

ORIGINAL

12-038

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

APR 24 2012

This Section must be completed for all projects.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name:	Central DuPage Hospital
Street Address:	25 North Winfield Road
City and Zip Code:	Winfield, IL 60190
County:	DuPage Health Service Area VII Health Planning Area: A-05

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Central DuPage Hospital Association
Address:	25 North Winfield Road Winfield, IL 60190
Name of Registered Agent:	
Name of Chief Executive Officer:	Michael Vivoda, President
CEO Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600

Type of Ownership of Applicant/Co-Applicant

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

o Corporations and limited liability companies must provide an Illinois certificate of good standing.

o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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

Primary Contact

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

Name:	Larry Bell
Title:	Vice President
Company Name:	CDH-DeInor Health System
Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600
E-mail Address:	LARRY_BELL@CDH.ORG
Fax Number:	

Additional Contact

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

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

Additional Contact

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

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210 Palatine, IL 6067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	

Additional Contact

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

Name:	Honey Jacobs Skinner
Title:	Partner
Company Name:	Sidley Austin
Address:	1 South Dearborn Chicago, IL 60603
Telephone Number:	312/853-7577
E-mail Address:	mskinner@sidley.com
Fax Number:	

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

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Central DuPage Hospital		
Street Address:	25 North Winfield Road		
City and Zip Code:	Winfield, IL 60190		
County:	DuPage	Health Service Area	VII Health Planning Area: A-05

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Cadence Health (formerly known as CDH-Delnor Health System)
Address:	25 North Winfield Road Winfield, IL 60190
Name of Registered Agent:	
Name of Chief Executive Officer:	J. Luke McGuinness, President & CEO
CEO Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600

Type of Ownership of Applicant/Co-Applicant

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

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

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

Primary Contact

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

Name:	Larry Bell
Title:	Vice President
Company Name:	CDH-Delnor Health System
Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600
E-mail Address:	LARRY_BELL@CDH.ORG
Fax Number:	

Additional Contact

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

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

Post Permit Contact

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

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

Name:	Larry Bell
Title:	Vice President
Company Name:	CDH-Delnor Health System
Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600
E-mail Address:	LARRY_BELL@CDH.ORG
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Central DuPage Hospital Association
Address of Site Owner:	25 North Winfield Road Winfield, IL 60190
Street Address or Legal Description of Site:	25 North Winfield Road Winfield, IL 60190
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.	
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Operating Identity/Licensee

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

Exact Legal Name:	Central DuPage Hospital	
Address:	25 North Winfield Road Winfield, IL 60190	
<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other
<ul style="list-style-type: none">o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.o Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.		
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.		

Organizational Relationships

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

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

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

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

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

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

This application addresses the addition of a 14-bed ICU and the development of a 8,600 square foot conference center on the second floor of the hospital's Center building. The additional ICU beds will address the hospital's historically high ICU occupancy rate. The conference center will, among other functions, address the conference and meeting room space requirements resulting from the hospital's affiliations with Children's Memorial Hospital and the Cleveland Clinic, and the Medical Staff and employee educational areas required by Cadence Health's electronic medical records system.

The proposed project does not involve the "establishment" of any new programs, nor does it involve the "discontinuation" of any existing programs.

The March 15, 2012 update to the IDPH's "Inventory" identifies a need for 28 additional ICU beds in Central DuPage Hospital's designated planning area.

When Central DuPage Hospital was granted a Permit for its bed tower project in 2007 (Permit # 07-059), the hospital agreed to seek a Permit when then-undesignated space within the Center building was to be re-used. This application fulfills a portion of that responsibility.

This is a substantive application because its addresses inpatient as well as outpatient services.

PROJECT COSTS AND SOURCES OF FUNDS

	Clinical/ Reviewable	Non-Clinical/ Non-Reviewable	Total	
Project Costs:				
Preplanning Costs	\$ 110,000	\$ 30,000	\$ 140,000	
Site Survey and Soil Investigation				
Site Preparation				
Off Site Work				
New Construction Contracts				
Modernization Contracts	\$ 3,574,250	\$ 1,591,000	\$ 5,165,250	
Contingencies	\$ 246,500	\$ 172,000	\$ 418,500	
Architectural/Engineering Fees	\$ 305,000	\$ 190,000	\$ 495,000	
Consulting and Other Fees	\$ 181,830	\$ 131,670	\$ 313,500	
Movable and Other Equipment	\$ 2,520,000	\$ 60,000	\$ 2,580,000	
Bond Issuance Expense				
Net Interest Expense During Construction				
Demolition	\$ 308,125	\$ 215,000	\$ 523,125	
Acquisition of Building or Other Property				
TOTAL COSTS	\$ 7,245,705	\$ 2,389,670	\$ 9,635,375	
Sources of Funds:				
Cash and Securities	\$ 7,245,705	\$ 2,389,670	\$ 9,635,375	
Pledges				
Gifts and Bequests				
Bond Issues				
Mortgages				
Leases (fair market value)				
Government Appropriations				
Grants				
Other Funds and Sources				
TOTAL FUNDS	\$ 7,245,705	\$ 2,389,670	\$ 9,635,375	

Related Project Costs

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

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

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:	
<input type="checkbox"/> None or not applicable	<input checked="" type="checkbox"/> Preliminary
<input type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>August 30, 2014</u>	

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.
<input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
<input checked="" type="checkbox"/> Project obligation will occur after permit issuance.

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

State Agency Submittals

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

8

Cost Space Requirements

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

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

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

Facility Bed Capacity and Utilization

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

FACILITY NAME: Central DuPage Hospital		CITY: Winfield, IL			
REPORTING PERIOD DATES: From: January 1, 2011 to: December 31, 2011					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	213	12,811	50,790		213
Obstetrics	35	3,873	11,148		35
Pediatrics	10	1,074	3,236		10
Intensive Care	32	2,541	9,082	+14	46
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	15	1,399	5,475		15
Neonatal Intensive Care	8	185	2,064		8
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	313	21,883	81,795	+14	327

CERTIFICATION

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

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

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

Luke McGuinness
SIGNATURE

LUKE MCGUINNESS
PRINTED NAME

PRESIDENT & CEO, CADENCE HEALTH
PRINTED TITLE

Michael Vivoda
SIGNATURE

MICHAEL VIVODA
PRINTED NAME

EXECUTIVE VICE PRESIDENT, CADENCE
PRESIDENT, CENTRAL DuPAGE HOSPITAL
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18TH day of April 2012

Notarization:
Subscribed and sworn to before me
this 18TH day of April 2012

Susan M Bove
Signature of Notary
Seal
OFFICIAL SEAL
SUSAN M BOVE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 10/01/12

Susan M Bove
Signature of Notary
Seal
OFFICIAL SEAL
SUSAN M BOVE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 10/01/12

*Insert EXACT legal name of the applicant

CERTIFICATION

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

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

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

Luke McGuinness
SIGNATURE
LUKE MCGUINNESS
PRINTED NAME
PRESIDENT + CEO, CADENCE HEALTH
PRINTED TITLE

Michael Vivoda
SIGNATURE
MICHAEL VIVODA
PRINTED NAME
EXECUTIVE VICE PRESIDENT CADENCE
PRESIDENT CENTRAL D. PAUL HOSPITAL
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18TH day of April 2012

Notarization:
Subscribed and sworn to before me
this 18TH day of April 2012

Susan M Bove
Signature of Notary
Seal
OFFICIAL SEAL
SUSAN M BOVE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 10/01/12

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*Insert EXACT legal name of the applicant

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

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

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

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

PURPOSE OF PROJECT

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

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:**PROJECT DOES NOT INVOLVE SHELL SPACE**

Provide the following information:

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

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

ASSURANCES:**NOT APPLICABLE**

Submit the following:

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

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

SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

This Section is applicable to all projects proposing establishment, expansion or modernization of categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

A. Criterion 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

- Applicants proposing to establish, expand and/or modernize Medical/Surgical, Obstetric, Pediatric and/or Intensive Care categories of service must submit the following information:
- Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
<input type="checkbox"/> Medical/Surgical		
<input type="checkbox"/> Obstetric		
<input type="checkbox"/> Pediatric		
<input checked="" type="checkbox"/> Intensive Care	32	46

- READ the applicable review criteria outlined below and submit the required documentation for the criteria:

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.530(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.530(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.530(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.530(b)(5) - Planning Area Need - Service Accessibility	X		
1110.530(c)(1) - Unnecessary Duplication of Services	X		
1110.530(c)(2) - Maldistribution	X	X	
1110.530(c)(3) - Impact of Project on Other Area Providers	X		
1110.530(d)(1) - Deteriorated Facilities			X
1110.530(d)(2) - Documentation			X

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(d)(3) - Documentation Related to Cited Problems			X
1110.530(d)(4) - Occupancy			X
110.530(e) - Staffing Availability	X	X	
1110.530(f) - Performance Requirements	X	X	X
1110.530(g) - Assurances	X	X	X

APPEND DOCUMENTATION AS ATTACHMENT-20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

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

VIII. - 1120.120 - Availability of Funds

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

\$9,635,375_	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
	1)	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
	2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
	1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
	2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
	3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
	4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
	5)	For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$9,635,375		TOTAL FUNDS AVAILABLE

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

IX. 1120.130 - Financial Viability

not applicable, project to be funded through internal sources

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

2. Variance

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

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

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

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

B. Conditions of Debt Financing

not applicable, project to be funded through internal sources

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

XI. Safety Net Impact Statement Central DuPage Hospital

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

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

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

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

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2008	2009	2010
Inpatient	955	1,083	966
Outpatient	15,753	17,936	18,850
Total	16,708	19,019	19,816
Charity (cost in dollars)			
Inpatient	\$6,212,406	\$6,694,000	\$6,966,000
Outpatient	\$4,470,224	\$6,431,000	\$8,412,000
Total	\$10,682,630	\$13,125,000	15,378,000
MEDICAID			
Medicaid (# of patients)	2008	2009	2010
Inpatient	2,078	2,304	2,247
Outpatient	56,352	75,613	82,392
Total	58,430	77,917	84,639
Medicaid (revenue)			
Inpatient	\$23,823,126	\$11,833,901	\$19,799,126
Outpatient	\$6,079,344	\$2,636,485	\$9,445,556
Total	\$29,902,470	\$14,470,386	\$29,244,682

