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from June 2013 to May 2014. Under these swap agreements, CHE receives a fixed rate on the amount corresponding to the par amount of the outstanding bonds, and pays the Securities Industry and Financial Markets Association ("SIFMA") index. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012, three *fixed-to-floating interest rate swaps* were outstanding outside the CHE Debt Program with notional amounts totaling $47,180,000 and maturity dates ranging from November 2013 to August 2033. These fixed-to-floating swaps were not outstanding as of December 31, 2011. In accordance with certain of these swap agreements a collateral account may be required as security for the swap.

The fair value of derivative instruments at December 31 is as follows:

(in thousands of dollars)	2012		2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts				
Basis	Other assets	$5,938	Other liabilities	($6,344)
Fixed-to-floating	Other assets	$1,314	Other assets	$2,291
Fixed-payor	Other liabilities	($7,115)	Other liabilities	($6,231)
Total return	Other assets	$7,130	Other assets	$10,525
Fixed-to-floating, non CHE	Other liabilities	($5,715)	Other liabilities	($5,113)
		$1,552		($4,872)

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2012 and 2011 are as follows:

(in thousands of dollars)

	Location of Gain (Loss) Recognized in Statement of Operations	Amount of Gain (Loss) Recognized in Statement of Operations	
		2012	2011
Interest rate contracts			
Basis	Change in fair value of interest rate swaps	$12,282	($9,984)
Fixed-to-floating	Change in fair value of interest rate swaps	(977)	1,058
Fixed-payor	Change in fair value of interest rate swaps	(884)	(2,777)
Total return	Change in fair value of interest rate swaps	(3,397)	10,526
Fixed-to-floating, non CHE	Change in fair value of interest rate swaps	(600)	(55)
Total		$6,424	($1,232)

Certain of CHE's derivative instruments contain credit-risk-related provisions that require CHE and its counterparties to post collateral in varying amounts based on respective credit ratings. If CHE's debt were to fall below investment grade, the counterparties to the derivative instruments would require CHE to post collateral only if the aggregate position of all derivative instruments is negative. Based on CHE's current credit rating, the System was not required to post collateral as of December 31, 2012 or 2011. Locally held derivative instruments (non-CHE) required posted collateral at December 31, 2012 and 2011 in the amount of $474,000 and $753,000, respectively.

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets at December 31 are available for the following purposes:

(in thousands of dollars)	2012	2011
Temporarily restricted net assets		
Education and research	$5,746	$5,397
Building and equipment	28,180	27,406
Patient care	14,916	16,480
Cancer Center/research	7,431	6,110
Other	86,737	85,221
	$143,010	$140,614

Permanently restricted net assets at December 31 are restricted as follows:

(in thousands of dollars)	**2012**	**2011**
Permanently restricted net assets		
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	$37,897	$36,272
Endowments requiring income to be added to the original gift	2,426	2,282
Other	9,504	8,152
	$49,827	$46,706

The System classifies the portions of donor-restricted endowment funds of perpetual duration as permanently restricted net assets. Permanently restricted net assets of the System are comprised of a) the original value of gifts donated to the System through a permanent endowment, b) the original value of subsequent gifts to the System through a permanent endowment, and c) accumulations to the permanent endowment in accordance with applicable donor gift instruments. Any portions of donor-restricted endowment funds that are not classified as permanently restricted are appropriated in accordance with donor intent.

The System considers the following factors in determining if donor-restricted endowment funds are accumulated or appropriated:

1) the duration and preservation of the fund
2) the purposes of the System's donor-restricted endowment funds
3) general economic conditions
4) effect of possible inflation or deflation
5) the expected total investment return and appreciation of investments
6) other resources of the System
7) investment policies of the System

The System's permanently restricted net assets consist of individual endowment accounts. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. Unless otherwise directed by the donor, the System annually appropriates a certain percentage of each endowment fund, which is then available for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future and providing stable, annual appropriations.

The composition of endowment fund net assets, by type of fund, at December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$82,466	$49,827
Board-designated endowment funds	17,864	445	-
Total endowment funds	$17,864	$82,911	$49,827

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$0	$82,089	$46,706
Board-designated endowment funds	17,635	809	-
Total endowment funds	$17,635	$82,898	$46,706

Changes in the composition of endowment fund net assets as of December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment fund net assets, beginning of year	$17,635	$82,898	$46,706
Investment return:			
Realized investment income	31	425	755
Unrealized investment gains	183	4,825	518
Net appreciation	-	741	(25)
Total investment return	214	5,991	1,248
Other changes in endowment funds	15	(5,978)	1,873
Endowment fund net assets, end of year	$17,864	$82,911	$49,827

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment fund net assets, beginning of year	$17,517	$67,810	$27,972
Investment return:			
Realized investment income	202	364	945
Unrealized investment losses	(94)	(480)	(768)
Net appreciation	-	341	(32)
Total investment return	108	225	145
Other changes in endowment funds	10	14,863	18,589
Endowment fund net assets, end of year	$17,635	$82,898	$46,706

11. Insurance

Professional and general liability risk is insured through Stella Maris Insurance Company, Ltd. a wholly owned, captive insurance company, commercial insurance and reinsurance companies, and self-insured programs. Excess insurance over self-insured amounts and coverage provided by the captive has been purchased from the commercial insurance and reinsurance markets. The excess professional liability coverage is provided on a claims-made basis. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

CHE maintains a large deductible program for workers' compensation. Losses from asserted claims and from unasserted claims identified under CHE's incident reporting systems are accrued based on estimates that incorporate CHE's experience, relevant trends, and other factors. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

Total amounts accrued under these programs as current liabilities approximate $19,642,000 and $18,901,000 at December 31, 2012 and 2011, respectively. Total amounts accrued under these programs as long-term liabilities approximate $284,966,000 and $299,960,000 at December 31, 2012 and 2011, respectively.

Bank-administered trust and other accounts have been established for the purpose of segregating assets. These trusts are funded based on actuarial estimates and can only be used for payment of malpractice losses, related expenses, and administrative costs of the trusts. Assets of the trusts are included in marketable securities whose use is limited.

The total amount charged to expense under these self-insured programs was $57,066,000 and $45,451,000 in 2012 and 2011, respectively.

12. Pension Plans

The System maintains non-contributory defined benefit pension plans that vary from one RHC to another, collectively, "the Plan." CHE has amended substantially all defined benefit pension plans to freeze service accruals.

The following table sets forth the change in benefit obligation and the change in fair value of plan assets based on the measurement date, and the amounts recognized in the consolidated financial statements at December 31:

(in thousands of dollars)	2012	2011
Changes in benefit obligation:		
Benefit obligation, beginning of year	$1,261,197	$1,031,184
Service cost	6,654	10,178
Interest cost	54,091	52,707
Actuarial loss	75,548	130,724
Benefits paid	(57,493)	(35,654)
Plan amendments	-	(28,278)
Plan mergers & divestitures	(1,647)	116,849
Curtailment	(3,285)	-
Other	-	(16,513)
Benefit obligation, end of year	$1,335,065	$1,261,197
Accumulated benefit obligation, end of year	$1,316,982	$1,227,766
Change in plan assets:		
Fair value of plan assets, beginning of year	$822,660	$740,648
Actual return on plan assets	91,941	567
Employer contributions	60,476	48,027
Benefits paid	(57,493)	(35,654)
Asset transfers	-	69,072
Fair value of plan assets, end of year	$917,584	$822,660
Funded status		
Fair value of plan assets	$917,584	$822,660
Projected benefit obligation	(1,335,065)	(1,261,197)
Funded status	(417,481)	(438,537)
Amount recognized, end of year	($417,481)	($438,537)
Amounts recognized in unrestricted net assets		
Net actuarial gain	$46,014	$184,392
Amortization of actuarial loss	(13,573)	(9,039)
Prior service cost	4,606	(1,218)
Current year prior service cost	-	(44,790)
Curtailment charge	(3,090)	-
Plan mergers	-	22,894
Total	$33,957	$152,239

The following table sets for the components of net periodic benefit cost for the applicable plan(s) at December 31:

(in thousands of dollars)	**2012**	**2011**
Components of net periodic benefit cost:		
Service cost	$6,654	$10,178
Interest cost	54,091	52,707
Expected return on plan assets	(62,408)	(61,061)
Amortization of prior service costs	(4,606)	1,218
Amortization of actuarial loss	13,573	9,039
Other adjustments	(195)	-
Net periodic benefit cost	$7,109	$12,081

The net actuarial loss that will be amortized from unrestricted net assets in the net periodic benefit cost in 2013 is $14,194,000.

The assumptions used to determine the benefit obligation and periodic benefit cost at December 31 are as follows:

	2012	**2011**
Assumptions used to determine the benefit obligation at December 31:		
Weighted average discount rate	3.55% - 4.05%	4.15% - 5.00%
Weighted average rate of compensation increases	2.50%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.50%	7.5% - 8.50%

	2012	**2011**
Assumptions used to determine periodic benefit cost at December 31:		
Weighted average discount rate	4.15% - 4.60%	4.90% - 5.55%
Weighted average rate of compensation increases	3.75% - 4.25%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.5% - 8.00%	7.5% - 8.50%

Investment Policy and Asset Allocations – In developing the assumption for the expected rate of return on assets, CHE evaluates historical returns, the level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected rate of return for each asset class is then weighted based on the target asset allocation to develop the assumption for the expected long-term rate of return on assets. For plans with frozen service accruals, the investment policy was modified to allow for asset allocation changes over time as the plans become more fully funded in order to de-risk the plans. This strategy utilizes a "glide path" approach, consisting of a series of target asset allocations for various funded ratio levels, reduces exposure to return seeking assets (marketable equity securities and managed funds) and increases exposure to the liability-hedging assets (cash and marketable debt securities) over time. The Company continually evaluates the asset allocation strategy relative to changing market conditions, pension assumptions, and overall funded status of the plans.

ATTACHMENT
6

The weighted average asset allocation for the plan at December 31 and the target allocation for calendar year 2012 and 2011, by asset category, are as follows:

	Target Allocation 2012 From-To	2012	Target Allocation 2011 From-To	2011
Asset category				
Cash & marketable debt securities	18.8%-40.0%	21.6 %	18.8%-40.0%	22.5 %
Marketable equitity securities & managed funds	60.0%-81.2%	78.4 %	60.0%-81.2%	77.5 %
	100.0%	100.0%	100.0%	100.0%

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, managed funds, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance.

The following table presents the Plan's financial instruments as of December 31, 2012 measured at fair value on a recurring basis using the fair value hierarchy defined in Note 5. The investments are not included in the marketable securities whose use is limited in the accompanying consolidated balance sheet. These investments are maintained separately in a pension investment program that is controlled by a trustee:

(in thousands of dollars)

	2012				
	Level 1	Level 2	Level 3	Total	Valuation Technique
Pension investment program:					
Cash and cash equivalents	$109,534	$8,422	$ -	$117,956	Market
Marketable equity securities	260,093	306,215	-	566,308	Market
Marketable debt securities	42,197	107,988	-	150,185	Market
Managed funds	-	17,873	65,262	83,135	Market
Total pension investment program	$411,824	$440,498	$65,262	$917,584	

ATTACHMENT
6

	2011				
	Level 1	Level 2	Level 3	Total	Valuation Technique
Pension investment program:					
Cash and cash equivalents	$44,761	$20,863	$ -	$65,624	Market
Marketable equity securities	471,063	36,297	-	507,360	Market
Marketable debt securities	66,446	91,456	-	157,902	Market
Managed funds	-	-	91,774	91,774	Market
Total pension investment program	$582,270	$148,616	$91,774	$822,660	

The fair value of these investments is offset against the projected benefit obligation of the associated defined benefit plans and the resulting unfunded liability is recorded by the System.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from December 31, 2011 to December 31, 2012.

(in thousands of dollars)

	2012	2011
Fair value January 1	$91,774	$75,493
Purchases	18,156	-
Realized gains	2,353	441
Unrealized losses	(126)	(2,950)
Other changes	(23,970)	21,479
Sales	(22,925)	(2,689)
Fair value December 31	$65,262	$91,774

There were no transfers in or out of levels 1 and 2 for the year ended December 31, 2012.

Contributions – Expected contributions to the defined benefit plans in 2013 are approximately $52,169,000.

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands of dollars)

2013	$52,443
2014	55,254
2015	57,537
2016	62,221
2017	66,049
2018-2021	370,706
	$664,210

13. Concentration of Credit Risk

CHE grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2012	2011
Managed care	31.9 %	31.1 %
Medicare	24.0 %	23.8 %
Medicaid	9.5 %	11.0 %
Self-pay	11.9 %	11.3 %
Other third-party payors	11.9 %	14.4 %
Commercial	10.8 %	8.4 %
	100.0 %	100.0 %

In addition, CHE invests its cash and cash equivalents primarily with banks and financial institutions. These deposits may be in excess of federally insured limits. Management believes that the credit risk related to these deposits is minimal.

14. Commitments and Contingencies

The RHCs are defendants in various lawsuits relating primarily to rendering of health care services. In each instance, management of the respective RHCs is of the opinion that the liability, if any, resulting there from will be covered by insurance or will not have a material adverse impact on the consolidated financial statements of CHE. In addition, certain CHE entities have been contacted by governmental agencies regarding alleged violations of practices for certain services. Management of the respective RHCs has performed, with the advice and assistance of outside legal counsel, an evaluation of billing practices and compliance with related laws and regulations. In the opinion of management, after consultation with outside legal counsel, the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial statements of CHE.

On March 29, 2013, the Company was notified that it is a defendant in a lawsuit which challenges the church plan status of the Company's defined benefit pension plans. The Company believes it will prevail in defense of this matter.

15. Leases

The RHCs lease office space and certain equipment under noncancelable operating leases. Rental expense was approximately $79,885,000 and $79,211,000 in 2012 and 2011, respectively.

Future minimum lease payments for all noncancelable leases as of December 31, 2012 are as follows:

(in thousands of dollars)	
2013	$52,110
2014	43,479
2015	38,862
2016	33,380
2017	27,339
Thereafter	97,125
	$292,295

16. Functional Expenses

CHE provides general health care services to residents within their geographic location including acute care, skilled nursing, outpatient care, home healthcare, physician practices, and behavioral services. Expenses related to providing these services at December 31 are as follows:

(in thousands of dollars)	**2012**	**2011**
Health care services	$3,314,936	$2,885,340
General and administrative	801,628	670,723
	$4,116,564	$3,556,063

17. Assets Held for Sale and Discontinued Operations

On January 14, 2013, Mercy Health System of Maine (Mercy Maine) entered into a definitive agreement with Eastern Maine Health System (EMHS) under which EMHS would assume control over Mercy Maine and its component corporation. As of December 31, 2012 and 2011, Mercy Maine's assets and liabilities have been reclassified as held for sale. The operating results of Mercy Maine are reflected as discontinued operations in the consolidated statements of operations.

On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement (APA) under which the hospital would be acquired by another healthcare organization. Certain assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheets as of December 31, 2012 and 2011. The operating results of Saint Michael's Medical Center are reflected as discontinued operations in the consolidated statements of operations.

Additionally, the Boards of Directors at certain of the Company's RHCs have approved management plans to divest or otherwise exit certain services lines and asset groups. Service lines and asset groups subject to such management plans are collectively referred to as the Disposal Group.