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

XI. Safety Net Impact Statement Delnor Hospital

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

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

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

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

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2008	2009	2010
Inpatient	307	352	304
Outpatient	1,980	2,594	2,717
Total	2,287	2,946	3,021
Charity (cost in dollars)			
Inpatient	\$1,293,669	\$1,438,336	\$1,986,874
Outpatient	\$1,212,535	\$1,462,964	\$1,681,304
Total	\$2,506,204	\$2,901,300	\$3,668,178
MEDICAID			
Medicaid (# of patients)	2008	2009	2010
Inpatient	679	704	594
Outpatient	9,197	12,127	11,907
Total	10,176	12,831	12,501
Medicaid (revenue)			
Inpatient	\$5,549,008	\$9,843,366	\$6,169,258
Outpatient	\$1,280,514	\$2,228,363	\$2,061,783
Total	\$6,829,522	\$12,074,729	\$8,231,041

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

XII. Charity Care Information

Central DuPage Hospital

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

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

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

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

CHARITY CARE			
	2008	2009	2010
Net Patient Revenue	\$527,050,868	\$572,122,109	\$590,317,938
Amount of Charity Care (charges)	\$38,557,935	\$48,612,138	\$59,838,049
Cost of Charity Care	\$10,682,630	\$13,125,000	\$15,378,080

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

XII. Charity Care Information Delnor Hospital

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

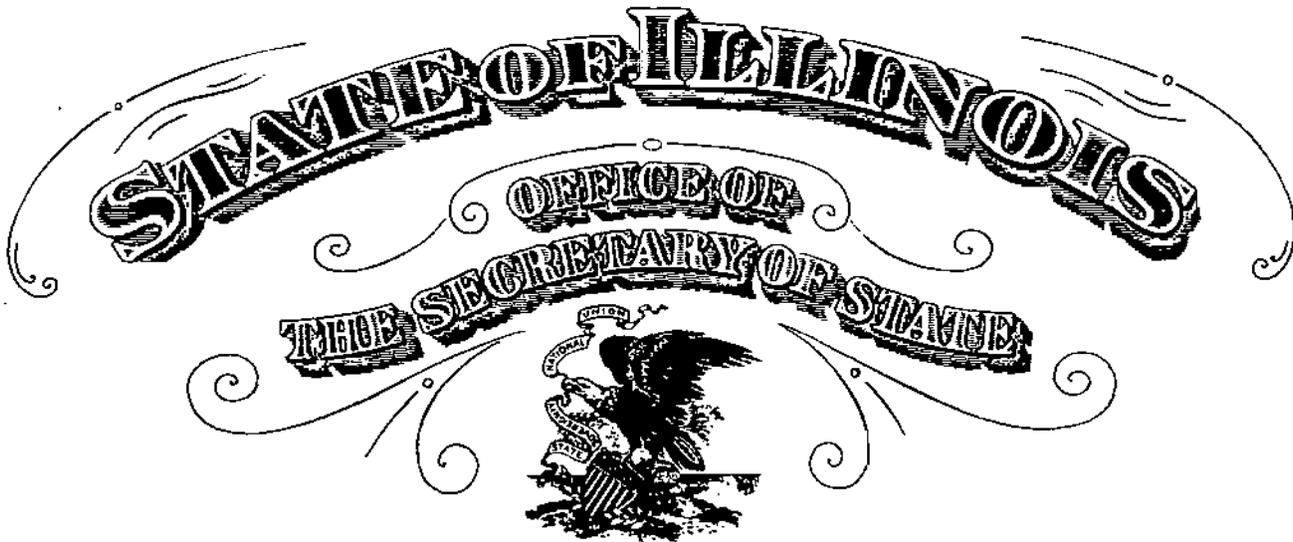
1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for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

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

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

CHARITY CARE			
	2008	2009	2010
Net Patient Revenue	\$208,959,443	\$215,424,178	\$207,812,882
Amount of Charity Care (charges)	7,423,090	9,158,815	11,858,450
Cost of Charity Care	\$2,506,204	\$2,901,300	\$3,668,178

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



To all to whom these Presents Shall Come, Greeting:

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

CENTRAL DU PAGE HOSPITAL ASSOCIATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON AUGUST 05, 1958, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH day of FEBRUARY A.D. 2012 .



Authentication # 1203801306
Authenticate at: <http://www.cyberdriveillinois.com>

Jesse White

SECRETARY OF STATE

ATTACHMENT 1



To all to whom these Presents Shall Come, Greeting:

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

CDH-DELNOR HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 03, 1980, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1205401522

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 23TH day of FEBRUARY A.D. 2012 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

COMMITMENT FOR TITLE INSURANCE



Chicago Title Insurance Company

CHICAGO TITLE INSURANCE COMPANY, a Nebraska corporation, herein called the Company, for valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the Proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest in the Land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the Requirements; all subject to the provisions of Schedule A and B and to the Conditions of this Commitment.

This Commitment shall be effective only when the identity of the Proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate 6 months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

The Company will provide a sample of the policy form upon request.

IN WITNESS WHEREOF, Chicago Title Insurance Company has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.

Issued By:

CHICAGO TITLE INSURANCE COMPANY
1725 S. NAPERVILLE RD
WHEATON, IL 60187

Refer Inquiries To:

(630)871-3500

CHICAGO TITLE INSURANCE COMPANY

By


Authorized Signatory



Commitment No.: 1410 020107155 UL

ATTACHMENT 2

CHICAGO TITLE INSURANCE COMPANY
COMMITMENT FOR TITLE INSURANCE
SCHEDULE A

YOUR REFERENCE: CDH MAIN CAMPUS

ORDER NO.: 1410 020107155 UL

EFFECTIVE DATE: OCTOBER 14, 2010

1. POLICY OR POLICIES TO BE ISSUED:

OWNER'S POLICY: ALTA OWNERS 2006
AMOUNT: \$1,000,000.00
PROPOSED INSURED: CURRENT TITLE HOLDERS

2. THE ESTATE OR INTEREST IN THE LAND DESCRIBED OR REFERRED TO IN THIS COMMITMENT IS FEE SIMPLE, UNLESS OTHERWISE NOTED.
3. TITLE TO THE ESTATE OR INTEREST IN THE LAND IS AT THE EFFECTIVE DATE VESTED IN:
CENTRAL DU PAGE HOSPITAL ASSOCIATION, A NOT-FOR-PROFIT CORPORATION, AS TO PARCEL 1 AND
AS TO THE EAST 110 FEET OF THE WEST 210 FEET OF PARCEL 2 AND LOTS 3 AND 4 IN PARCEL 3
AND AS TO PARCEL 4

NBD TRUST COMPANY OF ILLINOIS, AS TRUSTEE UNDER TRUST AGREEMENT DATED DECEMBER 5, 1985

CONTINUED ON NEXT PAGE

ATTACHMENT 2



To all to whom these Presents Shall Come, Greeting:

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

CENTRAL DU PAGE HOSPITAL ASSOCIATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON AUGUST 05, 1958, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH day of FEBRUARY A.D. 2012 .

Jesse White

Authentication #: 1203801306

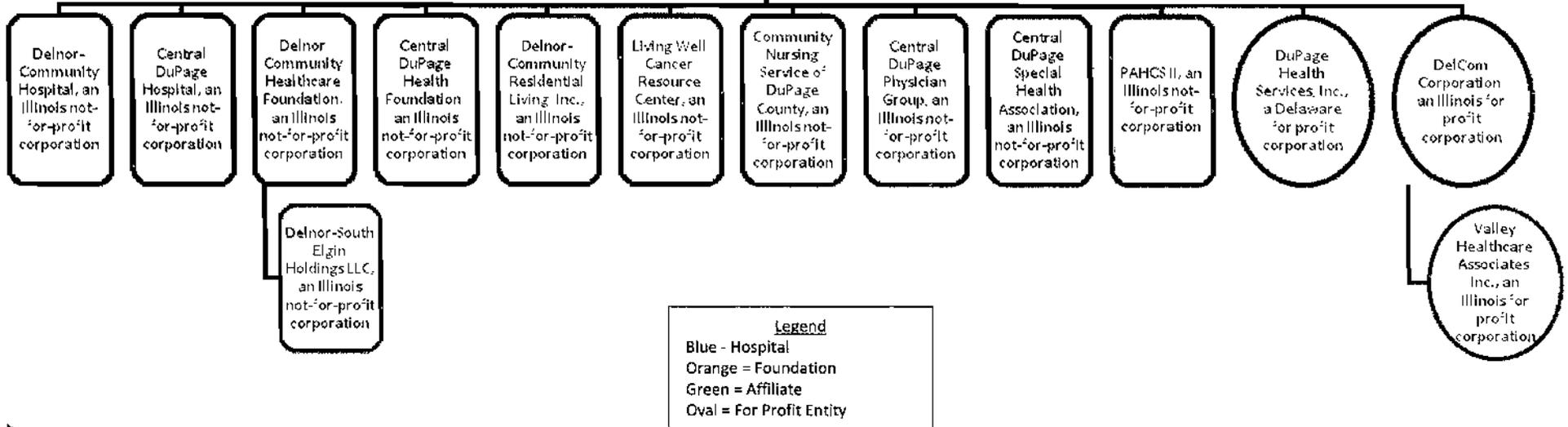
Authenticate at: <http://www.cyberdriveillinois.com>

SECRETARY OF STATE

ATTACHMENT 3



CADENCE HEALTH





**Illinois Historic
Preservation Agency**

FAX (217) 782-8161

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

DuPage County
Winfield

CON - Modernization of Psychiatric Unit, Central DuPage Hospital
25 N. Winfield Road
IHPA Log #001032511

March 30, 2011

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

Dear Mr. Axel:

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

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

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

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

Sincerely,

Anne E. Haaker
Deputy State Historic
Preservation Officer

ATTACHMENT 6

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

PROJECT COSTS

Preplanning Costs (\$140,000)

Estimate of costs incurred during the evaluation of options related to the ICU component of the project, including site visits, as well as the evaluation of options for physicians' office space, and CON-related options.

Modernization Contracts (\$5,165,250)

Estimate, based on previous renovation work in the building, of renovation-related costs associated with 20,925 square feet of renovation, including the moving of walls and selected utilities.

Contingencies (\$418,500)

Allowance for unexpected renovation-related expenses.

Architectural and Engineering Fees (\$495,000)

Estimate of the costs of design work and interface with state and local authorities through the design, renovation, and inspection processes.

Consulting and Other Fees (\$313,500)

Estimate of CON-related costs, moving of equipment, hazardous materials abatement, local permits, and miscellaneous costs.

Moveable and Other Equipment (\$2,580,000)

Estimate of the costs of equipping a new 14-bed ICU and IT interfaces for physicians' offices.

Demolition (\$523,125)

Estimate of costs associated with the preparation 20,925 sf for renovation.

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet		Amount of proposed Total Square Feet			
		Existing	Proposed	New Const.	That is:		Vacated Space
					Modernized	As Is	
Reviewable							
ICU	\$ 7,245,705	28,200	40,525		12,325	28,200	
Non-Reviewable							
Conference Ctr.	\$ 2,389,670		18,143		8,600	9,543	
Total	\$ 9,635,375		58,668		20,925		

36

February 20, 2012

Mr. Dale Galassie
Chairman
Illinois Health Facilities
and Services Review Board
525 West Jefferson
Springfield, IL 62761

Dear Mr. Galassie:

In accordance with Review Criterion 1110.230.b, Background of Applicant, we are submitting this letter assuring the Illinois Health Facilities and Services Review Board that:

1. Cadence Health (formerly known as CDH-Delnor Health System) does not have any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and
2. Cadence Health authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

If we can provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me at (630) 933-5500 or Michael Vivoda, President of Central DuPage Hospital, at (630) 933-1600.

Sincerely,



J. Luke McGuinness
President & CEO

Notarization:



25 N. Winfield Road
Winfield, Illinois 60190

T. 630.933.1600
TTY for the hearing
impaired 630.933.4833
cdh.org

State of Illinois 1756968
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

DAMON T. ARNOLD, M.D.
DIRECTOR

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

EXPIRATION DATE	CATEGORY	ID NUMBER
03/30/12	BGBD	0005744
FULL LICENSE GENERAL HOSPITAL		
EFFECTIVE: 03/31/11		

BUSINESS ADDRESS:

Central Dupage Hospital Association
25 N. Winfield Road
Winfield, IL 60190

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

← DISPLAY THIS PART IN A
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
IDENTIFICATION

State of Illinois 1756968
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION
Central Dupage Hospital Association

EXPIRATION DATE	CATEGORY	ID NUMBER
03/30/12	BGBD	0005744
FULL LICENSE GENERAL HOSPITAL		
EFFECTIVE: 03/31/11		

BUSINESS ADDRESS:

Central Dupage Hospital Association
25 n. Winfield Road
Winfield, IL 60190

FEE RECEIPT NO.

ATTACHMENT 11



January 31, 2012

Re: #7444
CCN: #140242
Program: Hospital
Accreditation Expiration Date: July 16, 2014

Luke McGuinness
CEO
Central DuPage Hospital
25 North Winfield Road
Winfield, Illinois 60190

Dear Mr. McGuinness:

This letter confirms that your January 26, 2012 unannounced extension new service survey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

The services at your hospital were found to be in substantial compliance with the Medicare Conditions. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of January 27, 2012.

The Joint Commission is also recommending your organization for continued Medicare certification effective January 27, 2012. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation also applies to the following locations:

Bartlett Convenient Care Center
820 Route 59, Bartlett, IL, 60103

Bloomingtondale Convenient Care Center
235 S. Gary Avenue, Bloomingtondale, IL, 60108

Cardiac Rehabilitation Services
7 Blanchard Circle, Suite LLA, Wheaton, IL, 60189

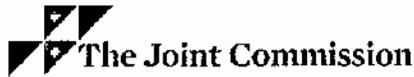
CDH Cancer Center
4405 Weaver Parkway, Warrenville, IL, 60555

CDH Cornerstone Imaging
2001 N. Gary Avenue, Suite 100, Wheaton, IL, 60187

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

ATTACHMENT 11



Central DuPage Hospital
25 North Winfield Road, Winfield, IL, 60190

Central DuPage Outpatient Physical Therapy
455 Scott Drive, Bloomingdale, IL, 60108

Glen Ellyn Convenient Care
885 Roosevelt Road, Suite 101, Glen Ellyn, IL, 60137

Naperville Convenient Care Center
636 N. Raymond Drive, Suite 106, Naperville, IL, 60563

Physical Therapy at Charlestowne Medical Office Building
2900 Foxfield Road, Suite 205, Saint Charles, IL, 60174

Physical Therapy at Health Track
875 Roosevelt Road, Glen Ellyn, IL, 60137

Physical Therapy at River North
636 Raymond Dr., Suite 305, Naperville, IL, 60563

St. Charles Convenient Care Center
2900 Foxfield Road, Saint Charles, IL, 60174

Wheaton Convenient Care Center
7 Blanchard Circle, Wheaton, IL, 60187

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

ATTACHMENT 11

17 HCFP

2177820382

04/01/2011 12:22



State of Illinois 1756967
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

DAMON T. ARNOLD; M.D.
DIRECTOR

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

EXPIRATION DATE	CATEGORY	ID NUMBER
03/30/12	BGBD	0005736
<p>FULL LICENSE GENERAL HOSPITAL</p> <p>EFFECTIVE: 03/31/11</p>		

BUSINESS ADDRESS

Delnor Community Hospital
300 Randall Road
Geneva, IL 60134

The face of this license has a colored background. Printed by Authority of the State of Illinois, 4/07

← DISPLAY THIS PART IN A
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
IDENTIFICATION

State of Illinois 1756967
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION
Delnor Community Hospital

EXPIRATION DATE	CATEGORY	ID NUMBER
03/30/12	BGBD	0005736

FULL LICENSE
GENERAL HOSPITAL

EFFECTIVE: 03/31/11

Delnor Community Hospital
300 Randall Road
Geneva, IL 60134

FEE RECEIPT NO.



April 27, 2011

Tom Wright, MBA
President
DeInor- Community Hospital
300 Randall Road
Geneva, IL 60134

Joint Commission ID #: 5291
Program: Home Care Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 04/21/2011

Dear Mr. Wright:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Home Care

This accreditation cycle is effective beginning February 02, 2011. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit [Quality Check®](#) on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

A handwritten signature in black ink that reads "Ann Scott Blouin RN, PhD".

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations



April 27, 2011

Tom Wright, MBA
President
Delnor- Community Hospital
300 Randall Road
Geneva, IL 60134

Joint Commission ID #: 5291
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 04/21/2011

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Comprehensive Accreditation Manual for Hospitals

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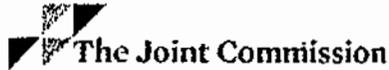
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Sincerely,

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations



April 27, 2011

Re: # 5291
CCN: #140211
Program: Hospital
Accreditation Expiration Date: May 05, 2014

Tom Wright
President
DeInor- Community Hospital
300 Randall Road
Geneva, Illinois 60134

Dear Mr. Wright:

This letter confirms that your January 31, 2011 - February 04, 2011 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on April 07, 2011 and April 15, 2011, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of February 05, 2011. We congratulate you on your effective resolution of these deficiencies.

§482.24 Condition of Participation: Medical Record Services
§482.41 Condition of Participation: Physical Environment

The Joint Commission is also recommending your organization for continued Medicare certification effective April 15, 2011. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation also applies to the following location(s):

DeInor Community Hospital Home Health Services
964 North 5th Avenue, Building C, Saint Charles, IL, 60174

DeInor Community Hospital
d/b/a DeInor Hospital
300 Randall Road, Geneva, IL, 60134

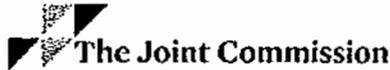
DeInor Community Hospital Breast Health Center
3310 W. Main Street, Suite 700, Saint Charles, IL, 60174

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

ATTACHMENT 11

44



Delnor Glen (Rehab) Building
975 N. 5th Ave, Apartment 17, Saint Charles, IL, 60174

Delnor Reference Lab Patient Service Center
2900 Foxfield Dr., Suite 306, Saint Charles, IL, 60174

Delnor Rehab Services
964 North 5th Ave., Bldg. C, Saint Charles, IL, 60174

Delnor Rehab Services (Outpatient), Geneva IL
296 Delnor Drive Suite 201, Geneva, IL, 60134

Diabetes Education, Geneva IL
296 Delnor Drive, Suite 201, Geneva, IL, 60134

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Executive Vice President
Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff



April 27, 2011

Tom Wright, MBA
President
Delnor- Community Hospital
300 Randall Road
Geneva, IL 60134

Joint Commission ID #: 5291
Program: Home Care Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 04/21/2011

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Executive Vice President
Accreditation and Certification Operations



April 27, 2011

Tom Wright, MBA
President
Delnor- Community Hospital
300 Randall Road
Geneva, IL 60134

Joint Commission ID #: 5291
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 04/21/2011

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Executive Vice President
Accreditation and Certification Operations



April 27, 2011

Re: # 5291
CCN: #140211
Program: Hospital
Accreditation Expiration Date: May 05, 2014

Tom Wright
President
Delnor- Community Hospital
300 Randall Road
Geneva, Illinois 60134

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Delnor Glen (Rehab) Building
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cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

PURPOSE OF PROJECT

The purposes of the proposed project are to provide expanded capacity to address the demand for intensive care unit (ICU) and to provide addition conference and educational space on the hospital campus. By doing so, access to the services identified above will be improved for area residents, and as such, the health care and well being of market area will be improved.

The service area for the proposed project consists primarily of western DuPage County, and eastern Kane County. The table below identifies the patient origin for Central DuPage Hospital's ICU during the 12-month period ending June 30, 2011.