Details of the assets held for sale, the related liabilities, and discontinued operations of the Disposal Group at December 31 are provided below:

(in thousands of dollars)	**2012**	**2011**
Assets Held for Sale and Related Liabilities		
Current assets	$69,159	$84,299
Property, plant, and equipment, net	267,203	389,174
Total assets	$336,362	$473,473
Current liabilities	$101,105	$115,605
Other long-term liabilities	318,811	326,593
Total liabilities	$419,916	$442,198
Discontinued Operations		
Unrestricted revenues, gains and other support		
Net patient service revenue	$427,026	$527,097
Other operating revenue	36,302	51,441
Total revenues	463,328	578,538
Expenses		
Salaries, wages and benefits	256,762	317,447
Medical supplies	70,573	93,816
Purchased services, professional fees, and other expenses	144,847	186,427
Depreciation and amortization	21,529	25,898
Interest	20,529	24,411
Insurance	5,985	8,733
Total expenses	520,225	656,732
Operating loss before impairment	(56,897)	(78,194)
Non-operating losses on sale of assets	(4,481)	(3,254)
Impairment costs and other non-operating charges	(110,393)	6,568
Operating loss	($171,771)	($74,880)

Saint Michael's Medical Center classified tax-exempt revenue bonds as Liabilities related to Assets Held for Sale totaling $237,705,000 and $241,700,000 at December 31, 2012 and 2011, respectively. The bonds are issued through and guaranteed by the New Jersey Health Care Facilities Financing Authority as fixed rate bonds with interest rates ranging from 5.0% to 5.5% and annual principal payments through 2038. The bonds are excluded from the CHE Obligated Group.

Aggregate principal payments are as follows:

(in thousands of dollars)

2013	$4,435
2014	4,490
2015	4,900
2016	4,950
2017	5,425
Thereafter	213,505
	$237,705

As a condition to closing of the transaction with the purchaser as described above, the New Jersey Health Care Facilities Financing Authority would agree to provide a release of Saint Michael's obligation on the tax-exempt bonds.

18. Significant Events

Maxis Health System

On February 28, 2012, the Company closed Marian Community Hospital, which provided acute care and behavioral health services in the Carbondale, PA service area. The operations of Marian Community Hospital are classified as discontinued operations in the accompanying consolidated statements of operations and changes in net assets at December 31, 2011.

St. Peter's Health Partners

On October 1, 2011, St. Peter's Health Care Services ("SPHCS"), Northeast Health ("NEH"), and Seton Health ("Seton") contributed their net assets to form St. Peter's Health Partners. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions, the Company recorded contribution income of $374,819,000 reflecting the fair value of the contributed assets of NEH and Seton on the transaction date. Of this amount, $322,947,000 represents unrestricted net assets and is included as a non-operating gain in the accompanying statement of operations and changes in net assets at December 31, 2011. Temporarily restricted net assets and permanently restricted net assets of $33,201,000 and $18,671,000, respectively, were recorded as restricted contribution income in the accompanying consolidated statement of changes in net assets.

The 2011 consolidated statement of operations reflects the activity of NEH and Seton from the date of the transaction (October 1, 2011) to December 31, 2011. No consideration was exchanged for the net assets contributed.

The fair value of assets, liabilities, and net assets contributed by NEH and Seton at October 1, 2011 were as follows:

(in thousands of dollars)	**Total NEH & Seton**
Assets	
Cash and cash equivalents	$123,441
Assets limited as to use and investments	147,858
Patient accounts receivable , net	48,331
Property plant and equipment	307,167
Other assets	63,960
Total assets acquired	$690,757
Liabilities	
Accounts payable and accrued expenses	$44,927
Estimated amounts due to third party payers	16,094
Long-term debt	118,449
Accrued pension and post retirement benefits	38,438
Other liabilities	98,030
Total liabilities assumed	315,938
Net Assets	
Unrestricted	322,947
Temporarily restricted	33,201
Permanently restricted	18,671
Total net assets	374,819
Total liabilities and net assets	$690,757

A summary of the financial results of NEH and Seton included in the consolidated statement of operations and changes in net assets from the period October 1, 2011 through December 31, 2011 is as follows:

(in thousands of dollars)	**Total NEH & Seton**
Total operating revenues	$135,025
Total operating expenses	131,417
Operating income	3,608
Non operating gains	4,681
Excess of revenues over expenses	8,289
Net assets released from restriction used for capital purchases	373
Pension adjustment	(6,209)
Other changes	4,291
Increase in unrestricted net assets	$6,744

A summary of the financial results of the Company for the year ended December 31, 2011, as if the transaction had occurred on January 1, 2011 is as follows (unaudited):

(in thousands of dollars)	CHE 2011
Total operating revenues	$4,048,326
Total operating expenses	3,946,563
Operating income, before losses from St. Joseph's Health System	101,763
Losses from Saint Joseph's Health System	(31,249)
Operating income (including losses from St. Joseph's Health System)	70,514
Non-operating gains	184,983
Excess of revenues over expenses	255,497
Changes in unrestricted net assets	(139,794)
Increase in unrestricted net assets before discontinued operations	115,703
Loss from discontinued operations	(38,527)
Increase in unrestricted net assets	$77,176

Saint Joseph's Health System

On December 31, 2011, the Company contributed certain assets and liabilities of St. Joseph's Health System to a joint operating company ("JOC") with Emory Healthcare in exchange for a 49% non-controlling ownership interest. The entities contributed to the JOC include St. Joseph's Hospital of Atlanta, Saint Joseph's Real Estate Corporation, Saint Joseph's Service Corporation, The Medical Group of Saint Joseph's, Saint Joseph's Translational Research Institute, and the International College of Robotic Surgery. An equity investment resulting from the transaction is included in investments in unconsolidated organizations in the accompanying consolidated balance sheets and is detailed further in Note 7. The related operating loss of $31,249,000 at December 31, 2011 was classified separately within operating income on the consolidated statement of operations.

Mercy Health System of Southeastern Pennsylvania

On November 30, 2011, Mercy SEPA Mercy Health System of Southeastern Pennsylvania sold its equity ownership interests in certain Medicaid managed care organizations to Independence Blue Cross and Blue Cross/Blue Shield of Michigan. As consideration for the sale, Mercy Health System received a lump sum cash payment of $194.0 million and a $43.0 million pledge to the Mercy Health System Foundation to be paid over a seven (7) year period, which is included in other assets in the accompanying consolidated balance sheet at December 31, 2011. Mercy Health System recognized a gain on sale of $94.9 million related to this transaction, which is included in the December 31, 2011 statement of operations and changes in net assets.

Mercy Hospital, Miami

On May 1, 2011, the Company sold certain entities of Mercy Hospital, Miami to Hospital Corporation of America ("HCA"). The entities sold included Mercy Hospital, Sister Emmanuel Hospital for Continuing Care, Mercy Medical Development, and Mercy Physician Group. The results of these operations are reflected as discontinued operations in the accompanying statement of operations and changes in net assets at December 31, 2011. Proceeds from the sale were used primarily to satisfy long-term debt obligations of Mercy Hospital, Miami.

19. Subsequent Events

CHE evaluated the impact of subsequent events through April 30, 2013, representing the date at which the consolidated financial statements were issued.

On January 16, 2013, the Company and Trinity Health, an Indiana non-profit corporation, entered into a Consolidation Agreement, subject to regulatory approval and other closing conditions, under which the Company and Trinity Health would consolidate into a new non-profit organization. The transaction is expected to be completed in 2013.

In January 2013, CHE issued $39.1 million of Series 2012 Hospital Revenue Bonds through Green County (Georgia) Development Authority. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.0%. The proceeds of this issue will be used to fund the construction of a replacement facility for Good Samaritan Hospital in Greensboro, Georgia, and to pay the costs of issuance.

In January 2013, CHE issued $63.6 million of Series 2012B Hospital Revenue Bonds through the Saint Mary Hospital Financing Authority (Pennsylvania). The bonds were issued as variable rate bonds with an average annual interest rate 3.5%. The proceeds of these bonds were used to finance certain qualifying electronic health record expenditures at CHE's System Office, Mercy SEPA, and St. Mary Langhorne, and to pay the costs of issuance.

Supplemental Financial Information

Social Accountability

In keeping with the mission and purpose of CHE, to carry out the health care ministries of the sponsoring congregations by serving as a community of persons committed to being a transforming, healing presence within the communities it serves, and in particular the needs of the poor, the System strives to maximize the provision of services in its communities and in collaboration with other organizations. A portion of CHE's overall operating expense relates to costs incurred in providing and meeting certain community needs for which CHE is not directly compensated.

A standard reporting and accountability process is utilized throughout CHE to estimate the net cost of these services, referred to as Social Accountability Costs, which provides a basis of accountability and reporting to the communities served for purposes of disclosing the utilization of resources. Costs reported are net of contributions or grants that have been provided to CHE and designated for these purposes.

The information presented below has been calculated and is in presented in accordance with the Catholic Health Association's, *A Guide for Planning and Reporting Community Benefits*, Copyright 2012. Social accountability costs for the years ended December 31 are as follows:

(in thousands of dollars)	**2012**	**2011**
Cost of care for those who are poor	$70,310	$57,691
Cost of community benefit programs	76,175	73,788
Other public programs	11,425	9,786
Unpaid cost of Medicaid programs	96,133	79,827
Social accountability costs	$254,043	$221,092
Percentage of operating expenses	5.5%	4.8%
Unpaid cost of Medicare programs	$147,349	$197,923

The cost of care of the poor is based on the System's estimated net cost of providing services to those unable to pay. The cost of the community benefit programs reflects the costs to develop and provide programs that are developed and provided to meet special community needs that would not otherwise be available. Volunteer service reflects both internal and external services provided to support patient care activities and community programs. The difference between amounts reimbursed to the System under the Medicare and Medicaid programs and the estimated cost of providing care for these respective programs is reflected as an unpaid cost of the program.

Explanatory Note 9
Anticipated Acquisition Price

There is no acquisition price associated with this Transaction.

Explanatory Note 10
Fair Market Value

The fair market value of LUHS is approximately $361,000,000, which is based on the historical net book value of LUHS, including the LUHS Illinois Licensed Facilities. The fair market value of Mercy System is approximately $203,000,000, which is based on the historical net book value of Mercy System, including Mercy Hospital.

Explanatory Notes
Section 1130.520

1130.520(b)(1)
No Change in Services or Beds

Because this Transaction is merely the merger of the parent entities (i.e., Trinity, CHE Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction. Thus, the Trinity Illinois Licensed Facilities will continue, as of the effective date of the Transaction, to (i) maintain their own existing licenses, provider numbers and accreditations; and (ii) furnish the services they are currently furnishing.

1130.520(b)(2)
Transaction Documents

CHE Trinity Inc., Trinity Health Corporation, Catholic Health East executed a Merger Agreement regarding the Transaction on January 9, 2014. A copy of the Merger Agreement is attached at Attachment 5. CHE Trinity Inc., Trinity Health Corporation, Catholic Health East also executed an Illinois Facilities Agreement regarding the Transaction on January 9, 2014. A copy of the Illinois Facilities Agreement is also attached at Attachment 5.

1130.520(b)(3)
Qualified to Provide Healthcare in Illinois

Because this Transaction is merely the merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction.

CHE Trinity and Trinity have the qualifications, background and character to adequately provide a proper standard of healthcare service to the communities served by the Trinity Illinois Licensed Facilities. Trinity has not had any adverse actions taken against any facility owned or operated by Trinity in Illinois during the three (3) years prior to the filing of this COE Application. CHE Trinity has not had any adverse actions taken against any facility owned or operated by CHE in Illinois during the three (3) years prior to the filing of this COE Application. See the attached affidavits from Richard J. Gilfillan, M.D. ("Dr. Gilfillan"), the President and Chief Executive Officer of CHE Trinity Inc. and Trinity, attesting to the foregoing statements. See Attachment 7.

1130.520(b)(4)
Sufficient Funding

There is no purchase price associated with the Transaction. Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction. The CHE Trinity Consolidated Financial Group has received a "AA" bond rating from Standard & Poors (October 3, 2013 rating), a "AA-" bond rating from Fitch Ratings (October 3, 2013 rating) and a "Aa2" bond rating from Moody's Investor's Services (October 3, 2013 rating), copies of which are attached at Attachment 6. Thus,

Trinity, CHE and CHE Trinity have sufficient funding to consummate the Transaction set forth in this COE Application and to operate the Trinity Illinois Licensed Facilities for the next three years (and long thereafter).

1130.520(b)(5)
Ownership

Because this Transaction is merely the merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction. Thus, Trinity will maintain ownership and control of the Trinity Illinois Licensed Facilities for at least 36 months following the closing of the Transaction set forth in this COE Application.

1130.520(b)(6)
Pending CON Projects

There are no outstanding permits for any of the LUHS Illinois Licensed Facilities.

Mercy Hospital currently has one pending certificate of exemption project; specifically, Project No. E 023-13. Project No. E 023-13 involves the establishment of a 15 bed Level III neonatal center. Project No. E 023-13 will not be impacted by the Transaction contemplated by this Certificate of Exemption and will continue to proceed in the scope and manner set forth in the exemption letter issued by the Illinois Health Facilities & Services Review Board on or about December 11, 2013 for Project No. E 023-13.

1130.520(b)(7)
Charity Care

Because this Transaction is merely the merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction.

As set forth in the attached affidavits from Dr. Gilfillan, neither Trinity nor CHE Trinity Inc. will adopt more restrictive charity care policies at any of the Trinity Illinois Licensed Facilities following the Transaction. Dr. Gilfillan's charity care affidavits are attached at Attachment 8.

The charity care policies currently in place at LUMC, Gottlieb and Mercy Hospital are attached at Attachment 8.

1130.520(b)(8)
Project Completion

The Transaction is set to close on or about July 1, 2014, subject to regulatory approvals.

1130.520(d)(1)
Community Benefits

Because this Transaction is merely the merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. That said, under the terms of the Transaction, CHE Trinity, Trinity and CHE will merge with and into Trinity and will establish a structure to address the rapidly changing health care environment that requires more focus on population health and the delivery of more coordinated and integrated care and health and wellness services. The Transaction will be the final step in the creation of a health system that serves people in 20 states from coast to coast with 86 hospitals, 13 PACE programs, 44 home care agencies operating in 160 counties, and 52 other continuing care communities.

1130.520(d)(2)
Cost Savings

Because this Transaction is merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities.

1130.520(d)(3)
Quality Control

Because this Transaction is merely the merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. Trinity take greats pride in the quality of services that each of their many facilities has traditionally provided. Trinity is committed to the on-going training and development of its employees and staff and will continue to invest in state-of-the art facilities and equipment.

1130.520(d)(4)
Organizational Structure Following the Transaction

Under the proposed Transaction, Trinity will be the surviving entity. And Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction. Organizational charts for LUHS and Mercy System prior to and following the Transaction are attached at Attachment 4.

1130.520(d)(5)
Selection of Board

Because this Transaction is merely the merger of the parent entities (i.e., CHE Trinity, Trinity and CHE) there will be no direct impact on the Trinity Illinois Licensed Facilities. Trinity will retain reserved powers and reserved authority related to its subsidiaries (i.e., LUHS and Mercy System). Thus, following the Transaction, the Trinity Illinois Licensed Facilities will continue to be governed by their current boards of directors.