ZIP Code	Community	%	Cumulative %
60187	Wheaton	13.5%	13.5%
60188	Carol Stream	10.3%	23.7%
60185	West Chicago	9.7%	33.4%
60137	Glen Ellyn	7.1%	40.5%
60189	Wheaton	4.6%	45.1%
60103	Bartlett	3.7%	48.8%
60108	Bloomingtondale	2.8%	51.5%
60555	Warrenville	2.8%	54.3%
60139	Glendale Heights	2.7%	57.0%
60190	Winfield	2.6%	59.6%
60133	Hanover Park	2.6%	62.2%
60148	Lombard	2.5%	64.7%
60174	Saint Charles	2.1%	66.8%
60510	Batavia	1.5%	68.2%
60134	Geneva	0.9%	69.1%
60172	Roselle	0.9%	70.0%
60123	Elgin	0.9%	70.0%
60506	Aurora	0.9%	70.9%
60175	Saint Charles	0.8%	71.7%
60115	DeKalb	0.7%	72.4%
60515	Downers Grove	0.7%	73.2%
60178	Sycamore	0.7%	73.9%
60101	Addison	0.6%	74.5%
60177	South Elgin	0.6%	75.2%
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60516	Downers Grove	0.6%	76.4%
60542	North Aurora	0.6%	76.9%
60118	DeKalb	0.5%	77.4%
60119	Elburn	0.5%	77.9%
60120	Elgin	0.5%	78.5%
60505	Aurora	0.5%	79.0%
	areas with <0.5%	21.0%	100.0%

The primary problem addressed by this project is the historical utilization of the hospital's ICU beds, which has exceeded the IHFSRB's target utilization level during each of the past two years, and which is expected to increase, as discussed in ATTACHMENT 15.

The proposed project will allow the hospital to reduce its utilization rate of the ICU to a level that is slightly in excess of the IHFSRB's target level, and the success in doing so will be measurable by reduced utilization rates, immediately following the project's completion

ALTERNATIVES

The primary goal of the proposed project is to increase the hospital's ICU bed complement in order to allow the service to operate at a lower utilization level, therein assuring accessibility to patients requiring an ICU bed. It is the applicants' belief that the project presented in this application meets that goal in the most cost-effective manner possible.

Two alternatives to the proposed ICU component of the project were evaluated. The first alternative involved combining one of the existing 16-bed adult ICUs with the proposed ICU on the third, fourth, or fifth floors of the hospital's Center building in currently vacant space (as is the space to be used on 2-Center). This alternative was rejected for two primary reasons. First, the available Center building locations on those floors are somewhat isolated from functions that should be proximate to the ICU such as surgery. Second, for operational reasons, a 30-bed ICU was viewed as unmanageable and impractical.

The second alternative considered was the development of a third adult ICU through new construction, likely atop one of the hospital's existing buildings. This alternative was dismissed because of the cost associated with new construction and the availability of usable vacant space

There are four primary reasons for the selection of the proposed project over the alternatives. Those reasons are 1) the desire of the applicants (as well as the IHFSRB) to use existing space before new construction is undertaken; 2) the availability of suitable space to house an additional ICU within the existing hospital; 3) the cost effectiveness of the proposed project over the alternatives; and 4) the proposed project's ability to address the project's goal with minimal disruption to the hospital's ongoing operation.

The applicants did not view there to be any differences between the alternatives evaluated, either in terms of accessibility or the quality of services to be provided.

The success of the project will be immediately measurable upon completion of the project through an anticipated reduced need to hold patients in need of an ICU bed in the Emergency Department, and a reduced need for the hospital to go on ambulance "bypass" due to a lack of ICU beds.

SIZE OF PROJECT

Both functional areas (ICU and a conference center) included in this project are being addressed through the renovation of existing space. As a result, the space allocated to the individual functions is dictated, to a large extent, by the configuration and amount of space available. The result is an ICU design that is not as space efficient as one would anticipate with newly designed space. It was the hospital's desire to use existing available space rather than to develop the ICU through new construction. It was also the commitment of the hospital to design an ICU that would promote the provision of the same high level of care that is provided in the hospital's existing ICUs. As a result, the proposed design, while exceeding the IHFSRB space norm, is appropriate and not excessive.

A 14-bed ICU will be developed in close proximity to the surgical suite, in vacated space on the second floor of the Center building. This unit incorporates design practices taken from leading hospitals, such as the Cleveland Clinic, which were toured by hospital representatives as part of the planning for this unit. The proposed second floor location was selected because of its highly desirable proximity to the surgical suite.

The area to be used originally housed the hospital's imaging department, and great care was taken by the applicants to ensure a design that would promote the providing of the same high level of care provided in the hospital's existing ICUs. In order to do so, a number design issues needed to be addressed, including window and utilities shaft placement, to eliminate the need for the prohibitively costly full demolition of the area, and to ensure that an optimal level of patient care, consistent with that of the hospital's other ICUs, would be provided. As a result, the design includes seven different sizes of patient rooms, averaging 278 sf, but with the largest being 320 sf.

The newly designed ICU, due virtually exclusively to the design issues and impediments identified above, will provide 880 sf per bed, compared to the IHFSRB's target of 685 sf per bed. This "overage" is the result of the applicants' commitment to not allowing the unit's design to compromise patient care. Specifically, the proposed ICU is larger than one would expect because a 14-bed ICU would normally be designed with a single nurses station, medication area, clean utility room, and soiled utility room. In addition, because of the licensure requirements, each patient room must have a window and it is desirable to provide a direct line of sight from the nurses station to each bed. The configuration of the space to be used (particularly window placement) dictates the placement of patient rooms, resulting in the need for three nurses stations. Also because of the configuration, two medication stations, clean utility rooms and soiled utility rooms need to be provided. Last, and also because of the configuration of the space, a 400sf internal corridor is required to access support areas within the ICU.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
ICU (14 beds)	12,325	9,590	2,735	NO

PROJECT SERVICES UTILIZATION

The proposed project is limited to one clinical services for which the IHFSRB maintains a utilization target, and the applicants anticipate that the utilization target will be surpassed by the second year following the project's completion. The single project component is the expanding of the ICU service from 32 to 46 beds.

Central DuPage Hospital currently operates two adult intensive care units and a pediatric unit (PICU), totaling 32 beds. With the approval of the proposed project, the hospital will develop a third adult ICU. One of the existing ICUs will be designated for use by neurology and neurosurgery patients, and the "new" ICU, located adjacent to the surgical suite, will be designated as the surgical ICU. As identified in the 2009 and 2010 IDPH *Hospital Profiles*, CDH provided 19,134 ICU days of patient care during that two-year period, resulting in an average daily census (ADC) of 26.21 patients. During that two-year period, the hospital's ICU beds operated at an 81.9% occupancy rate, compared to the IDPH target rate of 60%. Fourteen additional ICU beds are proposed to be added, increasing the hospital's complement to 46 beds.

In recent years, CDH has developed a specialty in the neurosciences, operating as The Neurosciences Institute at Central DuPage Hospital. The Neurosciences Institute has been designated a National Primary Stroke Center by the Joint Commission, and is a

leader in the western suburbs in innovative care for complex and common conditions of the brain and spine, including stroke, epilepsy, brain tumors, spine surgery, pediatric neurological disorders, and spinal cord and pituitary gland tumors. The Neurosciences Institute has recruited and assembled a broad spectrum of medical, surgical and interventional neuro-radiology specialists, with 39 physicians in these specialties currently on staff, six of which have joined within the past two years. Eleven of these physicians are employed on a full-time basis by CDH.

As a result of the clinical expertise assembled at the Neurosciences Institute, CDH has become a primary referral site, particularly for patients from other hospitals in the western suburbs; and the referrals from other hospitals have had a dramatic impact on the demand for ICU beds at CDH. Since April 2009, CDH has developed formal transfer agreements specifically for neurological diseases and neurosurgery with seven area hospitals. During the six-month period ending December 31, 2011 those six hospitals referred a total of 183 patients to the Neurosciences Institute, many of which required admission to the ICU, either upon transfer or following surgery. In total, during that six-month period 220 (183 + 37) patient from hospitals without a formal service-specific transfer agreement) patients were transferred to the Neurosciences Institute from other area hospitals, and that transfer volume, when annualized, represents a 25% increase over the previous 12-month period.

In FY 2010 263 neurology or neurosurgical patients were transferred from another hospital to an ICU at CDH, with that number increasing by 33.8% during the past

year to 352 patients. The average length of stay of these patients in an ICU bed has been 3.0 days. While the tremendous growth rate is not anticipated to continue, growth is anticipated through 2015, the second year following the proposed project's completion. For planning purposes, the growth rate is projected to drop to 10% annually during the next two years (FY12 and FY13), and to only 5% annually, the following two years, which will coincide with the first two years of the additional bed's availability. Using those anticipated growth rates, an average length of stay reduced to 2.9 days, and the 2009-2010 average daily census of 26.21 patients (consistent with IHFSRB practice), 117 incremental admissions are anticipated in 2015, resulting in an incremental ADC of 0.93 patients, or a total ADC of 27.14 patients (0.93+26.21), supporting 46 ICU beds, based on the IHFSRB's 60% target utilization rate.

The proposed 46 ICU beds is viewed as a conservative bed complement because the projected increase in demand is based exclusively on anticipated increase in neurology and neurosurgery referrals, and does not incorporate additional "non-neuro" admissions resulting from the aging of the population in the hospital's service area. In addition, scheduled neurosurgical procedures are typically performed early in the week, resulting in even higher average daily census' Monday through Wednesday.

The table below reflects actual historical ICU utilization at Central DuPage Hospital as well as projected utilization, through the second year following the project's completion.

Dept./ Service	Historical Utilization (Patient Days) (TREATMENTS) ETC.	PROJECTED UTILIZATION		STATE STANDARD	MET STANDARD?
		YEAR 1	YEAR 2		
ICU	9,048	9,855	9,906	9,856+	Yes

ICU BEDS
SERVICE TO PLANNING AREA RESIDENTS

Central DuPage Hospital's ICU units have traditionally served primarily residents of western DuPage and eastern Kane Counties, and that will continue to be the case, following the completion of the proposed project. The table on the following page identifies the hospital's ICU patient origin for the twelve-month period ending June 30, 2011. The origin of patients being admitted to CDH's ICU is not anticipated to change appreciably as a result of this project, and as demonstrated by historical patient origin, the hospital's ICUs serve primarily residents of the western suburban communities surrounding the hospital.