1130.520(d)(6)
1110.240 Compliance

See Explanatory Notes for Section 1110.240 set forth below.

1130.520(d)(7)
No Change in Services or Beds

Trinity will continue to be the sole corporate member of LUHS and Mercy System following the Transaction. Thus, the Trinity Illinois Licensed Facilities will continue, as of the effective date of the Transaction, to (i) maintain their own existing licenses, provider numbers and accreditations; and (ii) furnish the services they are currently furnishing. Thus, there are no plans to discontinue any beds or substantially reduce any services at the Trinity Illinois Licensed Facilities, following the closing of the Transaction. In short, Trinity and LUHS will act in a manner consistent with the regulatory requirements of Sections 1130.520 and 1110.240.

TRINITY HEALTH
Livonia, Michigan
CATHOLIC HEALTH EAST

20555 VICTOR PARKWAY | LIVONIA, MI 48152 | p 734-343-1000 | newhealthministry.org

January 8, 2014

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(3), No Adverse Actions Certification

Dear Ms. Avery and Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(3), that there have been no adverse actions taken against any Illinois facility owned or operated by Trinity Health Corporation or CHE Trinity Inc. during the three (3) years prior to the filing of this Certificate of Exemption.

Sincerely,

Richard J. Gilfillan
President & CEO
Trinity Health Corporation
CHE Trinity Inc.

SUBSCRIBED AND SWORN
to before me this 9th day
of January, 2014.

Notary Public

Claudia A. Crane, Notary Public
State of Michigan, County of Oakland
My Commission Expires 11/17/2019
Acting in the County of _____

ATTACHMENT
7

Sponsored by Catholic Health Ministries

TRINITY HEALTH | CATHOLIC HEALTH EAST

20555 VICTOR PARKWAY | LIVONIA, MI 48152 | p 734-343-1000 | newhealthministry.org

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Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1130.520(b)(7), Charity Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1130.520(b)(7), that Trinity Health Corporation and CHE Trinity Inc.:

(1) shall not cause Loyola University Health System ("LUHS") to adopt more restrictive charity care policies at Foster G. McGaw Hospital-Loyola University Medical Center, Gottlieb Memorial Hospital, or the other LUHS healthcare facilities, affiliates and subsidiaries, following the proposed merger between CHE Trinity Inc., Trinity Health Corporation, and Catholic Health East, and for no less than two years thereafter; and

(2) shall not cause Mercy Health System of Chicago ("Mercy System") to adopt more restrictive charity care policies at Mercy System or the other Mercy System healthcare facilities, subsidiaries and affiliates, including Mercy Hospital & Medical Center, following the proposed merger between CHE Trinity Inc., Trinity Health Corporation, and Catholic Health East, and for no less than two years thereafter.

Sincerely,

Richard J. Gilfillan
President and CEO
Trinity Health Corporation
CHE Trinity Inc.

SUBSCRIBED AND SWORN to before me this 9 day of January, 2014.

Claudia A. Crane
Notary Public

Claudia A. Crane, Notary Public
State of Michigan, County of Oakland
My Commission Expires 11/17/2019
Acting in the County of

ATTACHMENT 8

Subject: **SELF-PAY PATIENTS – Payment Policy**

Date Implemented: July 1994

Date Revised: December 2005
March 2013

Medical Center Administration Approval:

Jay Sial
Senior Vice President and Chief Financial Officer
Loyola University Health System

Richard Kudia
Vice President, Patient Financial Services
Loyola University Medical Center

I. PURPOSE

Loyola University Medical Center is dedicated to providing high-quality care to the community it serves. Patients who cannot afford to pay may qualify for charity care. Patients without health insurance will be offered a substantial discount from charges. LUMC does this in furtherance of its health care mission and in recognition of its responsibility to be a thoughtful steward of its charitable assets.

The purpose of this policy is to define the payment policies for patient care services provided to patients who do not have insurance coverage or who do not have coverage for a particular service.

II. POLICY

Patients without insurance coverage will be extended a discount from usual and customary services. This discount is fifty-five percent (55%) for Medical Center charges and forty (40%) for physician charges.

This policy does not apply to self-pay account balances that are office visit co-payments, deductibles or co-insurance nor does it apply to elective, "packaged" services such as cosmetic surgery, Bariatric surgery or any other packaged prices, procedures. Package prices are already discounted.

III. PROCEDURE

Scheduling New Patients

New patients seeking non-emergent services who report that they do not have coverage should be scheduled by staff in the Healthcare Access Call Center (HACC) to ensure consistent instructions about payment responsibilities, specifically the responsibility to pay LUMC's standard fees less than a 55% Medical Center and 40% physician discount at the time of service.

If the patient indicates an inability to pay the discounted fee, he/she will be asked to consult with an LUMC financial counselor to access eligibility for a payment plan, government sponsored programs or charity care. Please refer to the Charity Care and Financial Assistance Policy. The patient's appointment will be scheduled once satisfactory financial arrangements are made. Cook County residents without insurance may be referred to the Cook County Bureau of Healthcare services for placement into the CountyCare Medicaid Program.

For all non-emergency situations, patients who do not agree to pay the discounted charges or speak to a financial counselor will not be scheduled.

Initial Visit and Subsequent Ancillary and Physician Services

Patients arriving for their scheduled visit will be reminded of the self-pay policy and the requirement for payment for all services provided before the visit. If the patient indicates an inability to pay, he/she will be given the opportunity to consult with an LUMC financial counselor to assess eligibility for a payment plan, government sponsored program or charity care. The patient will be seen once the financial counselor determines the patient's financial obligation can be met or he/she qualifies for a government sponsored program or charity care.

Patients requesting emergency medical treatment should be directed to the nearest emergency department before consultation with any financial counselor. If necessary, an ambulance should be called to assist the patient.

LOYOLA MEDICINE

We also treat the human spirit.

LOYOLA UNIVERSITY MEDICAL CENTER
ADMINISTRATIVE POLICY NUMBER: FIN-002

Subject: FINANCIAL ASSISTANCE	
Date Implemented: Date: 1/1/10	**Updated:** 7/1/12
Medical Center Administration Approval:	
Jay Sia Senior Vice President and CFO Loyola University Health System	Richard Kudia Vice President, Patient Financial Services

I. PURPOSE

The purpose of this policy is to ensure financial assistance to patients who are indigent or are experiencing temporary financial hardship. This policy reflects Loyola University Medical Center's tradition as a Catholic, Jesuit institution, our responsibility as a not-for-profit health care organization and our commitment to serving the health care needs of our patients and improving access to quality care. For those patients that do not have the financial resources to pay for their health care services, Loyola University Medical Center will provide financial assistance to those who meet eligibility criteria under this policy.

II. POLICY

Loyola University Medical Center (LUMC) provides care to all patients in need of medically necessary services. Trauma and emergency care services will be provided to all patients, regardless of the patient's ability to pay. Such care will continue until the patient's condition has been stabilized prior to any determination of payment arrangements. Medically necessary services are those services typically covered by Medicare. Elective services, such as cosmetic surgery, are not included in the Charity Program. An approval for financial assistance is limited to medically necessary health care services rendered during a single inpatient admission or outpatient encounter. .Services that are not provided or billed by LUMC (medication, durable medical equipment, private duty nursing, ambulance transport, etc.) are not covered by this policy.

As provided in section III, LUMC will make affirmative efforts to assist patients apply for public and private programs. LUMC may deny financial assistance to those individuals who do not cooperate in applying for programs that may pay for their healthcare services. LUMC may exclude services that are covered by an insurance program at another provider or facility but are not covered at LUMC after efforts are made to educate the subject patient(s) and provided that EMTALA obligations are satisfied.

Information provided to LUMC by the patient and/or family should include earned income, including monthly gross wages, salary and self-employment income; unearned income including

alimony, child support, retirement benefits, dividends, interest and income from any other source; number of dependents in household; number of dependents in household based on the Federal tax return; and other information to determine the patient's financial status, including assets and liabilities. Supporting documentation such as payroll stubs, tax returns, credit history may be requested to support information reported and shall be maintained with the completed assessment. Approval for financial assistance may be determined based on available information as not all patients are able to provide complete financial and/or social information. Examples of presumptive cases include deceased patients with no known estate, homeless or unemployed patients, and members of religious organizations who have taken a vow of poverty and have no resources individually or through the religious order.

Patients who earn up to 200% of Federal Poverty Guideline (FPG) will receive care at no cost. Patients that earn up to 300% of the FPG will receive a 75% discount and patients that earn up to 400% of the FPG will receive a 60% discount.

III. PROCESS

Financial counseling regarding hospital bills is available to patients. Patient billing inquiries and requests for counseling shall be promptly responded to. LUMC charges for services are available to the public for review in an understandable format.

A financial counselor will meet with the uninsured patient or family to review all available private and/or governmental programs for which the patient may be eligible. The financial counselor will help the patient and family with the application process for programs for which they may qualify and that may assist them in obtaining and paying for healthcare services. It is the expectation that the patient and family will fully comply with all the requirements for the appropriate agency to determine eligibility. If there is no eligibility category for the patient, the financial counselor will review the LUHS self pay policy with the patient. If the patient indicates an inability to pay for the estimated medical bills, then an application for charity assistance will be given to the patient.

Once a completed application is returned, a determination letter will be sent to the patient within 30 days.

LUMC will use best efforts to determine a patient's eligibility for financial assistance prior to or at the time of admission or service. However, determination for financial assistance can be made during any state of the patient's stay after stabilization or collection cycle. Determination for financial assistance will be made after all efforts to qualify the patient for government financial assistance or other programs have been exhausted and may be determined during any stage of the patient's stay after stabilization or collection cycle. LUMC will communicate to the patient in a timely fashion LUMC's process, what avenues of financial assistance are being pursued and expected timeline for determination. LUMC shall not attempt collection efforts while such determination is being made.

When patients qualify for charity care or financial assistance, they will receive the applicable discount for a period of six months. This will be so indicated on the registration system by the appropriate assigned plan code for each level of discount.

The following documentation is required for evaluation for charity care or financial assistance review and approval:

1. A copy of the previous year W2, 1040, and any other applicable tax forms that were filed.
2. Copies for the last 3 most recent paycheck stubs from the employer.
3. If patient is paid cash a letter from employer stating amount paid weekly
4. Copies of Social Security check if they are receiving one.
5. Copy of last statement for checking and/or saving account.

If patient does not provide appropriate documentation, a credit check will be run on the patient. Based on the information provided by Trans Union Services, a charity determination will be made.

IV. RESIDENCY REQUIREMENTS

1. Loyola University Medical Center will provide financial assistance support to patients who qualify for this program and who are Illinois residents.
2. Loyola University Medical Center will provide medically necessary care and treatment to all patients who present with an urgent, emergent or life –threatening condition regardless of residency. However, Loyola University Medical Center may not provide financial assistance support for patients who require such care and treatment but are not Illinois residents.

V. EXCLUSIONS

Certain complex medical procedures, which have extensive post-operative follow-up regimens and require high cost post-operative drugs for a period of time up to several years including, but not limited to, implantable devices, biological items, solid organ transplants, bone marrow transplants and certain cardiac procedures, are not covered under this policy. In these cases, one of the many factors in the successful, long-term outcome of the procedure is the ability of the patient or family to demonstrate the financial resources to pay for both the procedure and any other costs associated with the lengthy post operative care. Please see "Solid Organ Transplant Financial Processing Procedure", "Bone Marrow Transplant Financial Processing Procedure" and "Cardiac Surgery Financial Processing Procedure" for the financial coordination of these special medical cases.

Prior to scheduling a complex medical procedure which includes an extensive post-operative regimen we recommend that you schedule an appointment with a financial counselor and a clinician prior to any services. At that time, payment arrangement for high cost item(s) may be discussed and any and all other sources of payment (grants, charity from the manufacturer, fundraising, family help) for the item must be researched before LUHS will consider including the device, drugs and/or high cost biological item(s) under the financial assistance award.

VI. *ILLINOIS UNINSURED PATIENT DISCOUNT ACT*

LUMC complies with the Illinois Uninsured Patient Discount Act by providing a discount on standard charges to all uninsured patients based on an annually adjusted formula as stated in the Act.

VII. ACCOUNTING AND REPORTING FOR FINANCIAL ASSISTANCE

In accordance with Generally Accepted Accounting Principles, financial assistance provided by LUMC is recorded in the financial statements at full charges in the category of "Charity Care." For the purposes of Community Benefit Ministry reporting, charity care is reported at estimated cost associated with the provision of "Charity Care" services." Financial Assistance must be systematically accounted for so that this component of community benefits for LUMC is accurately recorded. The following guidelines are provided for the financial statement recording for financial assistance:

1. Financial assistance provided to patients under the provisions of "Financial Assistance to Insured and Uninsured Patients" and under the provisions of "Special Provision of Uninsured Patients" will be recorded under "Charity Care Allowance."
2. Write-of of charges for patients who have not qualified for financial assistance under this policy and who are unwilling to pay will be recorded as "Bad Debt."
3. Prompt pay discounts will be recorded under "Operational Adjustments – Administrative."

Under the following circumstances, it can be assumed that the patient qualifies for charity care and associated services recorded as such:

1. Non-covered medically necessary services provided to patients qualifying for state, or county assistance programs
2. Patient Bankruptcies.
3. Accounts initially written-off to bad debt and subsequently returned from collection agencies where the patient was determined to have met the financial support criteria based on information obtained by the collection agency.

VIII. *RESPONSIBILITY*

Any questions or concerns regarding the policy should be directed to the Vice President of Patient Financial Services at 708-216-0469.

Loyola University Medical Center

DEPARTMENT: Patient Financial Services	
PROCEDURE: Commercial/Managed Care Follow Up	**B.2.1**

PURPOSE: To provide consistent and effective follow up for the timely resolutin of Commercial and managed Care accounts.

PROCEDURE:
Collectors are expected to adhere to the following timetables for the timely resolution of their accounts. For purposes of this document, actions is being defined as an activity or task that is expected to generate or resolve the account which includes but is not limited to phone calls, medical records requests, resubmission or mailing of claim and requests to other departments for assistance (via email, phone call, assignment to work queues, discussions in person and or adding to denial logs) in order to resolve the account.

If the balance on the account is over $10,000

A. 1st action is expected to be done within 5 days of appearing in their WQ. (Approximate aging is 35 days from discharge date)

B. 2nd action is expected to be done within 5 days of when the ticker was due but NOT exceed twenty-one (21) days from the date of the previous last action. (Approximate aging could be up to 56 days from discharge date)

C. 3rd action is expected to be done within 5 days of when the ticker was due but not exceed twenty-one (21) days from the date of the previous last action (Approximate aging could be up to 77 days from discharge date)

D. 4th action is expected to be done within 5 days of when the ticker was due but not exceed twenty-one (21) days from the date of the previous action (Approximate aging could be up to 98 days from discharge date)

E. 5th action is expected to be done within 5 days of when the tickler was due but not to exceed twenty- one (21) days from the date of the previous action (action (Approximate aging could be up to 119 days from discharge date). After the insurance has all the information necessary to process the claim, they are to be advised that payment must be received in 20 days or the account will be referred to a legal agency for further collection

F. At 120 days from discharge **and** completion of 4 actions to resolve the account, send an email to your manager. Include in the subject header: "Acct Number – Escalation Needed". In the body of your email outline the Bill date, date and description of each action and payer name

If the balance on the account is over $5,000 and less than $10,000

A. 1st action is expected to be done within 7 days of appearing in their WQ. (Approximate aging is 37 days from discharge date)

B. 2nd action is expected to be done within 7 days of when the ticker was due but NOT exceed thirty (30) days from the date of the previous last action. (Approximate aging could be up to 67 days from discharge date)

C. 3rd action is expected to be done within 7 days of when the ticker was due but not exceed thirty (30) days from the date of the previous last action (Approximate aging could be up to 97 days from discharge date)

D. 4th action is expected to be done within 7days of when the ticker was due but not exceed thirty (30) days from the date of the previous action (Approximate aging could be up to 127 days from discharge date)

E. 5th action is expected to be done within 7 days of when the tickler was due but not to exceed thirty (30) days from the date of the previous action (action (Approximate aging could be up to 157 days from discharge date). After the insurance has all the information necessary to process the claim, they are to be advised that payment must be received in 20 days or the account will be referred to a legal agency for further collection.

F. At 158 days from discharge and completion of 4 actions to resolve the account, send an email to your manager. Include in the subject header: "Acct Number – Escalation Needed". In the body of your email outline the Bill date, date and description of each action and payer name

If the balance on the account is less than $5,000

A. 1st action is expected to be done within 10 days of appearing in their WQ. (Approximate aging is 40 days from discharge date)

B. 2nd action is expected to be done within 10 days of when the ticker was due but NOT exceed forty-five (45) days from the date of the previous last action. (Approximate aging could be up to 85 days from discharge date)

C. 3rd action is expected to be done within 10 days of when the ticker was due but not exceed forty-five (45) days from the date of the previous last action (Approximate aging could be up to 130 days from discharge date)

D. 4th action is expected to be done within 10 days of when the ticker was due but not exceed forty-five (45) days from the date of the previous action (Approximate aging could be up to 175 days from discharge date). After the insurance has all the information necessary to process the claim, they are to be advised that payment must be received in 20 days or the account will be referred to a legal agency for further collection.

E. At 176 days from discharge and completion of 4 actions to resolve the account, send an email to your manager. Include in the subject header: "Acct Number – Escalation Needed". In the body of your email outline the Bill date, date and description of each action and payer name

After the insurance has all the information necessary to process the claim, they are to be advised that payment must be received in 20 days or the account will be referred to a legal agency for further collection.

Loyola University Medical Center

DEPARTMENT:	Patient Financial Services –Self Pay Unit	
PROCEDURE:	Self Pay Collections	B.2.4

PURPOSE: To outline the self pay collection process with coordinating letter series.

A. Self Pay After Insurance

a. After primary insurance payment or denial is received and balance is patient liability, money is transferred from the insurance bucket to the patient bucket and the appropriate letter is sent to the patient from the letter series.

If secondary insurance exists on the claim, it will be billed after primary payment or denial is received. Money is transferred from the insurance bucket to the patient bucket and the appropriate letter is sent to the patient from the letter series.

b. Thirty (30) days after the initial hospital statement is sent and payment in full was not received or payment arrangements were not made, account will be transferred to the self-pay follow up vendor, National Patient Account Services (NPAS).

c. NPAS will follow up with statements and phone calls to the patient based on their collectability logic.

d. Accounts unpaid will remain with NPAS for 90 days.

e. If still unpaid after 120 days from first statement, account will transfer to collection agency.

f. Once in collection agency, account is considered "bad debt".

B. Self Pay No Insurance

a. Approximately five (5) days after services, a billing statement that includes a summary of charges is sent to the patient requesting payment in full or to contact our office to discuss payment arrangements.

b. Thirty (30) days after the statement is sent and payment in full was not received or payment arrangements were not made, account will transfer to NPAS.

c. Follow-up is C-F as noted above.

LOYOLA UNIVERSITY MEDICAL CENTER

DEPARTMENT:	Patient Financial Services	
Procedure:	Loyola University Medical Center Collection Processes	B.2.3.1

Purpose: To ensure that all patient accounts follow a set collection process and patients have opportunity to resolve accounts prior to outside agency placement. Collection practices follow federal and states regulations and must comply with contracted payer agreements.

Process: Hospital accounts are held for six days after service or discharge. This is done to ensure all charges are captured prior to billing. A diagnosis must be entered before a bill can be produced. Accounts not billed within 14 days of discharge or service date, are reviewed by management to ensure necessary data is entered to produce bill.

Insurance Accounts

Insurance carriers are billed on a UB04 claim form. The majority of claims are submitted electronically in an 837 format.

Call is made to the insurance companies for any account with balances over $10,000.

At 75 days bills under $10,000, with no payment activity goes to the agency for follow up with insurance . The accounts remain on the active receivable until 135 days. They are then classified as bad debt.

Bills over require approval by the Chief Financial Officer for bad debt placement with agency.

- $10,000 - $24,999 – requires Director & Manager approval
- $25,000 - $49,999 – requires VP of Revenue Cycle, Director & Manager approval
- $50,000 - $99,999 – requires Senior VP, Chief Financial Officer, Treasurer VP of Revenue Cycle, Director & Manager approval
- Over $100,000 – requires President and Chief Executive Officer Senior VP, Chief Financial Officer, Treasurer VP of Revenue Cycle, Director & Manager approval

approval

Self Pay Accounts

All self-pay accounts are reviewed for possible Medicaid coverage. We complete a Medicaid application for all inpatients that may qualify for Medicaid coverage.

Self-pay accounts are given a 48% discount upon billing.

Patient receives summary bill and three statements over 120-day period.

Patients that make a partial payment are contacted for payment arrangements. Patients with balances over $2,000 are contacted for payments. The calls are handled professionally asking patients when payment can be expected. Patients are offered the financial assistance application if they state they are not able to pay the bill. All forms of accepted payment are listed on Hospital billing statement. The statement also lists the option of applying for financial assistance.

Patients can make payment arrangements up to 24 months with a minimum payment of $50.00 per month.

Accounts with balances of $24.99 and under are written off if not paid within 120 days.

Medicare Accounts

Medicare patients receive a summary bill when bill is submitted to Medicare.

Medicare accounts are worked until payment or denial is received. There is no automatic placement of Medicare accounts.

No patient payment is requested for Medicare covered services. Patient may only be billed for co-pay, deductible, services statutorily not covered by Medicare, or denied services where the ABN has been provided prior to service.

After Medicare payment account is handled as self-pay after insurance.

Medicaid

Patient is sent no statements, except if spend down is due. Medicaid is billed directly. Medicaid accounts are not placed with agency.

If patient has spend down balance, it is billed after Medicaid payment.

The patient goes through self-pay billing cycle for any balance due

Secondary Insurance
(Includes Commercial and Medicare)

After primary payment, patient is sent statement indicating that secondary has been billed. The primary payment is shown and also the amount that is billed to the secondary insurance. All secondary billing to insurance carriers must include a copy of the primary payment.

At 90 days, accounts other than Medicare primary, are placed with agency as Outsource if payment has not been received. Medicare primary accounts receive one additional statement to be compliant with Medicare bad debt regulations.

Loyola University Medical Center

DEPARTMENT:	Patient Financial Services	
PROCEDURE:	MANG APPLICATIONS	C.1.5

PURPOSE:

To delineate the steps necessary for screening and where appropriate, the completion and processing of a Medical Assistance – No Grant (MANG) for consideration of eligibility for medical benefits through the Illinois Department of Human Services.

PROCEDURE:

1. Screening for Eligibility

As of the date of this document, there is a limited population of patients who may be eligible for medical benefits through the Illinois Department of Human Services (DHS). In cases where the patient represents an inability to pay for service and/or has insufficient insurance coverage to address their hospital bill, the Great Lakes Medicaid (GLM) Financial Counselor should screen for the following opportunities through DHS:

A. Disability – Patient has an illness or injury that will cause the patient to be disabled greater than 12 months.
B. Dependent Children – the patient is a child or there are children under the age of nineteen that reside in the patient's home.
C. Patient age-patient who are legal U.S> citizens and are 65 years of age or older.

2. Completion of MANG Application

If a patient appears to meet one of the above stated eligibility standards, the GLM Financial Counselor will take the steps to complete a MANG application with the patient, guarantor, or next of kin, if patient is unable to complete the process without assistance (see MANG Application, attachment "A"). The application must be signed by the applicant or authorized representative and a copy of the application is to be submitted to the appropriate DHS office for application processing within five days of the signed application. The application will be sent as certified mail. Once the application is completed, the account plan should be changed to MANG Pending. The benefit status check of the Auth/Cert function of EPIC should be flagged as "MANG Pending" and will remain in work queue numbered 4985 and described as LUHS Financial Counselor WQ. All actions are to be documented in the EPIC billing system.

3. Follow up on Pending MANG

Once a month, the Patient Access Director will reconcile the in-house MANG WQ to the MANG report from Great Lakes Medicaid.

4. Response from Great Lakes Medicaid

The Patient Access Director will wait for the weekly update from representatives of Great Lakes Medicaid Inc as to the final outcome of the application process. The plan code will be changed to Medicaid and a claim will be initiated for billing immediately on cases with approval for the entire stay. For cases whereby the approval is for a selected period of the inpatient stay, the Patient Access Representative will document the EPIC system on the approved dates and forward the case to the Medicaid Manager WQ. The Medicaid Manager will ensure 1) that the plan code is

updated to Medicaid, 2) that the MANG Pending Plan code is terminated for the coverage, and 3) that the claim is billed properly in an effort to avoid rejection/denial. The benefit status field in the Auth/Cert function of EPIC will be changed to Complete, and the cases will be removed form the MANG WQ. For cases that are denied, GLM will indicate if the account should be written off to charity or referred out to collection agency.

5. MANG application cases aged over 240 days

GLM will code each pending MANG account with a 1, 2 or 3. Code1 will most likely be approved. Code 2 will be accounts that may be approved. Code 3 are usually accounts in appeal that are not likely to be approved. Pending accounts with a Code 3 designation and greater than 240 days old will be written off to charity. Cases that are approved after a MANG Charity is applied will be debit adjusted back to total charges and then the case will be initiated for billing.

GOTTLIEB MEMORIAL HOSPITAL POLICY AND PROCEDURE	Policy Number:	
	Effective Date:	01/01/2011
SUBJECT: SELF PAY PATIENTS - PAYMENTS AND DISCOUNTS		

I. PURPOSE

Gottlieb Memorial Hospital (GMH) is dedicated to providing high-quality care to the community it serves. Patients who cannot afford to pay may receive charity care. Patients without health insurance will be offered a substantial discount from charges. GMH does this in furtherance of its health care mission and in recognition of its responsibility to be a thoughtful steward of its charitable assets.

The purpose of this policy is to define the payment policies of patient care services provided to patients who do not have insurance coverage or who do not have coverage for a particular service.

II. POLICY

Patients without insurance coverage scheduled to receive or who have already received services will be extended a discount from usual and customary services. This discount is sixty percent (60%) for hospital charges.

Unless patient income is less then 600% Federal Poverty Guideline, this applies to:

1. Denied Services – any patient care service that is denied by the patient's insurance company as a non-covered service.
2. Expired Services – any patient care service that is denied by the patient's insurance company because the insurance policy has expired.
3. Uninsured Patient Services – any patient care service provided to patients without any health insurance coverage.

This policy does not apply to self pay account balances that are office visits co-payments, deductibles, or co-insurance nor does it apply to elective "packaged" services such as LASIK eye surgery, cosmetic surgery, etc.

III. PROCEDURE

Scheduling New Patients

New patients seeking non-emergent services who report that they do not have insurance coverage will be interviewed by a Benefits staff member to ensure consistent instructions about payment

responsibilities, specifically the responsibility to pay GMH standard fees less the 60% hospital discount at the time of services.

If the patient indicates an inability to pay the discounted fee, he/she will be further assessed by a financial counselor to determine eligibility for a payment plan, Medicaid or charity care. Please refer to the "Charity Care and Financial Assistance Policy". The patient's appointment will be scheduled once satisfactory financial arrangements are made.

For all non-emergency situations, patients who do not agree to pay the discounted charges or speak to a financial counselor, will not be scheduled.

Initial Visit and Subsequent Ancillary Services

Patients arriving for their scheduled visit will be reminded of the self-pay policy, which includes 60% discount, and the requirement for payment for all services provided at end of visit. If the patient indicates the inability to pay, he/she will be given the opportunity to consult with a GMH financial counselor to assess eligibility for a payment plan, Medicaid, or charity case.

Patients requesting emergency medical treatment should be directed to the Emergency Department before consultation with any financial counselor.

Approved Evelyn Chin Vice President Finance

GOTTLIEB MEMORIAL HOSPITAL POLICY AND PROCEDURE	Policy Number:	
	Effective Date:	01/01/2011
SUBJECT: CHARITY CARE AND FINANCIAL ASSISTANCE		

I. PURPOSE

The purpose of this policy is to ensure healthcare services and consistency in providing financial assistance to patients who are indigent or are experiencing temporary financial hardship. This policy is based upon Gottlieb's commitment to provide health care services to all patients based on medical necessity. It reflects our commitment to our community as well as our responsibility as a not-for-profit health care organization.

II. DEFINITIONS/APPLICATIONS

Gottlieb Memorial Hospital (GMH) provides medical care to all patients in need of medically necessary services. Medically necessary services are those services typically covered by Medicare. Elective services, such as cosmetic surgery, are not included in the Charity Program. Patients who earn up to 200% of Federal Poverty Guideline (FPG) will receive care at no cost. Patients who earn up to 300% of the FPG will received a 80% discount and patients that earn up to 400% of the FPG will receive a 75% discount. Patients that earn up to 600% of FPG will receive a discount based on cost, to be reviewed on an annual basis.

III. POLICY

In advising patients, a financial counselor will explain GMH's payment policy and discuss a payment plan for the services. Patients who are not able to comply with the request for payment will then be evaluated for possible Medicaid eligibility. The financial counselor will initiate the Medicaid application or direct the patient to the Public Aid Office whenever it appears the patient would qualify. A copy of the Medicaid denial may be requested prior to extending charity or financial assistance. A patient when requesting charity care must provide the following documentation within 14 days of the request.

When patients qualify for charity care or financial assistance, they will receive the applicable discount for that calendar year. This will be indicated on the registration system by the appropriate assigned plan code of each level of discount.

The following documentation is required for evaluation for charity care or financial assistance review and approval:

1. A copy of most current tax year W-2, 1040, and any other applicable tax forms that were filed.
2. Copies of the last three (3) most recent employer paycheck stubs.
3. If patient is paid in cash, a letter from the employer stating amount paid weekly.
4. Copies of Social Security check is applicable.
5. Copy of last three (3) checking and/or saving account statements.

If patient does not provide documentation, a credit check will be run on patient. Based on the information provided by Trans Union Services, a charity determination will be made.

IV. RESPONSIBILITY

Any questions or concerns regarding the policy should be directed to the Director of Patient Financial Services at 708-681-3200.