ZIP Code	Community	%	Cumulative %
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60188	Carol Stream	10.3%	23.7%
60185	West Chicago	9.7%	33.4%
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60189	Wheaton	4.6%	45.1%
60103	Bartlett	3.7%	48.8%
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60555	Warrenville	2.8%	54.3%
60139	Glendale Heights	2.7%	57.0%
60190	Winfield	2.6%	59.6%
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60120	Elgin	0.5%	78.5%
60505	Aurora	0.5%	79.0%
	areas with <0.5%	21.0%	100.0%

DEMAND

As of March 15, 2012 the Update to the IDPH's *Inventory* identified a need for 28 additional ICU beds in Central DuPage Hospital's IDPH-designated planning area. This project proposes an addition of 14 ICU beds.

Consistent with the documentation provided in the hospital's 2009 and 2010 IDPH *Hospital Profiles*, Central DuPage Hospital (CDH) has operated its 32 authorized ICU beds well above the IHFSRB's 60% target occupancy rate for the past two years. During 2009 the occupancy rate was 87.3% and in 2010 the occupancy rate was 78.5%.

The proposed fourteen additional beds are necessary to reduce the experienced high utilization and to address future demand for ICU beds. Based on the average of 2009/2010 utilization, twelve of the fourteen additional beds are needed to reduce the hospital's current ICU occupancy rate to the IHFSRB's target level.

Please refer to ATTACHMENT 15 for a detailed discussion of projected demand, which is based solely upon historical utilization and a modest increase in the transfer of patients from other area hospitals to CDH's Neurosciences Institute. Due to the nature of ICU patients (as opposed to medical/surgical, acute mental illness, or rehabilitation patients), it is impractical to attempt to secure letters from individual physicians that

would identify projected referrals/admissions in any reasonable fashion. Rather, and as discussed in ATTACHMENT 15, projected referrals are based on projected transfers of patients to the Neurosciences Institute at a growth rate that is only a fraction of the historical growth in transfers.

MALDISTRIBUTION—ICU

Central DuPage Hospital (CDH) is located in IDPH-designated Planning Area A-05, which, based on the most recent Update to the IDPH's *Inventory*, has a calculated "need" for twenty-eight additional ICU beds. As a result, the proposed addition of fourteen ICU beds to Central DuPage Hospital cannot result in a maldistribution.

The 2010 population for the 45-ZipCode area located within thirty minutes of CDH was 1,491,421 based data provided by Environmental Systems Research Institute, Inc. (ESRI). That area generally extends north into Hoffman Estates, south into Bolingbrook, east into Elmhurst, and west to Elburn.

The table below identifies each IDPH-licensed hospital located within thirty minutes of CDH that provides ICU services.

Hospital	Location	Adjusted* Drive Time (minutes)	Distance (miles)
Rush Copley Hospital	Aurora	21	13.7
Provena Mercy Center	Aurora	21	14.2
Delnor Hospital	Geneva	18	12.6
Provena St. Joseph Hospital	Elgin	29	19.6
Sherman Hospital	Elgin	30	22.8
Adventist Bolingbrook Hosp.	Bolingbrook	29	21.8
Edward Hospital	Naperville	17	8.7
Advocate Good Samaritan Hosp.	Downers Grove	22	15.1
Adventist Hinsdale Hospital	Hinsdale	30	20.6
St. Alexius Medical Center	Hoffman Estates	26	12.8
Adventist Glen Oaks Med. Ctr.	Glendale Heights	13	8.2
Alexian Brothers Medical Ctr.	Eik Grove Village	23	16.1
Elmhurst Memorial Hospital	Elmhurst	22	13.6

*adjustment made per IHFSRB guideline

As a result of the demand analysis provided in ATTACHMENT 15, it is not anticipated that the proposed project will cause any other hospital's ICU occupancy rate to drop below the IHFSRB target rate, nor will it have any adverse impact on any hospital having an ICU that is not currently operating at the target rate.

OCCUPANCY

Central DuPage Hospital's intensive care unit beds have operated far in excess of the IDPH's occupancy standard each of the past two years.

STAFFING AVAILABILITY—ICU

The applicants do not anticipate any difficulty in recruiting exceptional and qualified staff for the proposed ICU. Cadence Health and Central DuPage Hospital enjoy very positive reputations as places to work, and both CDH and its sister hospital, Delnor Hospital, have been awarded Magnet designation by the American Nurses Credentialing Center. Positions in the ICU will initially be offered to qualified Cadence Health employees, with any unfilled positions being addressed through advertisements in newspapers of general circulation in the area, as well as in professional journals. Unit personnel will be named or hired 45 to fifteen days prior to the unit's opening, to ensure proper orientation, and a safe and seamless opening of the unit.

PERFORMANCE REQUIREMENTS—ICU

With the opening of the proposed 14-bed ICU, Central DuPage Hospital will operate a total of 46 ICU beds, well in excess of the IDPH-designated minimum of four beds.

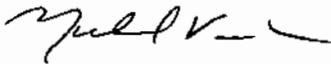
February 20, 2012

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

To Whom It May Concern:

Please be advised that it is fully anticipated that Central DuPage Hospital's intensive care (ICU) beds will reach the IHFSRB's target occupancy level by the second year following the proposed project's completion, and that they will maintain that level.

Sincerely,



Michael Vivoda
President



25 N. Winfield Road
Winfield, Illinois 60190

T. 630.933.1600
TTY for the hearing
impaired 630.933.4833

cdh.org

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ATTACHMENT 20G



CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements and
Supplementary Information

June 30, 2011

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
CDH/Delnor Health System:

We have audited the accompanying consolidated balance sheet of CDH/Delnor Health System and Affiliates (the Corporations) as of June 30, 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the period of April 1, 2011 (date of merger) through June 30, 2011. These consolidated financial statements are the responsibility of the Corporations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CDH/Delnor Health System and Affiliates as of June 30, 2011, and the results of their operations, changes in net assets, and cash flows for the period of April 1, 2011 (date of merger) through June 30, 2011, in conformity with U.S. generally accepted accounting principles.

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

KPMG LLP

September 21, 2011

ATTACHMENT 39

71

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Balance Sheet

June 30, 2011

(In thousands)

Assets

Current assets:		
Cash and cash equivalents	\$	40,899
Current portion of assets limited or restricted as to use		100
Receivables:		
Patient and resident accounts, less allowance for doubtful accounts of \$27,046		111,341
Estimated receivables under third-party reimbursement programs and other		32,058
Inventories		5,480
Prepaid expenses		20,524
Total current assets		<u>210,402</u>
Assets whose use is limited or restricted, net of current portion:		
By board for investment		1,111,783
Self-insurance trust		27,629
Held by trustee under debt agreements		49,135
Donor restricted		13,520
Total assets whose use is limited or restricted, net of current portion		<u>1,202,067</u>
Land, buildings, and equipment, net of accumulated depreciation and amortization		818,279
Other assets:		
Notes and advances receivable		57,985
Retirement plan assets		4,372
Investments in joint ventures and other assets		49,332
Total other assets		<u>111,689</u>
Total assets	\$	<u><u>2,342,437</u></u>

Liabilities and Net Assets

Current liabilities:	
Current installments of long-term debt	\$ 4,658
Accounts payable	36,319
Accrued liabilities:	
Salaries and wages	60,525
Pension	3,367
Interest	3,997
Other	25,542
Estimated payables under third-party reimbursement programs	<u>87,075</u>
Total current liabilities	<u>221,483</u>
Long-term debt, net of unamortized bond premiums and current installments	595,402
Construction payables	10,091
Retirement plan liabilities	4,372
Deferred revenue and other liabilities	<u>87,141</u>
Total liabilities	<u>918,489</u>
Net assets:	
Unrestricted	1,410,428
Temporarily restricted	8,255
Permanently restricted	<u>5,265</u>
Total net assets	<u>1,423,948</u>
Total liabilities and net assets	<u>\$ 2,342,437</u>

See accompanying notes to consolidated financial statements

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Statement of Operations

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

Net patient and resident service revenue	\$ 229,151
Other revenue	<u>13,374</u>
Total revenue	<u>242,525</u>
Expenses:	
Salaries and wages	84,585
Employee benefits	22,713
Professional fees and purchased services	32,154
Supplies	36,859
Interest	3,203
Depreciation and amortization	18,177
Provision for uncollectible accounts	15,128
Other	<u>20,946</u>
Total expenses	<u>233,765</u>
Revenue in excess of expenses	8,760
Nonoperating gains and losses:	
Investment return, unrestricted contributions, and other, net	<u>3,016</u>
Revenue and gains in excess of expenses and losses	11,776
Other changes in unrestricted net assets:	
Change in net unrealized gains and losses on other-than-trading securities	1,371
Joint venture equity transactions	36
Net assets released from restriction for the purchase of land, buildings, and equipment	<u>209</u>
Increase in unrestricted net assets	<u>\$ 13,392</u>

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Statement of Changes in Net Assets

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

Increase in unrestricted net assets	\$ 13,392
Temporarily restricted net assets:	
Contributions for specific purposes	1,223
Investment return	12
Net assets released from restriction and used for operations	(388)
Net assets released from restriction for the purchase of land, buildings, and equipment	(209)
Increase in temporarily restricted net assets	<u>638</u>
Permanently restricted net assets:	
Contributions to be held in perpetuity	3
Investment return	7
Increase in permanently restricted net assets	<u>10</u>
Change in net assets	14,040
Net assets at the beginning of period	<u>1,409,908</u>
Net assets at end of period	<u>\$ 1,423,948</u>