Approved Evelyn Chin Vice President Finance

Mercy Hospital and Medical Center
Chicago, Illinois

ADMINISTRATIVE POLICY NUMBER J-5

Subject: Charity Care / Uncompensated Care Policy and Procedure / Uninsured Patient Discounts

Original Issue Date: November 23, 2005

Revision Date: 06/07, 01/08, 04/09, 12/09, 11/11, 02/12, 01/13

Initiated by: Rita Carlson
Director, Revenue Cycle

Approved by: Thomas Garvey
Chief Financial Officer

I. PURPOSE

The purpose of this policy is to outline the procedures for the administration of Charity Care. A program established under state law that requires hospitals to provide medical care for free or at a reduced cost if the recipient of the care is not able to pay fully for the services rendered. Also, to administer the Hospital Uninsured Patient Discount Act, Public Act 95-0965.

II. POLICY STATEMENT

Faithful in its service to the financially and medically indigent, Mercy Hospital and Medical Center (MHMC) provides financial assistance to patients who are unable to pay their financial obligations associated with services they receive from MHMC. The review and determination to provide financial assistance supports the MHMC's strategic goals and mission. The dignity of the individual remains paramount throughout the entire process.

Mercy Hospital and Medical Center (MHMC) honors its obligation to provide medically necessary care to its patients. The Hospital recognizes that, based on current Illinois and Federals Laws, MHMC has an obligation to provide emergency and/or trauma services to the best of its ability before determining the source of payment for such services, and to provide medically necessary care to uninsured and financially or medically indigent patients as set forth in this Policy.

The Hospital may also support, sponsor or co-sponsor certain other charitable health-related programs in the surrounding community.

III. DEFINITIONS

For the purposes of this Policy, the following definitions apply:

- **"Patients"** shall mean those persons who receive care at MHMC and the person who is financially responsible for the care of the person.

ATTACHMENT
8

- **"Uninsured Patients"** are defined as all persons who are uninsured or do not otherwise qualify for any governmental or private program that provides coverage for any of the services rendered.
- **"Financially Indigent"** means an uninsured person who is accepted for care with no obligation (charity care) or with a discounted obligation to pay for services rendered based on the Hospital Eligibility Criteria.
- **"Medically Indigent"** means an uninsured patient who does not qualify as Financially Indigent under this policy because the patient's income exceeds 600% of FPL but whose medical or hospital bills exceed a specified percentage of the person's income, and who is unable to pay the remaining bill.
- **"Charity care"** – financial assistance provided to uninsured or financially indigent patients who have demonstrated inability to pay for emergency or non-elective services provided to them.
- **"Financial Assistance"** – program designed for patients whose income is in excess of 600% of the FPL, but remain uninsured, underinsured, and financially or medically indigent.
- **"Bad debt"** – services provided by the Hospital to a patient for which viable payment was reasonably anticipated and credit was extended, but for which payment is deemed uncollectible due to the patient's unwillingness to pay.
- **"Medically Necessary Service(s)"** – any inpatient or outpatient hospital service that is covered by and considered to be medically necessary under Title XVIII of the federal Social Security Act. Medically necessary services do not include any of the following:
  (a) Non-medical services such as social, educational, and vocational services.
  (b) Cosmetic Surgery
- **"Non-emergent"** – Services for which the patient's condition permits adequate time to schedule a service. Although these conditions do not require immediate hospital treatment, their condition(s) are medically necessary so that patients may return to daily functional status and level of activity.
- **"Elective"** – any inpatient or outpatient hospital service that is **not** covered by and **not** considered to be medically necessary under Title XVIII of the federal Social Security Act.

IV. PRINCIPLES

1. Charity Care - Minimum Standards

a) Patients with income at or below 200% of the Federal Poverty Level ("FPL"), adjusted for family size, will be eligible for 100% charity care write off of the charges for medically necessary services that have been provided to them.

b) Patients with eligible assets and incomes above 200% but not exceeding 600% of the FPL, adjusted for family size, will receive a discount on medically necessary services provided to them, based upon a sliding scale established by hospital policy. See attached Financial Assistance Eligibility Guidelines.

2. Financial Assistance – Patients who are uninsured or underinsured

a) Patients with income greater than 600% of the FPL, adjusted for family size, may be considered for a discount based on a substantive assessment of their ability to pay.

b) The assessment of a patient's ability to pay will consider, but not be limited to, income, medical bill obligations, mortgage payments, utility payments, number of family members, eligible assets, and disability considerations. The assessment should include determination based on eligible assets and eligible income.

c) Program will consist of a monthly payment obligation based upon Patient's ability to pay a discount up to the typical managed care rate that exceeds the Medicare DRG rate or Fee Schedule.

3. **Uninsured Patients with the ability to pay**
   a) The Hospital sets standard charges for its services; however, Medicare and Medicaid pay significantly less than standard charges and managed care and other contracted care entities may pay less than standard charges. Therefore, under this Policy, low-income, uninsured, financially or medically indigent patients may be considered for a discount.
   b) Program will consist of a monthly payment obligation based upon Patient's ability to pay a discount. Up the typical managed care rate that exceeds the Medicare DRG rate or Fee Schedule.
   c) The highest paying managed care payor must account for at least 3% of MHMC's population as measured by gross patient revenues.

4. **Non-covered Services:**
   a) Patients with "elective" services are not eligible for charity care or financial assistance.

5. **Determination of Eligibility:**
   a) The determination of a patient's eligibility for Charity Services under this Policy shall be made in a non-discriminatory manner.
   b) All Uninsured Patients (claims in financial class 'S') should be included in the Financial Assessment review.
   c) The Hospital shall request general financial information from a patient as soon as possible upon the patient's presenting for services. This request will occur after medical screening and/or stabilizing treatment in the case of emergency services.
   d) Financial Assistance may be available to patients incurring medically necessary procedures, services, and admissions. Patients scheduled for elective, non-medically necessary procedures are expected to pay according to the Hospitals Payment Policy and shall not be screened for charity or financial assistance.
   e) Patients having insurance may also be eligible for Charity Care or Financial Assistance for the portion of their bill that is not covered by insurance, including deductibles, and coinsurance. Charity Care or Financial Assistance amounts will be determined per existing sliding scale.
   f) Initial determination of Charity Care or Financial Assistance should be made as close as possible to the time of admission of the provision of services. Once a patient is determined to be eligible for Charity Care or Financial Assistance, the patient must provide MHMC with all required supporting documentation within thirty (30) days from the date of the request. A final determination will then be made.
   g) **Criteria for eligibility for Charity Services or Financial Assistance:**
      - Family size and other related pertinent factors including financial obligations, family living expenses and assets must be evaluated. The number of family members in the patient's household must be verified. An adult patient's household will include the patient, the patient's spouse and any dependents of the patient or the patient's spouse. A minor (person under the age of 18 and not emancipated) patient's household will include the patient, the patient's mother, dependents of the patient's mother, the patient's father, and dependents of the patient's father.
      - Employment status, including but not limited to future earning capacity and allowing for the likelihood of a financial capacity sufficient to meet his or her financial obligations in an acceptable time period.
      - Future and current ability to pay which may include
        - Prior year's income tax return (Hospital preferred income verification document)
        - W-2 or Form 1099.

- After 2nd quarter of the year, the above tax documents should be supported by pay stubs or employer statement documenting earned wages for the three (3) pay periods prior to the application for assistance.
- Wage and Earnings Statement
- Pay Check Remittance
- Social Security
- Workers Compensation or Unemployment Determination Letters
- Qualification within the preceding six (6) months for governmental assistance program (including food stamps, Medicaid, General Assistance, and Aid to Families with Dependent Children (AFDC))
- Telephone verification by the patient's employer of the patient's income.
- Bank statements, which indicate payroll deposits.
- Personal Balance Sheet/Income Statement/Review of eligible assets.

- Amount and frequency of medical bills in relation to the above factors.
- Catastrophic medical costs that may make the patient medically indigent, even if the patient does not initially meet the criteria established under this Policy.
- Other factors deemed appropriate by MCHC from time to time.
- Exhibit I-A details discounts to be given at various income levels, adjusted for family size.

h) **Homeless and incarcerated patients** may be deemed to have no income for purposes of the Hospital's calculation of income. Documentation of income is not required for these patients. Income verification is still required for any other family members as described in this policy. Incarcerated patients with medical expenses covered by the governmental entity incarcerating them (i.e. State, County, or City) are not eligible for Charity or Financial Assistance.

i) **Automatic Classification as Financially Indigent:** The following is a listing of types of accounts where Financial Assistance is considered to be automatic and documentation of Income or a Financial Assistance Application is not needed:

- Medicaid, Medicaid HMO, and other State Funded Programs (Crime Victim Act) accounts - Exhausted Days/Benefits.
- Medicaid primary spenddown accounts with unlimited spenddown amounts.
- With Medicaid as secondary – where primary plan left patient with responsibility and Medicaid denies claim as secondary.
- Patients that qualify for General Assistance Category 07.

j) **Assets:** The following are to be considered exempt and shall not be considered in determining whether the uninsured patient qualifies for an uninsured discount:

- Primary Residence
- Cash on hand - $2,400 for the patient, $3,000 for a patient plus one dependent, $50 for each additional dependent
- Personal effects and household goods that have a total value less than $4,000.00
- Wedding and/or engagement ring(s)
- Items required due to medical or physical condition
- One automobile with fair market value of $2,400 or less
- All Pension or Retirement Plans.

k) If and when Hospital personnel cannot clearly determine eligibility, the Hospital will use best judgment and submit a memorandum listing reasons for judgment along with Financial Assistance documentation. A manager or director will then review the memorandum and documentation for approval.

6. **Application and Review Process**
   a) Patients' qualifications for charity care or financial assistance will be determined through an application and screening process, which may include the completion of a Financial Assistance Application.
   b) Patients are to be first screened for other payor sources and then shall exhaust all available community resources, including community aid, Medicaid and Medicare, welfare and other community resources prior to consideration for charity care or financial assistance. Patients failing to cooperate with such screening may result in a denial to be considered a candidate for charity care or financial assistance.
   c) Financial Counselors, Customer Service Representatives, or Registrars will be responsible for the screening process. Community Guidance Center will be responsible for completing Financial Assistance Applications for mental health patients and forwarding completed applications to Financial Counselors for approval.
   d) MANG and Financial Assistance Applications will be taken for all uninsured inpatients that have not yet applied for Medicaid. MANG and Financial Assistance Applications may also be taken on outpatients on case-by-case basis. However, these patients will be assessed for Charity or Financial Assistance only if they are declined for Medicaid. Patients are required to cooperate with the Medicaid application process.
   e) If an outpatient has a MANG pending inpatient account, the outpatient service will be flagged and then reviewed by PFS.
   f) During the Financial Assistance Applications process, the patient may be treated as self-pay in accordance with Hospital policies.
   g) Failure to comply with the payment arrangement terms of any remaining balances after the financial assistance adjustment is applied may result in the claim being referred to an outside collection agency. The discount will still be applicable.
   h) Accounts already placed at an outside collection agency may be considered for Charity or Financial Assistance. Patient must provide required information for agency to complete Charity or Financial Assistance Application. Once approved, the account will be recalled from the agency.
   i) Upon review of the patient's financial and employment situation as completed in the Charity Care / Financial Assistance Application, MHMC will determine if the patient qualifies for Charity Care, Financial assistance or other discounts and the level of discount to be given.
   j) If applicable, the patient may be notified of the decision.
   k) If approved for Charity, provided Patient's insurance or financial status remains unchanged, the Financial Assistance Application may be used to determine Charity or Financial Assistance for subsequent services received in the six (6) months following the original approval date.

7. **Appeals Process**
   a) Once the Hospital has classified a patient's services as Charity Services that determination will be final unless the Hospital finds the determination is based on erroneous or falsified information.
   b) If after a patient is granted Charity or Financial Assistance and the Hospital find material provision(s) of the Assistance Application to be untrue, the Charity or Financial Assistance may be withdrawn.
   c) If an application for Charity Care is denied, and the patient's income is at or below 600% of the FPL, the patient will have 30 days to appeal.
   d) If the appeal is denied, the patient must be notified in writing of the decision and the reason for it.

8. **Publication / Communication of Financial Assistance Policies**
   a) Communications to the public regarding financial assistance should be written in consumer-friendly terminology and in a language that the patient can understand.

b) Include information in hospital bills/statements about the availability of financial aid and how to obtain further information and apply for financial aid.
c) Information on financial assistance policies should be posted in key public areas in the hospital with instructions on how to apply or obtain further information.
d) Patients should be educated about their responsibilities, the potential financial obligation they may incur, their obligations for completing eligibility documentation, and the hospital's bill collections policies.
e) The Hospital shall communicate the availability of Charity Services to patients upon request or by providing patients who present for services with general written or oral information regarding the availability of financial assistance.
f) The Hospital shall communicate to patients the availability of general financial assistance, including community aid, Medicaid, Medicare, welfare and other community resources of which Mercy Hospital and Medical Center is aware, and shall assist patients in completing applications for such assistance.
g) The Hospital shall ensure that its third party payors who furnish services or make collections will be aware of this Policy and will refer patients that may be eligible for Charity Services back to the Hospital.

9. Prohibitions and Reservation of Rights

a) The Hospital shall not routinely waive Medicare deductibles or coinsurance.
b) The Hospital shall not advertise the waiver of Medicare cost sharing amounts relating to any services.
c) The Hospital shall waive Medicare deductible and coinsurance amounts if the Hospital determines, in good faith, that the patient meets the eligibility criteria under this Policy and applicable law. The Hospital may waive Medicare deductible and coinsurance amounts if the Hospital has made reasonable efforts and those collection efforts fail, in which case the Hospital may claim such amounts from Medicare as bad debts (and receive a percentage of the bad debt as reimbursement from Medicare).
d) It is the policy of Mercy Hospital and Medical Center to reserve the right to limit or deny financial assistance at the sole discretion of our hospital.
e) Nothing in this Policy shall preclude the Hospital from pursuing reimbursement from third party payors, third party liability settlements or tortfeasors or other legally responsible third parties.
f) Payments made by self-pay patients prior to the determination of eligibility for Charity Services will not be refunded or considered against outstanding balances.

10. Accountability and Interpretation

a) The Controller and Director of PFS shall periodically review the levels of activity in the Charity Services account (running comparison periods, budgeted expectations and actual, monthly, year-to-date and prior year).
b) The Controller and Director of PFS shall report monthly to the CFO any unusual fluctuations and other significant/material matters relating to Charity Services.
c) In the event of any conflict between this Policy and any other Mercy Hospital and Medical Center Policy, including without limitation, the Collection Policy, returns of this Policy shall apply.

11. Uninsured Patient Discount:

a) A financial counselor will interview uninsured patients and the uninsured patient work sheet (Exhibit VIII) must be completed at that time.
b) If the patient has not received services, it will be necessary to estimate the patient total charges. Enter the estimated total in the first line that states total charges.

c) **If the patient has received services enter the total charges on the worksheet from the patients' Star account that indicates the balance due.**
d) **Multiply the total charges by 56%, which is based on our Medicare Cost to charge ratio.**

e) **The Balance due is what the patient must pay as outlined by the Uninsured Patient Discount Act (Public Act 95-0965).**
f) **The maximum Mercy Hospital and Medical Center can collect is 25% of the guarantors annual income**
g) **Enter the annual income on the work sheet and multiply by 25%. The amount calculated is the maximum that may be collected from the patient, even if the bill is referred to a collection agency.**
h) **The total collection factor should be divided by 12 months. This is what we should request as the patient's monthly payment.**

Note your findings to the account in Star.

IV. PROCEDURE

The following procedures will be conducted in a professional and compassionate manner:

1. Departments affected: Admitting / Registration / Scheduling, Various Clinics, Community Guidance Center, Patient Financial Services (PFS), Pastoral Care and Social Work.

2. The financial assessment should include all outstanding self-pay accounts (include self pay after insurance). In addition, any patient with a self-pay balance that requests financial assistance is offered a Financial Assistance Application (FAA).
3. The FAA must be completed and signed by the patient, guarantor and/or designated family member within fourteen (14) days from the date of discharge. Extensions are authorized on a case-by-case basis.

4. Family income, including, but not limited to, wages and salaries, welfare payments, dividends and interest must be documented not to exceed $4,000.

5. All working persons in the household must provide one of the following information:
   a) A copy of the previous year's W2, 1040 and any other applicable tax forms that were filed.
   b) Copies of the last two- (2) most recent paycheck stubs from the employer. (Occasionally the patient will state that he/she or spouse is paid cash. In this instance, we would need a letter from the employer on letterhead stating hours worked per week, how often paid, and how much paid.)

6. All unemployed persons in the household must provide the following:
   a) A copy of the previous year's W2, 1040 and any other applicable tax forms that were filed.
   b) Copies of the last two (2) pay stubs.
   c) Confirmation of Support Letter

7. Applicants, whose current financial position is not adequately reflected by prior income reports, must submit statements and/or appropriate documentation of their current/future financial position or a written satisfactory explanation of the reason the patient is unable to provide the requested documentation.

8. Applications received without sufficient and/or appropriate income documentation will be pended for fourteen (30) days, after which the application will be denied.

9. If a patient refuses to complete the application or provide any of the necessary documentation, the charity process cannot be completed and charity may be denied. The patient is then responsible for payment of the entire debt.

10. When information is received from the patient, the Representative completes the FAA using the Federal Poverty Guidelines and collects required supporting documents. The most current verification of income is used to calculate the household's annual gross income. A calculated tape is attached to the FAA.

11. The annual gross income is compared to the income tax returns as well as the amount reported on the FAA. Any major variances are further reviewed.

12. The Representative will make a determination on the percentage discount the guarantor is eligible for and is responsible for obtaining an approval from the appropriate level established.

13. Hospital Charity Care, to be updated annually, is based on the Federal Poverty Income Guidelines (Exhibit I) with a sliding scale adjustment as follows:
    - Up to 100% over Poverty Standard receive 100% discount
    - 101% to 200% over Poverty Standard receive 80% discount
    - 201% to 300% over Poverty Standard receive 70% discount
    - 301% to 400% over Poverty Standard receive 60% discount
    - 401% to 500% over Poverty Standard receive 40% discount
    - 501% to 600% over Poverty Standard receive 20% discount
    - To include catastrophic

14. Approved levels for charity care are based on dollar amount of charity care being requested as follows:
    - Manager, Admitting and Emergency Room up to $ 9,999
    - Director, Revenue Cycle $10,000 to $25,000
    - Chief Financial Officer $25,000 to $50,000
    - Chief Executive Officer over $50,000

15. A Financial Assistance Eligibility Determination Form is completed and attached to the front of the FAA. It allows for the documentation of the administrative review and approval process utilized by the Hospital to grant financial assistance. The Director of PFS must approve any change in the Eligibility Determination Form.

16. The FAA and any additional paperwork is placed in the following order:
    - Financial Assistance Eligibility Determination Form(s)
    - FAA
    - Verification of income
    - Last four paycheck stubs
    - Unemployment letter
    - Letter from family or friends verifying they are paying for the patients living expenses.
    - The charity care guidelines

17. Once the Eligibility Determination Form has been approved from the appropriate level established. The FAA is given back to the Hospital Representative to complete an adjustment write off form.

18. Decisions are reported to the applicant utilizing the applicable form letter (Exhibit III and IV). Decisions are made within 15 working days of receipt of necessary information.

19. Patients approved for only a partial deduction must still comply with Hospital payment terms for the remaining balance. Payment arrangements can be made with a Financial Counselor.

20. The charity application and all supporting documentation will be maintained in PFS for audit purposes for a minimum of five (5) years or in accordance to the record retainment policy of the Hospital.

EXHIBIT I

FINANCIAL ASSISTANCE ELIGIBILITY GUIDELINES
Based on Federal Poverty Guidelines Effective January 24, 2013

Patient Discount to be given	100%	80%	70%	60%	40%	20%

		Income Guidelines for MHMC Discounts					
2013 Poverty Income Guideline	Number In Household	Up to 100% over FPL	101-200% over FPL	201-300% over FPL	301-400% over FPL	401-500% over FPL	501-600% over FPL
$11,490.00	1	22,980	29,548	39,397	49,246	59,095	68,945
$15,510.00	2	31,020	39,886	53,181	66,476	79,771	93,066
$19,530.00	3	39,060	50,223	66,964	83,706	100,447	117,188
$23,350.00	4	47,100	60,561	80,748	100,935	121,122	141,309
$27,570.00	5	55,140	70,899	94,532	118,165	141,798	165,431
$31,590.00	6	63,180	81,237	108,316	135,395	162,474	189,553
$35,610.00	7	71,220	91,575	122,100	152,624	183,149	213,674
$39,630.00	8	79,260	101,913	135,883	169,854	203,825	237,796
$4,020.00	* Each add'l member, add	8,040	12,060	16,080	20,100	24,120	28,140

* For each additional member to compute discount.

- Up to 100% over Poverty Standard receive 100% discount
- 101% to 200% over Poverty Standard receive 80% discount
- 201% to 300% over Poverty Standard receive 70% discount
- 301% to 400% over Poverty Standard receive 60% discount
- 401% to 500% over Poverty Standard receive 40% discount
- 501% to 600% over Poverty Standard receive 20% discount

Catastrophic Eligibility as Medically Indigent
Only applicable if patients income exceeds 600% of Federal Poverty Guidelines

Balance Due	Discount
Balance Due is equal to or greater than 90% patients annual income	80%
Balance Due is equal to or greater than 70% patients annual income	60%
Balance Due is equal to or greater than 50% patients annual income	40%
Balance Due is equal to or greater than 40% patients annual income	30%

EXHIBIT II

FINANCIAL ASSISTANCE APPLICATION INSTRUCTIONS

Dear Patient:

Mercy Hospital and Medical Center is proud of its not-for-profit mission to provide quality care to all who need it, regardless of their ability to pay.

If you do not have health insurance and worry that you may not be able to pay in full for our care, we may be able to help. Mercy Hospital and Medical Center provides financial assistance to patients based on their income, assets, and needs. In addition, we may be able to assist you with obtaining Medicaid or work with you to arrange a manageable payment plan.

To determine if a person qualifies for financial assistance, we need to obtain certain financial information. Your cooperation will allow us to give all due considerations to your request for financial assistance. Please provide the information requested and return it back to the hospital within 14 days from the date of your discharge from the hospital:

Documents Requested for Determination of Eligibility for Financial Assistance
(Please provide documents from each category as applicable)

- ❑ **Completed Financial Assistance Application**

Photo ID/Proof of Identification (one document required)

- ❑ Current Driver's License or State ID
- ❑ Current Student or Employee ID Card
- ❑ Current Passport

Proof of Income (for each household member, provide all documentation that exist and/or apply)

- ❑ Four (1) paycheck stub. This includes verification from any paying source including unemployment benefits, Social Security, school loans or any other paying source.
- ❑ Your most recent income tax returns including copies of your W-2 forms.
- ❑ If paid in cash, a signed letter from your employer indicating terms of employment including wages/salary, dates of employment, current employment status, the availability of health care benefits, etc.
- ❑ If self employed, business records including income, expenses, liabilities and assets
- ❑ Proof of other income (for example, interest income, pension, rental income)

Disclosure of Assets (for each household member, provide all documents that apply)

- ❑ Current statement from Checking and Savings Account(s), Certificate(s) of Deposit, Money Market Fund, Trust Fund or Brokerage Statement

Confirmation of Support Letter

- ❑ In the event income verification is not available and someone is providing you with room and board, we will need that person to complete and sign a letter to that effect which is also included. Applications without verification are considered incomplete and WILL NOT BE PROCESSED.

Failure to provide the information on the Financial Assistance Application could disqualify you from any consideration of Financial Assistance.

Notification of Determination:
We will notify you of your eligibility following receipt and review of all necessary information. There is no guarantee that if approved the same consideration will be given on future accounts.

Physician Services:
The physicians providing services at this hospital are not employees of Mercy Hospital and Medical Center. You will receive separate bills from your private physician and from other physicians whose services you required (pathologist, radiologist, surgeon, etc.) The Financial Assistance Application does not apply to any amounts due by you for physician services. For questions regarding their bills, or to make payment arrangements for physician services, please contact the individual physician's office.

Additional Assistance:

If you have any questions, please call:

_____
Financial Counselor

_____
Telephone Number

Thank you,

Financial Counselor

_____
Date

EXHIBIT III

Financial Assistance Application

PATIENT NAME:

PATIENT #:

MEDICAL RECORD #:

Mercy Hospital and Medical Center
2525 S Michigan Ave.
Chicago, IL 60616-2477
312-567-2135 or 2438
FAX: 312-567-7904

I. RESPONSIBLE PARTY

LAST NAME | FIRST NAME | MI | MARITAL STATUS | SOCIAL SECURITY #

STREET ADDRESS

CITY | STATE | ZIP | HOW LONG AT THIS ADDRESS? | HOME PHONE | CELLULAR PHONE

EMPLOYER'S NAME AND ADDRESS | BUSINESS PHONE | LENGTH OF EMPLOYMENT

POSITION/TITLE | MONTHLY INCOME $ | PAY PERIOD

II. SPOUSE

NAME | SOCIAL SECURITY #

EMPLOYER'S NAME AND ADDRESS | BUSINESS PHONE | LENGTH OF EMPLOYMENT

POSITION/TITLE | MONTHLY INCOME $ | PAY PERIOD

III. HOUSEHOLD INFORMATION (ALL PERSONS IN HOUSEHOLD)

NAME	DATE OF BIRTH	SOCIAL SECURITY NO.	RELATIONSHIP

TOTAL PERSONS IN HOUSEHOLD:

IV. MONTLY INCOME

DIVIDENDS, INTEREST	$	PENSIONS	$
PUBLIC ASSISTANCE/FOOD STAMPS	$	INVESTMENT/RENTAL INCOME	$
SOCIAL SECURITY	$	GRANTS	$
UNEMPLOYMENT/WORKER'S COMPENSATION	$	Other	$
CHILD SUPPORT/ALIMONY	$		

TOTAL MONTHLY MISCELLANEOUS INCOME: $

V. MONTHLY EXPENSES

RENT/MORTGAGE	$	FOOD	$
HOMEOWNER'S INSURANCE	$	CLOTHING	$
PROPERTY TAX	$	CAR PAYMENTS	$
ELECTRIC	$	CAR INSURANCE	$
WATER	$	GASOLINE	$
TELEPHONE / CELLULAR PHONE	$	ALIMONY/CHILD SUPPORT	$
LOANS	$	CREDIT CARDS	$
MEDICAL INSURANCE	$	MEDICATIONS	$
LIFE INSURANCE	$	OTHER(Specify)	$

TOTAL MONTHLY MISCELLANEOUS EXPENSES: $

VI. MONTHLY NET INCOME

RESPONSIBLE PARTY's MONTHLY INCOME		$
SPOUSE's MONTHLY INCOME (If Applicable)	+	$
TOTAL MONTHLY MISCELLANEOUS INCOME	+	$
TOTAL MONTHLY MISCELLANEOUS EXPENSES	-	$
TOTAL MONTHLY NET INCOME	=	$

VII. ASSETS		**REAL ESTATE/VEHICLES/RECREATION (Equity Value)**	
CHECKING ACCOUNT(S)	$	REAL ESTATE PROPERTY	$
SAVINGS ACCOUNT(S)	$	MOTORHOME(S)	$
INVESTMENTS/IRA's	$	BOAT/TRAILER(S)	$
CD's	$	AUTOMOBILE(S)	$

TOTAL ASSETS: $

If unable to provide requested documents, please explain below

Comments:

_____

_____

_____

I declare that the answers I have given are true and accurate.

I understand that I may be asked to prove any statements and my eligibility statements will be subject to verification by contact with my employer, and bank credit verification. I also authorize and instruct any person or consumer-reporting agency to furnish Mercy Hospital & Medical Center any information that it may have or obtain in response to such financial inquiries.

I understand that Mercy Hospital & Medical Center is required by law to keep any information I provide confidential.

I further agree, that in consideration for receiving health care services as a result of any accident or injury, to reimburse the hospital from the proceeds of litigation or settlement resulting from such an act.

Signature of Responsible Party

Date

EXHIBIT IV

MERCY

CONFIRMATION OF SUPPORT LETTER

_____

Applicant (Print Name)

The person named above has advised us that you either contribute substantially to their support or you are the sole means of their support. Please complete this form and return it in the enclosed envelope by: _____.
Thank you.

The type of support I/we provide is: (please complete all that apply)

_____ Room and Board, since (date) _____

_____ Allowance of $ _____

_____ every week _____, every 2 weeks_____, every month

_____ Other (please explain)

_____

I/We, (print)
_____ have been the sole/substantial support for the person named above and, to the best of my/our knowledge, declare that this person has no other primary means of support.

Signature 1	Signature 2
Relationship to Applicant	Relationship to Applicant
Address, City, State, Zipcode	Address, City, State, Zipcode
Telephone	Telephone
Witness	Witness
Date	Date

EXHIBIT V

FNANCIAL ASSISTANCE ELIGIBILITY DETERMINATION
OFFICE USE ONLY

Patient Name: _____

Medical Record Number: _____

Total Yearly Income: $_____ Total Charges: $_____

Balance Due: $_____ Number in Household: _____ Financial Class:_____

1. **Is Total Yearly Income equal to or less than 100% of the Federal Poverty Guidelines?** (See Financial Assistance Eligibility Guidelines - Schedule A) **Circle One**

   YES Approved for 100% financial assistance as Financially Indigent.
   NO Does not qualify for assistance as Financially Indigent. Continue to Step 2.

2. **Is this balance due greater than 10% of Total Yearly Income? Circle One**

   YES Continue to Step 3.
   NO Patient does not qualify for Financial Assistance.

3. **Is Total Yearly Income equal to or less than 600% of the Federal Poverty Guidelines?** See Financial Assistance Eligibility Guidelines - Schedule B. **Circle One**

   YES Total Yearly Income is greater than _____% and less than _____ % of the Federal Poverty Guidelines. Patient qualifies for _____% discount as Medically Indigent pursuant to Financial Assistance Eligibility Guidelines - Schedule B .
   NO: Continue to Step 4.

4. **Is this balance due greater than 25% of Total Yearly Income? Circle One**

   YES Balance due is _____% of the total yearly income. Eligible for_____% discount as Medically Indigent pursuant to Financial Assistance Eligibility Guidelines - Schedule C. Continue to Step 5.
   NO: Patient does not qualify for Financial Assistance.