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Statement of Cash Flows

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

Cash flows from operating activities and gains and losses:	
Change in net assets	\$ 14,040
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:	
Depreciation and amortization	18,177
Amortization of net bond premiums	(12)
Provision for uncollectible accounts	15,128
Loss on write-off of deferred finance charges	254
Realized and change in unrealized gains on investments, net	(561)
Change in fair value of derivative instruments	4,063
Amortization of entrance fees	(131)
Joint venture equity transactions	(36)
Permanently restricted contributions and investment return	(10)
Equity earnings in joint ventures, net of cash distributions received	(251)
Joint venture impairment	668
Changes in assets and liabilities:	
Receivables, net	8,375
Inventories and prepaid expenses	713
Accounts payable, accrued liabilities, and other liabilities	11,017
Estimated payables under third-party reimbursement programs	(398)
Net cash provided by operating activities and gains and losses	<u>71,036</u>
Cash flows from investing activities:	
Purchases of assets whose use is limited or restricted	(300,655)
Proceeds from sales or maturities of assets whose use is limited or restricted	279,264
Acquisition of land, buildings, and equipment	(38,703)
Change in construction payables	(961)
Net change in other assets	(2,120)
Net cash used in investing activities	<u>(63,175)</u>
Cash flows from financing activities:	
Principal payments and defeasance of long-term debt	(8,713)
Permanently restricted contributions and investment return	10
Net cash used in financing activities	<u>(8,703)</u>
Net change in cash and cash equivalents	(842)
Cash and cash equivalents at beginning of period	<u>41,741</u>
Cash and cash equivalents at end of period	<u>\$ 40,899</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest, net of amounts capitalized	\$ 10,723

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

(1) CDH/Delnor Health System and Affiliates

Effective April 1, 2011, Delnor-Community Health System (Delnor) and Central DuPage Health (CDHealth) merged to form CDH/Delnor Health System. The merger was effectuated by CDHealth becoming the sole corporate member of Delnor and its affiliated entities. Concurrent with the merger, the Board of Directors of CDHealth was reconstituted to include equal representation from Delnor and CDHealth. The reconstituted CDHealth Board of Directors exercises control over CDHealth, Delnor, and all of their respective affiliates through ownership, sole voting membership, the authority to approve board membership, or the holding of certain reserve powers. The merger of Delnor and CDHealth was approved by the boards of directors of both organizations to make available the resources and specialties of both health systems to the communities they serve. The combination of CDHealth and Delnor has been accounted for as a merger given the ceding of control by both organizations to the reconstituted CDHealth Board of Directors. The accompanying consolidated financial statements of CDH/Delnor Health System present the financial position and results of operations of the merged entity as of and subsequent to the merger date.

The accompanying consolidated financial statements include the accounts of CDHealth and Delnor, which were incorporated to promote and encourage health and human services in the communities they serve, and the following affiliates (collectively referred to as the Corporations):

CDH Historical Affiliates

- Central DuPage Hospital Association (CDH), a not-for-profit acute care hospital. CDH provides inpatient, outpatient, and emergency care for residents in the Wheaton, Winfield, West Chicago, Glen Ellyn, and surrounding areas.
- Central DuPage Physician Group (CDPG), a not-for-profit corporation that contracts with licensed physicians to provide medical services to patients, hospitals, affiliated group practices, or other medical care facilities.
- Community Nursing Service of DuPage County, Inc. d/b/a CNS Home Health (CNS), a not-for-profit corporation that provides home healthcare and hospice services.
- DuPage Health Services, Inc. (DHSI), a wholly owned for-profit subsidiary of CDHealth. DHSI provides various physician support as well as other business activities in furtherance of the interests of DHSI and the CDHealth healthcare delivery system.
- PAHCS II, d/b/a Central DuPage Business Health, a not-for-profit corporation that operates a business dedicated to the advancement and promotion of health for employees of companies within the communities served by CDHealth and its affiliates.
- Central DuPage Special Health Association (Special Health), a corporation that operates a pharmaceutical distribution center serving the Corporations and their patients.
- Central DuPage Health Foundation (Foundation), a not-for-profit corporation that promotes and supports patient-centered services and programs of CDHealth and its affiliates.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

Delnor Historical Affiliates

- Delnor-Community Hospital (Delnor Hospital), a charitable not-for-profit organization providing acute healthcare services primarily to the St. Charles, Geneva, Batavia, and Elburn, Illinois communities.
- Delnor-Community Health Care Foundation (Delnor Foundation), a not-for-profit organization that exists principally to solicit, receive, and grant gifts and contributions for and on behalf of charitable service organizations.
- Delnor-Community Residential Living, Inc. (Residential Living), d/b/a Delnor Glen, a not-for-profit organization that owns and operates a residential supportive living facility that includes 78 residential supportive living units and related facilities.
- Living Well Cancer Resource Center (Living Well), a not-for-profit organization established in 2006 for the purpose of providing cancer support and wellness.
- DelCom Corporation (DelCom), an Illinois taxable for-profit organization that engages in for-profit healthcare and related ventures.

At the April 1, 2011 merger date, neither Delnor nor CDHealth had significant assets or liabilities that do not require recognition under U.S. generally accepted accounting principles. The application of merger accounting to the combination as of April 1, 2011 required Delnor to conform certain accounting policies for consistency with CDHealth, including capitalization of supplies inventory and the estimation of self-insured workers' compensation liabilities.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

The amounts recognized as of the April 1, 2011 merger date for each major class of assets, liabilities, and net assets for CDHealth and Delnor, inclusive of opening balance adjustments, are provided in the following table:

	CDH and affiliates	Delnor and affiliates	Adjustments		Total
			Debit	Credit	
Current assets:					
Cash and cash equivalents	\$ 30,600	11,139	—	—	41,739
Receivables, net of allowances	136,331	30,433	—	—	166,764
Other current assets	21,344	5,970	—	601	26,713
Total current assets	188,275	47,542	—	601	235,216
Assets whose use is limited or restricted	952,908	232,185	—	—	1,185,093
Land, buildings, and equipment, net	624,880	172,876	—	—	797,756
Other assets	95,037	10,931	—	—	105,968
Total assets	\$ 1,861,100	463,534	—	601	2,324,033
Current liabilities:					
Current installments of long-term debt	\$ 2,575	2,495	—	—	5,070
Accounts payable and accrued liabilities	162,607	47,874	—	643	211,124
Total current liabilities	165,182	50,369	—	643	216,194
Long-term debt, excluding current installments	466,847	136,857	—	—	603,704
Other liabilities	71,141	23,086	—	—	94,227
Total liabilities	703,170	210,312	—	643	914,125
Net assets:					
Unrestricted	1,149,286	249,071	1,244	—	1,397,113
Temporarily restricted	3,389	4,151	—	—	7,540
Permanently restricted	5,255	—	—	—	5,255
Total net assets	1,157,930	253,222	1,244	—	1,409,908
Total liabilities and net assets	\$ 1,861,100	463,534	1,244	643	2,324,033

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

(2) Summary of Significant Accounting Policies

The following accounting policies, all of which conform to general practice within the healthcare industry, are utilized in presenting the consolidated financial statements:

- The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- The consolidated statement of operations includes revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of patient and residential care services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains and losses on other-than-trading investment securities, equity transactions of unconsolidated joint ventures, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).
- Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers and policy discounts. 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.
- Cash and cash equivalents include demand deposits, interest-bearing accounts at banks, overnight sweep investments, certain money market fund investments, and certain fixed income securities with maturities at date of purchase of three months or less.
- Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investments in a private equity real estate fund and a hedge fund of funds are reported at cost. Investment return (including realized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is temporarily or permanently restricted by donors, in which case the investment return is recorded directly to temporarily or permanently restricted net assets. Changes in net unrealized gains and losses on investments are excluded from revenue and gains in excess of expenses and losses unless the investments are classified as trading securities. A decline in the market value of any other-than-trading security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is included in nonoperating losses and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Corporations consider whether they have the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

- The Corporations apply the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

In conjunction with the adoption of ASC Subtopic 820-10, the Corporations adopted the measurement provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in money market funds that do not have readily determinable fair values. This guidance amends ASC Subtopic 820-10 and allows for the estimation of the fair value of investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

In January 2010, the Financial Accounting Standards Board issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements (ASU 2010-06)*. ASU 2010-06 amends ASC Subtopic 820-10 to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements. The Corporations implemented ASU 2010-06 for the period ended June 30, 2011.

The Corporations have adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, related to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the consolidated financial statements on a nonrecurring basis.

- The Corporations have adopted the provisions of ASC Topic 825-10, *The Fair Value Option for Financial Assets and Financial Liabilities*. ASC Topic 825-10 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Since adoption and through June 30, 2011, the Corporations' management has not elected to measure any additional eligible financial assets or financial liabilities at fair value.
- Assets whose use is limited or restricted include: assets set aside by the Boards of Directors (the Boards) for investment purposes and future capital improvements, over which the Boards retain control and may at their discretion subsequently use for any other purpose; assets held by a trustee under the self-insured professional and general liability program; assets held by trustees under the terms of bond indentures; and all donor-restricted investments. Assets limited or restricted as current liabilities in the accompanying consolidated balance sheet are classified as current assets to the extent they are expected to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheet.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

- The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values.
- Land, buildings, and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of depreciable assets using the straight-line method. Amortization of leasehold improvements is over the shorter of the useful lives of the assets or the respective lease terms. Interest cost is capitalized as a component of the cost of acquiring or constructing significant capital assets, including net interest cost incurred on borrowed funds during the period of construction.
- Inventories consist primarily of supplies and are stated at the lower of cost (first-in, first-out) or market.
- Temporarily restricted net assets are those whose use 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 June 30, 2011 principally represent amounts restricted for the purpose of acquiring long-lived assets or for operations.
- Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions are reported as nonoperating gains. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restriction. Net assets released from restriction for operating purposes are included with other revenue. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- The Corporations' permanently restricted net assets represent endowment funds for which the investments are to be held in perpetuity and the related investment income is expendable to support healthcare or other donor-designated services. The Corporations have adopted the provisions of ASC Subtopic 958, *Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. ASC Subtopic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Subtopic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds, whether or not the organization is subject to UPMIFA (note 15).
- The Corporations incur expenses for the provision of healthcare services and related general and administrative activities.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

- CDHealth, CDH, CDPG, CNS, PAHCS II, Special Health, Foundation, Delnor Hospital, Delnor Foundation, Residential Living, and Living Well are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.
- DelCom is an Illinois for-profit corporation that recognizes deferred income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

DelCom's tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2011 are primarily the result of net operating loss carryforwards. At June 30, 2011, DelCom had net operating loss carryforwards for federal and state income tax purposes of approximately \$5,646, which expire at various future dates through 2020. These net operating loss carryforwards give rise to a deferred tax asset before valuation allowance of approximately \$2,158.