5. $_____ Multiply by _____% = $_____ $_____
   (Balance Before Discount) *(% Discount)* *(Discount Amount)* *Balance After Discount)*

Approved By:

Financial Counselor and/or Collector		Date
Manager, Admitting and Emergency Room	(Up to $9,999)	Date
Director, Revenue Cycle	($10,000 to $24,999)	Date
Chief Financial Officer	($25,000 to $49,999)	Date
Chief Executive Officer	($50,000 and over)	Date

Income Verification

1	IRS Form, W-2, Wage and Earnings Statement	6	Bank Statements
2	Pay Check Remittance	7	Written Attestation of Patient
3	Tax Returns	8	Verbal Attestation of Patient
4	Social Security, Worker's Comp or Unemployment Comp Letter	9	Patient deceased, no estate
		10	Government Program
5	Telephone Verification by Employer	11	Other

EXHIBIT VI

Mercy Hospital and Medical Center
2525 S Michigan Ave.
Chicago, IL 60616-2477
(312) 567-2000

Date:

Responsible Party
Address
City, State, Zipcode

Re: Patient Name: _____

Account Number: _____

Date of Service: _____

Dear _____:

Thank you for choosing Mercy Hospital and Medical Center. We appreciate you taking the time to complete and return the Financial Assistance Application. Mercy Hospital and Medical Center uses this information to determine your eligibility for a reduced fee under the Mercy Hospital and Medical Center Financial Assistance program.

In reviewing your Financial Assistance Application, we are happy to inform you that you have been approved for a
_____% Discount. Your new balance has been reduced to
$_____. The determination was based upon our financial assistance policy and procedure guidelines which may have included a review of your income, assets, household size and Federal Poverty Guidelines.

If you have a remaining balance, please call your Patient Representative within ten (10) days to make a payment in full or suitable payment arrangements.

If you should have any questions, please call Patient Financial Services, Monday through Friday, between 8:00 am and 4:30 pm. Please note this program will not include any elective non emergent services.

Sincerely,

Patient Representative

Phone: _____

EXHIBIT VII

Mercy Hospital and Medical Center
2525 S Michigan Ave.
Chicago, IL 60616-2477
(312) 567-2000

Date:

Responsible Party
Address
City, State, Zip Code

Re: Patient Name: _____
Account Number: _____
Date of Service: _____

Dear _____:

Thank you for choosing Mercy Hospital and Medical Center. We appreciate you taking the time to complete and return the Financial Assistance Application. Mercy Hospital and Medical Center uses this information to determine your eligibility for a reduced fee under the Mercy Hospital and Medical Center Financial Assistance program.

In reviewing your Financial Assistance Application, we are sorry to inform you that your income exceeds the Financial Assistance guidelines and, therefore, your application for financial assistance has been denied. Your balance, according to our records, is $_____. The determination was based upon our hospital financial assistance policy and procedure guidelines which included a review of your income, assets, household size and Federal Poverty Guidelines.

Please contact your Patient Representative to set up suitable payment arrangements on the balance of $ _____.

If you should have any questions, please call Patient Financial Services, Monday through Friday, between 8:00 am and 4:30 pm.

Sincerely,

Patient Representative
Telephone: _____

EXHIBIT VIII

UNINSURED PATIENT WORKSHEET

PATIENT NAME: _____

DATE OF SERVICE: _____

TOTAL CHARGES: $_____

TYPE OF SERVICE: _____

UNINSURED PATIENT DISCOUNT (135%)

TOTAL CHARGES ---------- $

DISCOUNT (x 56%) X 56 %

BALANCE DUE FROM PATIENT $

MAXIMUM COLLECTABLE

*** ANNUAL INCOME----------** $

x25%

TOTAL COLLECTIBLE ------

DIVIDE BY 12 MONTHS ---------- $_____

Total Due

***CAN DEDUCT PAYMENTS MADE FOR CHILD SUPPORT**

Uninsured patient is a patient with no health Insurance

COMPLETED BY: _____ **DATE:** _____

Explanatory Notes
Section 1110.240

1110.240(b)
Impact Statement

As support for this Criterion, please see the above Explanatory Notes for Sections 1130.520(b)(1), 1130.520(d)(1), 1130.520(d)(2), 1130.520(d)(7), and the Narrative set forth in Attachment 3.

1110.240(c)
Access

As set forth in the attached affidavits from Dr. Gilfillan, Trinity will not adopt more restrictive admission policies or take measures to reduce access to care at the Trinity Illinois Licensed Facilities following the Transaction. Dr. Gilfillan's access affidavits are attached at Attachment 9.

The admission policies for LUMC, Gottlieb and Mercy Hospital are attached at Attachment 9.

1110.240(d)
Other Health Care Providers

The proposed Transaction set forth in this COE Application will only benefit the communities currently served by the Trinity Illinois Licensed Facilities. The proposed Transaction will not negatively impact any other healthcare provider in the service areas currently served by the Trinity Illinois Licensed Facilities.

TRINITY HEALTH
Livonia, Michigan

CATHOLIC HEALTH EAST

20555 VICTOR PARKWAY | LIVONIA, MI 48152 | p 734-343-1000 | newhealthministry.org

January 8, 2014

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Criterion 1110.240(c), Admission Policy & Access to Care Certification

Dear Ms. Avery and Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1110.240(c), that Trinity Health Corporation and CHE Trinity Inc.:

(1) shall not cause Loyola University Health System ("LUHS") to adopt more restrictive admission policies or take measures to reduce access to care at Foster G. McGaw Hospital-Loyola University Medical Center, Gottlieb Memorial Hospital, or the other LUHS healthcare facilities, affiliates and subsidiaries, following the proposed merger between CHE Trinity Inc., Trinity Health Corporation, and Catholic Health East; and

(2) shall not cause Mercy Health System of Chicago ("Mercy System") to adopt more restrictive admission policies or take measures to reduce access to care at Mercy System or the other Mercy System healthcare facilities, subsidiaries and affiliates, including Mercy Hospital & Medical Center, following the proposed merger between CHE Trinity Inc., Trinity Health Corporation, and Catholic Health East.

Sincerely,

Richard J. Gilfillan
President and CEO
Trinity Health Corporation
CHE Trinity Inc.

SUBSCRIBED AND SWORN to before me this 9 day of January, 2014.

Claudia A Crane
Notary Public

Claudia A. Crane, Notary Public
State of Michigan, County of Oakland
My Commission Expires 11/17/2019
Acting in the County of _____

ATTACHMENT
9

Sponsored by Catholic Health Ministries

LOYOLA MEDICINE

We also treat the human spirit®

Date Initiated: July, 1980
Date Revised: December, 2008

LOYOLA UNIVERSITY
HEALTH SYSTEM

PATIENT CARE POLICY AND PROCEDURE

SUBJECT: PATIENT ADMISSION / REASSESSMENT / PLAN OF CARE #13.0001.02

Paula Hindle, RN, MS, MBA
Vice President, Patient Care Services
Chief Nurse Executive/Health Care Services

POLICY: Individual, goal-directed nursing care is to be provided to patients through the use of the Nursing Process.

The patient admission assessment and plan of care are documentation of the Nursing Process (assessment, diagnosis, planning, intervention and evaluation) for each patient from admission through discharge. The plan of care is permanently integrated within the patient record.

The RN will make appropriate referrals to other healthcare professionals based on the needs of the patient (e.g. Social Work, Pastoral Care).

The multidisciplinary discharge note or physician progress note, critical pathway and discharge rounds are used to communicate the tasks needed to be completed to coordinate a timely and well-planned multidisciplinary discharge.

The Nursing Process and multidisciplinary treatment plan will be the basis for the Nursing Plan of Care.

PROCEDURE:

A. The RN will complete the patient admission database within 24 hours of admission with information available at time of admission.

B. The initial assessment includes a nutritional and skin integrity assessment. EPIC link for RN to RD referral, if needed, within 24 hour time order.

C. The RN will document problems, interventions, evaluations, and reassessments at a minimum of once a day and when the patient condition warrants reassessment. The RN will utilize the Problem-Intervention-Evaluation (PIE)/Subjective-Objective-Assessment Plan (SOAP) method of documentation in the progress notes.

D. An initial discharge assessment will be done to identify the need for a social work consult.

E. Patients must be reassessed if any change of their condition. This reassessment is documented in the flowsheet and/or progress note.

NOTE: Assessment/Reassessment of pain and physical status is located on the patient care flowsheet.

Assessment/Reassessment of education is located in the Patient Education Record or Progress Notes.

Assessment/Reassessment of physical/psychosocial status is located in the Progress Notes.

F. Upon patient transfer, the transferring RN/Receiving RN will complete the transfer note on the flowsheet.

LOYOLA UNIVERSITY HEALTH SYSTEM

Loyola University Chicago

LOYOLA UNIVERSITY MEDICAL CENTER
ADMINISTRATIVE POLICY NUMBER: QAPS-001

Subject: **Patient Rights and Responsibilities**

Date Implemented: **April 1998**

Date Revised: **July 2010**

Medical Center Administration Approval:

Paul K. Whelton, M.B., M.D., M.Sc.
President and Chief Executive Officer

William Cannon, M.D.
Chief of Staff

I. PURPOSE

To recognize and respect the rights of each patient and to establish the foundation for providing care, treatment, and services in a way that demonstrates respects and fosters dignity, autonomy, positive self-regard, civil rights, and involvement of patients.

II. DEFINITIONS/APPLICATIONS

A. Definitions

1. The term "rights" as used in the following statement refers to:

   a. State and federal legal rights (such as care without discrimination and signing out AMA, etc.)

   b. Moral and ethical considerations (such as concern for personal dignity, privacy, and respect for human relationships.)

   c. The Joint Commission's standards.

B. Applications

1. This policy applies to patients of Loyola University Medical Center. Patient means an individual who received treatment from LUMC. For the purposes of this policy, patient representative may have the rights of the patient, including: 1) the parent or legal guardian, if the patient is a minor, unless the minor is married, pregnant, or emancipated; 2) the legal guardian, person holding the patient's durable power of attorney, health-care surrogate, or next of kin (refer to Patient Care Consent Policy 13.0003.29) if the patient is deceased or incapacitated; 3) the patient's appointed guardian or conservator if the patient has been legally declared mentally incompetent; 4) the guardianship Administrator at either the Department of Children and Family Services or the County Public Guardian's Office if the patient is a ward of the state.

2. This policy applies to the Workforce including employees of Loyola University Health System ("LUHS"), Loyola University Medical Center ("LUMC"), Faculty Clinical Operations ("FCO") and Loyola University of Chicago ("LUC") working on the Maywood Campus and at the ambulatory care sites and also includes the following: students, members of the Medical Staff, volunteers, and agency or temporary staff receiving or performing services on behalf of the Loyola entities.

III. POLICY

A. The following patient rights and responsibilities will be included in the Information Guide for Patients & Families and posted in several visible public areas at LUMC. Upon admission to the hospital, a statement of patient rights and responsibilities will be given to each patient admitted, and reviewed as needed.

B. The patient or patient's representative (as allowed under state and federal law) has the following rights:

- To be given access to treatments and facilities regardless of race, color, religion or national origin or ancestry, sex, sexual orientation, age, marital status, veteran status, physical or mental handicap/disability, or any other classification protected by applicable law.

- To accommodation of any special needs or disabilities including provision of interpreter services or assistive devices.

- To be respected as an individual deserving competent, private and compassionate care. The patient is entitled to know the names of his or her health care team members as well as their level of training and their role in the patient's care.

- To be listened to with full attention and focus on the needs of the patient.

- To have his or her cultural, psychosocial, spiritual and personal values, beliefs and preferences respected.

- To receive pastoral care and/or spiritual services as desired.

- To receive care and treatment consistent with sound nursing, medical, and rehabilitation practices in a safe setting free of abuse or harassment of any kind. Patients' requests for preferences will be considered in patient care assignments as feasible. When intimate care is provided, consideration for providing two caregivers should be considered.

- To access protective and advocacy services.

- To be free from seclusion and restraints of any form that are not medically necessary or are used as a means of coercion, discipline, convenience, or retaliation by staff. (See Policy #13.0018.06, Restraints Use.)

- To be informed of his or her health status, condition and proposed treatment, to be involved in care planning and treatment, and to make informed decisions regarding his or her care.

- To be informed about the outcomes of care, treatment, and services, including unanticipated outcomes.

- To participate in the development and implementation of his or her plan of care.

- To pain management.

- To request or refuse treatment to the extent permitted by law. The patient does not have the right to demand services deemed medically unnecessary or inappropriate.

- To request a consultation or second opinion from another physician as well as to change physicians, hospitals or outpatient centers.

- To have a family member or representative and the patient's physician notified of admission.

- To participate in research studies after receiving an explanation of the nature and possible consequences of the research before it is conducted and after giving informed consent. To refuse to participate in research studies without such refusal affecting care.

- To consent to, or refuse to consent to, being filmed or recorded without such a decision affecting the health care received.

- To request and participate in an ethics consultation.

- To know the approximate cost of hospital or outpatient services or whether a service is covered by Medicare or other insurer, before admission or treatment, and to examine and receive a reasonable explanation of the patient's total bill for services rendered by his or her physician or health care provider, including the itemized charges for specific services received.

- To have his or her end-of-life wishes honored by their caregivers. (See Policy OPER-002, Advance Directives).

- To personal privacy and to the confidentiality of his or her medical records and information (to the extent provided by law).

- To inspect, copy and to request amendments to the patient's medical information and to

have access to his or her medical record in the presence of a physician while hospitalized. After discharge, the patient may request a copy of his or her medical record.

- To request restrictions or limitations on the medical information LUMC uses or discloses about the patient.

- To receive confidential communications (i.e., that LUMC only contact the patient in a certain manner or at a certain location) from LUMC.

- To an accounting of disclosures required by the Health Insurance Portability and Accountability Act's Privacy Rule.

- To discuss any dissatisfaction with the care received, or any concerns about patient care and safety. We are committed to your satisfaction with care and services you receive at Loyola. Please discuss dissatisfaction or concerns about the quality or safety of patient care with your nurse, physician, Patient Relations at (708) 216-5140, or by calling (708) 327-SAFE, the Loyola Hotline. You may also report your concerns directly to the Illinois Department of Public Health at 525 W. Jefferson St., Springfield, IL, 62761-0001, Fax (217) 782-0382 or call (800) 252-4343. TTY – (Hearing Impaired use only) (800) 547-0466 or to the Joint Commission for the Accreditation of Healthcare Organizations at (800) 994-6610.

- To complain if the patient believes his or her privacy rights have been violated. For privacy related complaints, the patient shall be referred to the Patient Relations staff as described in the Patient Complaints & Grievances Policy. The patient may also contact the Secretary of the Department of Health and Human Services, 200 Independence Avenue, S.W., Washington, D.C. 20201 Telephone: 202-619-0257, Toll Free: 1-877-696-6775, http://www.hhs.gov/ContactUs.html.

- To receive a written statement at time of admission of all the above rights if you are admitted to LUMC or as soon thereafter as the condition of the patient permits.

- To receive a copy of Loyola's Notice of Privacy Practices upon the patient's first visit to LUMC after April 14, 2003.

C. The responsibilities of the patient/patient's representative include:

- To provide an accurate and complete medical history upon admission.

- To abide by LUMC policies as found in the Patient Information Guide.

- To follow the treatment plan and inform the medical team of any changes in condition.

- To be responsible for the outcomes if the care, treatment, and service plan is not followed.

- To ask questions if information is not understood.

- To treat other patients and LUMC staff with concern and respect.

- To provide timely payment for services provided.
- To tell us if you have Durable Power of Attorney for Healthcare or Legal Guardianship of the patient.

IV. RESPONSIBLE PARTY

Any questions or concerns regarding the above rights and responsibilities should be directed to the Director of Patient Relations at (708) 216-5140.

LOYOLA UNIVERSITY HEALTH SYSTEM

Loyola University Chicago

LOYOLA UNIVERSITY MEDICAL CENTER
ADMINISTRATIVE PICY NUMBER: A-22

Subject:

ADMITTING AND REGISTRATION

Date Implemented: May, 2000 **Last Revised:** October, 2002

Medical Center Administration Approval:

Jan Lukas, RN, B.S.N.
Director, Admitting and Registration

John Lee, M.D.
Chairman, Department of Pathology

Rae Hibner
Director, Risk Management

John Sullivan
Executive Vice President
Loyola University Medical Center

I PURPOSE

To enumerate the steps to be followed for those occasions when patients are admitted with "Doe" names or when it is obvious that names are incorrectly spelled. This also should be followed when clinical staff ask that patients be given "Alias" names for security purposes.

Objective:

To revise names of patients in the registration system, (therefore, all downstream systems) so the patient can be identified by his/her legal name by all disciplines involved without interfering with the care of the patient.

Procedure:

Nursing:

1. As family present themselves on the Nursing unit and are able to identify a "Doe" patient, family/patient states a name is incorrectly spelled, or clinical staff requests patient's name to be changed to an "Alias", Nursing should initiate this procedure by sending the patient's family to Admitting where the name can be updated/revised.

   A determination would have been made by Nursing at this point that the patient is stable and will not be in need of a blood transfusion within the next few hours.

2. Upon receiving an updated facesheet, blue card, bed ticket and armband from Admitting, nursing Will be responsible, if applicable, for redrawing a Type and Crossmatch on the patient, and Rebanding the patient with a new bloodband and armband to demonstrate the name change.

LOYOLA UNIVERSITY MEDICAL CENTER
ADMINISTRATIVE PICY NUMBER: A-22

Admitting:

1. As family present themselves to Admitting stating they would like to update the name of a family member admitted (either revising spelling or updating a "Doe" name), the Service Representative should call the charge nurse of the nursing unit to confirm the name can be updated without interfering with the care of the patient.

2. If approved by nursing, the Service Representative should immediately update the name in SMS, to that of the legal name. Service Rep should then toggle to LUCI to validate name change occurred correctly. If it did not, she/he should call MIS at 6-3270 or after hours have the MIS on call person paged by dialing the Help Desk at 62160 and pressing "O" for operations.

3. A new facesheet, armband and blue card must be printed on the patient and tubed immediately to the nursing unit caring for the patient. This process should take less than 15 minutes from the time of family presentation.

4. The Service Representative should then notify the following departments of the name change:
   A. Blood Bank at 6-3951
   B. Medical Records at 6-3862. This number does have voice mail if no one is available.
   C. If needed, MIS: 6-3270: See #2 above.

Blood Bank:

1. Upon receipt of a new Type and Crossmatch on a patient whose name has been revised, Blood Bank will use the new specimen to re-crossmatch any blood allocated to the patient.
2. Following the repeat crossmatch, all units of blood will be relabeled so that the patient name, medical record number and armband number on the unit tags and patient armband will be identical.

PATIENT'S RIGHTS AND RESPONSIBILITIES

POLICY: Gottlieb Memorial Hospital respects the rights of the patient, recognizes that each patient is an individual with unique health care needs, and because of the importance of respecting each patient's personal dignity, provides considerate, respectful care focused upon the patient's individual needs.

Gottlieb affirms the patient's right to make decisions regarding his/her medical care, including the decision to discontinue treatment, to the extent permitted by law.

Gottlieb will assist the patient in the exercise of his/her rights and inform the patient of any responsibilities incumbent upon him/her in the exercise of those rights.

PURPOSE: To define the Rights and Responsibilities for all patients regardless of age or parents or guardians of patients in the hospital.

SCOPE: Applies to all patients and parents or guardians of patients admitted to the hospital.

LEVEL OF RESPONSIBILITY:

Hospital leadership is responsible for ensuring that staff (employees and physicians) respects the rights of patients, parents and guardians, and informs patients, parents and guardians of their responsibilities.

PROCEDURE:

Reference Policies and Procedures:
Category #3.00, Ethics, Rights & Responsibilities

I. **PATIENT RIGHTS**

A. The Adult, Pediatric, Neonatal Patient/Parent/Guardian is entitled to:

1. Considerate and respectful continuity of care.

2. Have a family member or representative of their choice or own physician be notified promptly of their admission to the hospital.

I. **PATIENT RIGHTS:** (Cont.)

3. Appropriate equipment, furniture, therapeutic environment that is safe for the patient's age and development.

4. Impartial access to medically indicated treatment regardless of race, creed, sex, national origin, or sources of payment of care.

5. Be called by proper name or nickname as desired.

6. Have an advance directive (such as a Living Will or Durable Power of Attorney for Health Care) concerning treatment or designating a surrogate decision maker with the expectation that the hospital will honor that directive to the extent permitted by law.

7. Know by name the physician responsible for the coordination of patient care and the identities of others involved in providing care.

8. Obtain information from physicians and other direct caregivers in understandable terms concerning diagnosis, treatment, prognosis and plans for discharge and follow-up care.

9. Be informed regarding participating in decisions regarding your plan of care and current health status, except in emergency situations where lifesaving measures are required. In giving their consent before the start of any procedure or treatment, they are entitled to know the potential benefits and any related risks and the likelihood of success. The same information is provided regarding any significant treatment alternatives.

10. Participate in the development and implementation of their care and refuse treatment to the extent permitted by law and be informed of the medical consequences of such action.

11. Appropriate assessment and management of pain.

12. Review their medical records within a reasonable time frame and have information explained or interpreted by a primary health care provider, except as restricted by law.

13. Consideration of security and patient privacy in case discussion, consultation, examination and treatment, as well as freedom in any setting from potential abuse and/or harassment. A request may be made to transfer to another room if another patient or visitor(s) in that room are unreasonably disturbing to them.

I. **PATIENT RIGHTS:** (Cont.)

14. Expect that all communications, records and other information pertaining to their care be treated as confidential by the hospital, except in cases such as suspected abuse or public health hazards which are required by law to be reported.

15. Consent to being photographed, only as appropriate, to protect patient confidentiality. No patient record may be photographed in any manner unless for purposes of patient care or insurance claims.

16. Expect the hospital to respond to their requests for service, within its capacity, and to provide evaluation, service or referral by the urgency of patient care needs.

17. Obtain information as to any relationship between the hospital and other health care and educational institutions which may influence patient care.

18. Consent or refuse to participate in any treatment that is considered experimental in nature, and to have those studies fully explained prior to consent.

19. Participate in decisions regarding ethical issues surrounding their care including issues of conflict resolution, withholding resuscitation, foregoing or withdrawal of life-sustaining treatment and participation in investigational studies or clinical trials.

20. Expect that the hospital will support the right of each patient to personal dignitiy. Have spiritual, psychosocial, cultural beliefs and personal values and preferences respected that do not harm others or interfere with medical treatment. This includes the right to pastoral/other spiritual services.

21. Know if their request for services cannot be reasonably provided by the hospital. If they request to be transferred to another facility, they have the right to know about the need for and alternatives to such a transfer. Every attempt to honor their request will be made if their medical condition allows and the facility agrees to receive and treat them.

22. Obtain information about hospital policies that relate to their care. Express a concern or complaint regarding their care or concerns regarding patient safety to the attending physician, nurse assigned to delivery of patient care or the nursing supervisor. The right to a timely response to the concern or complaint and a resolution is provided when possible. Expression of a concern or complaint will not compromise patient care or future access to care.

I. **PATIENT RIGHTS,** (Cont.)

23. Access protective services, if necessary.

24. Freedom from restraints of any kind used in the provision of acute medical and surgical care and/or management of behavior unless clinically required.

25. Examine and receive an explanation of their hospital bill, regardless of the source of payment.

26. Be cared for by hospital personnel who are educated about patient rights and their role in supporting those rights.

27. Expect that all hospital personnel will clean their hands before any direct patient contact.

II. **PATIENT RESPONSIBILITIES:**

B. **The Adult, Pediatric, Neonatal Patient/Parent/Guardian has the following responsibilities to:**

1. Ask questions about specific problems and request information when the illness or treatment is not understood.

2. Provide accurate and complete information about their health history to physicians and other caregivers, including present complaints, past illnesses, hospitalizations, medications and reporting perceived risks in their care.

3. Notify the physician and nursing staff of child's name or nickname to which he/she best responds.

4. Provide the hospital with a copy of the written advance directive if one is available. If the directive is missing, inform hospital staff regarding the substance of directive.

5. Follow the treatment plan recommended by physicians and other caregivers, or if treatment is refused, they are responsible for their actions and the medical consequences.

6. Consider the rights of all hospital personnel and other patients and ensure that their visitors are considerate in the control of noise, limiting numbers of visitors and abstinence from smoking.

II. **PATIENT RESPONSIBILITIES:** (Cont.)

7. Respect hospital property and the property of other patients. The hospital is not responsible for any damage or loss of personal property. Patients or visitors who bring their own medical devices of any kind into the hospital are totally responsible for the use and maintenance of the equipment. Hospital personnel have no responsibility whatsoever for evaluation or maintenance of the equipment or for any non-emergency medical care related to the use of it.

8. Follow the hospital's policy regarding cellular phone use. Cellular phones are allowed in areas of the hospital with the exception of Intensive Care, Emergency Department and within the patient's room, unless otherwise approved by the nurse.

9. Follow all instructions related to infection prevention including proper handwashing and isolation precautions (if indicated).

10. Let the staff know if you have a cough. Cover your mouth and nose with tissue when you sneeze or cough. After sneezing or coughing, clean your hands with soap and water or alcohol hand gel. To protect others from getting your germs, you may be asked to wear a mask if you are coughing or sneezing.

11. Follow all hospital policies affecting patient care and conduct.

12. Meet financial commitments.

13. Provide necessary information to ensure processing of hospital bills and make payment arrangements when necessary.

14. Follow insurance coverage requirements for pre-certification of hospital services.

Original: 9/30/86
Revised: 5/95
Revised: 5/97
Reviewed & Revised: 1/99 (Organ Donation)
Reviewed: 7/2000
Reviewed: 5/2001
Reviewed: 10/2002
Reviewed: 9/03
Revised: 7/04
Reviewed: 7/05
Reviewed: 12/05
Reviewed: 12/06, 6/08
Reviewed: 2/09
Reviewed: 10/10

Mercy Hospital and Medical Center
Chicago, Illinois

ADMINISTRATIVE POLICY NUMBER B-5

Subject: ADMISSION OF A PATIENT

Original Issue Date: January 17, 1992

Revision Date: 12/12

Initiated by: Rita Carlson
Director, Patient Access

Approved by: Carla Campbell
Vice President/CNO

I. THE POLICY STATEMENT

The purpose of this policy is to establish guidelines for processing admissions to Mercy Hospital and Medical Center.

II. DEFINITION

The admission of a patient into the hospital requires the collaborative efforts of many departments. The Admitting Department plays a key role in this collaboration in that they serve as the facilitator for bed placement, verify insurance eligibility and monitor the activities related to a patient's admission.

III. PROCEDURE

A. The creation of a reservation is the first step in the admission process.

1. This entails collecting basic demographic information from the physician/designee about the patient which will facilitate the successful placement of the patient to the hospital.

2. Depending upon the type of service to be provided, reservations are accepted in the Admitting department, Surgical Services department or Critical Care units.

Review Dates:	12/03	03/07	02/10		
Initials:	RJ	RJ/LK	RC		

ATTACHMENT
9

3. In addition to providing demographic/ insurance data and clinical information about the patient; physicians are asked to classify the patient's reservation type and admission category.

B. Reservations Types

1. Routine - indicate a reservation made for a specific date in the future.

2. Urgent - indicates a reservation for which the Attending Physician has determined that admission must occur within 48 hours.

3. Emergency – indicates a reservation for which the Attending Physician has determined that admission must occur immediately, and with the highest priority.

C. Admission Categories

1. SDS - indicates that the patient will have Same Day Surgery (SDS) on an outpatient basis. Patients are admitted to and discharged from the Outpatient Surgical Center all in the same day.

2. Extended Recovery - indicates that the patient is in an outpatient status in a bed.

3. Observation - affords physicians an opportunity to evaluate the condition of an outpatient after the recovery time period post-procedure or for those patients who require additional monitoring to determine if they require inpatient admission.

4. A.M. Admission - indicates that the patient is to be admitted to the hospital as an inpatient on the same day as their surgery or scheduled procedure.

5. Inpatient - used for patients requiring acute inpatient care for either medical / surgical / gynecological / mental health issues.

D. Reservations for admission are communicated to key hospital departments on a daily basis. This information prompts preparatory activities in Admitting, Admission Testing, Pre-Certification, Surgical Scheduling and Case Management.

E. Pre-Admission

1. To the extent that reservations are received in a timely manner, patients are contacted in advance of their admission by the Pre-Admissions Office or Admitting for the purpose of being pre-admitted.

2. This process entails collecting or confirming previously collected demographic and financial information about the patient, guarantor, and payor source (s).

3. Pre-admission affords the hospital and patient/guarantor with:

   a. An opportunity to comply with any pre-certification/pre-authorization requirements, thereby ensuring that maximum insurance benefits are payable.
   b. An occasion to determine insurance coverage, estimate co-payment responsibilities, and arrange for a deposit when indicated.
   c. An expedited intake process on the date of admission.

F. Admission Testing

1. Collaboratively staffed and operated by Patient Care Services and Admitting, the Admission Testing office has been designed to provide patients with convenient and centralized pre-admission testing services.

2. Generally, these services include, but are not limited to:

   a. Proactively collaborating with Patient Care Services units in the expeditious determination of bed placement for patients.
   b. Ensuring that all necessary paperwork is prepared, packaged, and available for signature on the unit where the patient is to be received, e.g., Admission face sheet, Consent for hospital treatment, Insurance Assignments and arm band.
   c. Coordination with the Pre-Certification and Financial Counseling departments in collecting of payments from patients upon admission.
   d. Entry of the patient into the hospital's computer system, thereby enabling all on-line ordering, charging, and reporting systems.

G. Pediatrics

1. Patients up to the age of 18 years may be admitted to Pediatrics.

2. Patients who are 12 years or younger who are admitted to 6 PED for a surgical procedure must have a Pediatrician listed as a Consultant.

Trinity Health Corporation/CHE Trinity Inc.
Phase II (Loyola University Medical Center)
Certificate of Exemption Index

	Page(s)
Certificate of Exemption Application	1-5
Attachment 1 ($2,500 Check)	6-7
Attachment 2 (Funding)	8
Attachment 3 (Narrative)	9-10
Attachment 4 (Background of Applicant)	11-27
Attachment 5 (Transaction Documents)	28-43
Attachment 6 (Financial Information)	44-168
Explanatory Note 9 (Anticipated Acquisition Price)	169
Explanatory Note 10 (Fair Market Value)	170
Explanatory Notes (Section 1130.520 Criteria)	171-174
Attachment 7 (No Adverse Action)	175
Attachment 8 (Charity Care)	176-214
Explanatory Notes (Section 1110.240 Criteria)	215-216
Attachment 9 (Access to Care)	217-233
Index	234