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical losses and future projections over the period in which the deferred tax assets are deductible, management believes it more likely than not that DelCom will not realize the majority of the benefits of these deductible differences. Accordingly, the deferred tax assets attributable to these net operating loss carryforwards not realized at June 30, 2011 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

The Corporations apply ASC Subtopic 740-10, *Income Taxes – Overall*, which addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, the Corporations must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest, and penalties on income taxes and accounting in interim periods and requires increased disclosures. As of June 30, 2011, the Corporations do not have any liabilities for unrecognized tax benefits.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

- A provision for unrelated business income federal and state taxes of \$806 for the three-month period ended June 30, 2011 is included within nonoperating losses in the consolidated statement of operations. There are no significant deferred income taxes, deferred tax assets, or deferred tax liabilities attributable to unrelated business activities.

(3) Net Patient and Resident Service Revenue

The Corporations have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

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

The Corporations are reimbursed for certain other services and costs based upon fee schedules and other reimbursement methodologies. The Corporations are reimbursed for certain services at a tentative rate with final settlement determined after submission of annual reimbursement reports by the Corporations and audits thereof by the Medicare fiscal intermediary. The Corporations' Medicare reimbursement reports through June 30, 2007 have been audited by the Medicare fiscal intermediary.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates and fee schedules, respectively. Medicaid payment methodologies and rates for services are based on the amount of funding available to the State of Illinois Medicaid program.

The State of Illinois (the State) has enacted an assessment program to assist in the financing of its Medicaid program, which expires on June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare & Medicaid Services (CMS). The Corporations have included their assessment of \$3,851 for the three-month period ended June 30, 2011 within professional fees and purchased services expense in the accompanying consolidated statement of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Corporations have included their additional reimbursement of \$3,834 within net patient and resident service revenue in the accompanying consolidated statement of operations.

The Corporations have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and cost-based formulas.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois. For the three-month period ended June 30, 2011, there were no significant adjustments to the consolidated statement of operations related to retroactive settlements and changes in prior year third-party reimbursement estimates.

(4) Charity Care

The Corporations maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished under their charity care policies, the estimated cost of these services and supplies, and equivalent service statistics. CDH, Delnor Hospital, and CNS also consider the difference between the cost of providing services to Medicaid and Medicare patients and residents and the amounts reimbursed by Medicaid and Medicare as charity care. Since these entities do not expect payment for charity care services, charges related to charity care services are not recorded as revenue.

In addition, these entities also report the cost associated with services provided to the community as charity care. The following information presents the level of charity care provided during the three-month period ended June 30, 2011:

Costs of free care provided to non-Medicaid and non-Medicare patients	\$	4,830
Excess of cost over reimbursement for services provided to Medicaid patients		5,388
Excess of cost over reimbursement for services provided to Medicare patients		15,790
Community services provided, at cost		<u>1,389</u>
	\$	<u><u>27,397</u></u>

(5) Concentrations of Credit Risk

The Corporations grant credit without collateral to their patients and residents, most of whom reside locally and are generally insured under third-party payor agreements. The mix of receivables from patients, residents, and third-party payors at June 30, 2011 follows:

Medicare	20%
Medicaid	10
Managed care/commercial	45
Other	<u>25</u>
	<u><u>100%</u></u>

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

A summary of the Corporations' Medicare, Medicaid, and managed care/contracted payor utilization percentages based upon gross patient service revenue for the three-month period ended June 30, 2011 follows:

Medicare	36%
Medicaid	10
Managed care/commercial	49
Other	5
	<u>100%</u>

(6) Investments

Investments are reported in the accompanying consolidated balance sheet as assets whose use is limited or restricted and retirement plan assets. A summary of the composition of the Corporations' investment portfolio at June 30, 2011 follows:

Corporate bonds and notes	\$ 685,277
Government and agency securities	60,307
Mutual funds and common stocks	345,165
Alternative limited partnership investments, at cost	16,480
Short-term securities and money market funds	<u>99,310</u>
Total assets whose use is limited or restricted and retirement plan assets	\$ <u>1,206,539</u>

The composition of investment return on the Corporations' investment portfolios for the three-month period ended June 30, 2011 is as follows:

Interest and dividend income	\$ 7,937
Net realized gains on sale of investments	751
Net change in unrealized gains and losses during the holding period	<u>(190)</u>
Investment return	\$ <u>8,498</u>

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

Changes in unrealized gains and losses during the holding period are included with nonoperating gains (losses) for that portion of the investment portfolios that management has designated as trading securities. All other changes in unrealized gains and losses during the holding period are attributable to other-than-trading securities and, accordingly, are excluded from the determination of revenue and gains in excess of expenses and losses. Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the three-month period ended June 30, 2011 as follows:

Interest and dividend income	\$	7,937
Net realized gains on sale of investments		751
Net change in unrealized gains and losses during the holding period		<u>(190)</u>
Investment return	\$	<u><u>8,498</u></u>

Gross unrealized losses on other-than-trading investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2011 were as follows:

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate bonds and notes	\$ 102,078	(225)	—	—	102,078	(225)
Government and agency securities	3,041	(1)	—	—	3,041	(1)
Total	\$ <u>105,119</u>	<u>(226)</u>	<u>—</u>	<u>—</u>	<u>105,119</u>	<u>(226)</u>

The decline in fair value of corporate bonds and notes is primarily attributable to changes in interest rates and the market's perception of credit quality. The Corporations have the intent and ability to hold these investments until a market price recovery or maturity, and therefore, these investments are not considered other-than-temporarily impaired.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheet for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities, construction payables, and estimated third-party payor settlements.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by its investment managers, custodian banks, and valuations provided by an independent

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

investment reporting service. Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, certain American Depository Receipts, and U.S. Agency securities are measured using other observable inputs. The carrying value equals fair value.

- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations. The carrying value equals fair value.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

(b) *Fair Value Hierarchy*

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

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

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

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 40,899	40,899	—	—
Assets whose use is limited or restricted:				
Corporate bonds and notes	685,277	88,978	596,299	—
Government and agency securities	59,090	27,094	31,996	—
Mutual funds and common stocks	342,088	342,088	—	—
Short-term securities and money market funds	99,232	99,232	—	—
Retirement plan assets:				
Government and agency securities	1,217	1,217	—	—
Mutual funds and common stocks	3,077	3,072	—	5
Short-term securities and money market funds	78	78	—	—
Total	<u>\$ 1,230,958</u>	<u>602,658</u>	<u>628,295</u>	<u>5</u>
Liabilities:				
Interest rate derivatives	\$ 30,063	—	30,063	—

(c) Alternative Investments

The Corporations evaluate investments carried under the cost method of accounting for impairment on an annual basis. These investments are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an investment may not be recoverable from future cash flows. Recoverability of these investments is measured by a comparison of the carrying amount of an investment to future cash flows expected to be generated by the investment. When such investments are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the investment exceeds the fair value of the investment. The Corporations did not recognize any impairment charges during the three-month period ended June 30, 2011 related to cost basis investments. The carrying and estimated fair value of cost basis

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

investments at June 30, 2011 was \$16,480 and \$16,987, respectively. Fair value of alternative investments is based on the Corporations' proportionate interest in the net asset value of the respective investment.

(8) Derivative Instruments

The Corporations have interest rate related derivative instruments to manage exposure on debt instruments. By using derivative financial instruments to hedge exposures to changes in interest rates, the Corporations are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the Corporations, which creates credit risk for the Corporations. When the fair value of a derivative contract is negative, the Corporations owe the counterparty, and therefore, it does not possess credit risk. The Corporations minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Corporations' management also mitigates risk through periodic reviews of its derivative positions in the context of their total blended cost of capital.

In an effort to lower its overall cost of capital on long-term debt, the Corporations maintain four interest rate swap agreements, which have the effect of changing the variable rate on a portion of the long-term debt to a fixed rate. The notional amounts under the interest rate swap agreements are reduced over the term of the agreements. Under the first agreement, the Corporations receive 67% of three-month USD-LIBOR-BBA on a notional amount of \$64,663 every month, and make payments at an annual fixed rate of 3.518% through November 1, 2038. This agreement gives the swap counterparty a one-time option to cancel the swap at fair value on November 1, 2017, after which, if unexercised, the swap will remain outstanding through its stated expiration. Under the second agreement, the Corporations receive 67% of three-month USD-LIBOR-BBA on a notional amount of \$64,663 every month, and make payments at an annual fixed rate of 3.818% through November 1, 2038. Under the third agreement, the Corporations receive 67% of LIBOR on a notional amount of \$35,000 every month, and make payments at an annual fixed rate of 4.18% through May 1, 2032. Under the fourth agreement the Corporations receive 67% of LIBOR on a notional amount of \$33,275 every month, and make payments at an annual fixed rate of 2.89% through May 1, 2033. Under all four swap agreements, the Corporations retain the right to cancel either or both in whole or in part at any time for cash at settlement value.

The interest rate swap agreements were not designated as cash flow hedge instruments by the Corporations, and therefore, changes in the fair value of the interest rate swap agreements of \$(4,063) for the three-month period ended June 30, 2011 were recognized as losses within nonoperating gains and losses: investment return, unrestricted contributions, and other, net in the accompanying consolidated statement of operations. The fair value of the interest rate swap liability of \$30,063 at June 30, 2011 is included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheet. Total net payments made by the Corporations under the swap agreements totaled \$1,799 for the three-month period ended June 30, 2011 and are reported within interest expense in the accompanying consolidated statement of operations.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

(9) Investment in Joint Ventures

The Corporations have joint venture and operating partnership investment interests in ambulatory surgical facilities, fitness centers, and other health-related businesses that are accounted for using the equity method. The following is a summary of financial information as of and for the three-month period ended June 30, 2011 relating to equity method joint ventures:

Current assets	\$	17,466
Current liabilities		<u>8,556</u>
Working capital		8,910
Property and equipment, net		40,557
Other long-term assets		293
Long-term liabilities		<u>12,174</u>
Net assets	\$	<u><u>37,586</u></u>
Revenues	\$	11,539
Expenses		<u>9,591</u>
Excess of revenues over expenses	\$	<u><u>1,948</u></u>

The carrying value of equity method joint venture investments of \$13,961 at June 30, 2011 is included with investments in joint ventures and other assets in the accompanying consolidated balance sheet. Net equity earnings from these investments amounted to \$1,534 during the three-month period ended June 30, 2011 and is included with net nonoperating gains in the accompanying consolidated statement of operations. The Corporations received cash distributions from such joint ventures of \$1,283 for the three-month period ended June 30, 2011. During the three-month period ended June 30, 2011, the Corporations recognized a \$668 impairment of a joint venture for that portion of the joint venture's carrying value considered permanently impaired.

In 2009, CDHealth entered into a joint venture with ProCure Treatment Centers, Inc. and certain radiation oncologists that sought to build, equip, and operate a proton beam therapy center (the Proton Beam Venture). CDHealth provided initial capital contributions of \$10,000 to the Proton Beam Venture during 2009. CDHealth has an approximate 12.2% effective equity interest in the Proton Beam Venture, which is accounted for under the cost method. The \$10,000 carrying value of the Proton Beam Venture is included with investments in joint ventures and other assets. The proton beam venture became operational during 2011.

Simultaneously with its investment, CDHealth also provided a \$40,000 loan to ProCure Treatment Centers, Inc. to support the development and construction of the proton beam therapy center. The loan is evidenced by an unsecured note receivable and accrues interest at a rate per annum of 14% over the term, which is approximately 12 years. Interest on the note is accrued and added to the outstanding note receivable balance for the first four years. Interest is due and payable semiannually after the fourth year. Principal and accrued interest payments are due at the maturity of the note receivable. CDHealth recognized

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

approximately \$1,869 in accrued interest income on the note receivable for the three-month period ended June 30, 2011, which is included in nonoperating gains in the accompanying consolidated statement of operations. Included in notes and advances receivable at June 30, 2011 is \$57,127 of total outstanding principal and accrued interest amounts related to the note receivable.

In support of its efforts to develop a broader oncology presence, CDHealth purchased a parcel of land for \$8,215 on which the proton beam therapy center and a cancer treatment center were constructed. CDHealth entered into a ground lease agreement with ProCure Management, LLC to lease the land on which the proton beam therapy center operates. The initial term of the ground lease is 50 years with the option to renew for two 20-year periods. For the three-month period ended June 30, 2011, CDHealth recognized \$108 of rental income under the land lease, which is included in other revenue in the accompanying consolidated statement of operations.

(10) Other Revenue – Entrance Fees and Revenue Recognition

Residential Living recognizes revenue from residents through service fees, monthly assessments, and amortization of entrance fees. Service fees and monthly assessments are recognized as revenue in the period in which they relate. Residents also pay entrance fees, which can be all or partially refundable as determined by the resident's length of occupancy. Resident refunds limited to the extent of reoccupancy proceeds are included in deferred revenue. Refundable entrance fees are amortized to revenue using the straight-line method over the estimated useful life of the residents' townhomes. Nonrefundable portions of entrance fees are included in deferred revenue from entrance fees and are amortized to revenue using the straight-line method over the actuarially determined remaining life expectancies of the residents. Amortization of entrance fees amounted to \$131 for the three-month period ended June 30, 2011, which is included in other revenue in the accompanying consolidated statement of operations. Gross refundable entrance fees at June 30, 2011 amounted to \$6,696.

(11) Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of June 30, 2011 follows:

	Cost	Accumulated depreciation and amortization
Land	\$ 34,919	—
Land improvements	43,120	21,888
Leasehold improvements	12,193	6,492
Buildings and building service equipment	715,081	241,517
Major movable equipment	329,029	236,776
Construction in progress	190,610	—
	<u>\$ 1,324,952</u>	<u>506,673</u>

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

Construction in progress at June 30, 2011 consists primarily of costs incurred for a new patient bed tower and other various construction and renovation projects. Significant contractual commitments outstanding at June 30, 2011 on construction projects approximate \$13,130.

Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. During the three-month period ended June 30, 2011, the Corporations capitalized \$2,486 of interest cost. Gross interest cost capitalized was \$2,500, which was offset by \$14 of investment income on borrowed funds held by the bond trustee.

The Corporations evaluate long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. No impairments of long-lived assets were recognized during the three-month period ended June 30, 2011.

The Corporations lease medical office buildings to physicians and other healthcare providers under various operating lease arrangements. Rental income recognized under the terms of operating leases amounted to \$2,603 for the three-month period ended June 30, 2011, and is included with other revenue. Future minimum rental payments receivable under noncancelable operating leases are as follows: 2012 – \$8,219; 2013 – \$7,073; 2014 – \$6,441; 2015 – \$5,426; 2016 – \$3,613; and 2017 and thereafter – \$4,868.

The Corporations lease office space and equipment under various operating lease agreements. Rental expense recognized under the terms of operating leases amounted to \$1,733 for the three-month period ended June 30, 2011, and is included with other expense. Future minimum rental commitments under noncancelable office space operating leases are as follows: 2012 – \$4,494; 2013 – \$3,999; 2014 – \$3,363; 2015 – \$3,227; 2016 – \$1,732; and 2017 and thereafter – \$1,018.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

(12) Long-term Debt

A summary of long-term debt at June 30, 2011 follows:

CDH Master Trust Indenture obligations:

Revenue bonds, Series 2009 B with interest at various fixed rates averaging 5.36% and maturing on various dates beginning November 1, 2013 through November 1, 2039	\$ 240,000
Revenue bonds, Series 2009 with interest at various fixed rates averaging 5.25% and maturing on various dates beginning November 1, 2014 through November 1, 2039	90,000
Variable rate demand revenue bonds, Series 2004 A, interest at a variable rate determined daily, due by annual mandatory redemption through November 1, 2038, effective interest rate of 0.20%	127,150
Periodic auction rate revenue bonds, Series 2000 A-1, interest at a variable rate determined daily, due by annual mandatory redemption through November 1, 2024, effective interest rate of 0.32%	150
Periodic auction rate revenue bonds, Series 2000 A-2, interest at a variable rate determined weekly, due by annual mandatory redemption through November 1, 2024, effective interest rate of 0.31%	12,575

Delnor Master Trust Indenture obligations:

Fixed rate revenue bonds, Series 2002A, maturing on various dates between 2020 and 2022, in principal amounts ranging from \$1,850 to \$2,200; interest rate of 5.25%	6,000
Fixed rate revenue bonds, Series 2002B, maturing on various dates between 2022 and 2025, in principal amounts ranging from \$400 to \$2,450; interest rate of 5.25%	6,000
Fixed rate revenue bonds, Series 2002C, maturing on various dates between 2025 and 2027, in principal amounts ranging from \$1,600 to \$2,700; interest rate of 5.25%	6,000
Fixed rate revenue bonds, Series 2002D, maturing on various dates between 2027 and 2032, in principal amounts ranging from \$1,050 to \$3,450; interest rate of 5.25%	17,000
Fixed rate revenue bonds, Series 2003A, maturing on various dates between 2009 and 2023, in principal amounts ranging from \$625 to \$2,525; interest rate of 5.00%	21,925
Fixed rate revenue bonds, Series 2003B, maturing on various dates between 2024 and 2032, in principal amounts ranging from \$25 to \$900; interest rate of 5.25%	6,150
Fixed rate revenue bonds, Series 2003C, maturing on various dates between 2032 and 2033, in principal amounts ranging from \$625 to \$4,575; interest rate of 5.25%	5,200

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

Variable rate demand revenue refunding bonds, Series 2008A, maturing on various dates between 2009 and 2038, in principal amounts ranging from \$170 to \$8,025; interest rate of 0.25%	\$ 58,415
Delnor Foundation – South Elgin Holding Mortgage, interest at 5.75% maturing through October 1, 2014	<u>1,900</u>
Total long-term debt	598,465
Less current instalments of long-term debt	4,658
Plus unamortized net bond premiums	<u>1,595</u>
Long-term debt, net of unamortized bond premiums and current instalments	\$ <u><u>595,402</u></u>

CDHealth and CDH, collectively referred to as the CDH Obligated Group, entered into a Master Trust Indenture (CDH Master Trust Indenture) dated as of May 1, 2000. The purpose of the CDH Master Trust Indenture is to provide a mechanism to be able to issue promissory notes and other evidences of indebtedness in order to secure the financing or refinancing of facilities and for other lawful proper corporate purposes. The CDH Master Trust Indenture provides for other legal entities in the future to participate with CDHealth and CDH in a Credit Group for the payment of obligations and the performance of all covenants contained therein. The Credit Group consists of the CDH Obligated Group and any affiliate CDHealth designates as a Credit Group member. All notes issued under the CDH Master Trust Indenture are the joint and several obligations of each member of the CDH Obligated Group. The CDH Master Trust Indenture requires CDH Obligated Group members to cause Credit Group members to make payments on notes issued by other members of the CDH Obligated Group if such other members are unable to satisfy their obligations under the CDH Master Trust Indenture. No other CDHealth affiliates are currently designated as Credit Group members. As long as any Series 2000 revenue bonds are outstanding, all bonds outstanding under the Master Trust Indenture are secured by a security interest in the CDH Obligated Group's unrestricted receivables. The security interest in unrestricted receivables can be eliminated upon the extinguishment of all Series 2000 obligations.

On November 18, 2009, the Illinois Finance Authority issued \$240,000 of Series 2009 B Bonds on behalf of CDHealth. The loan of the Series 2009 B bond proceeds is secured by a direct note obligation issued under the CDH Master Trust Indenture. The Series 2009 B bond proceeds are being used, together with certain other available funds of the Corporations, to pay and reimburse CDHealth and CDH for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities, including, but not limited to, the construction and equipping of a five-story bed pavilion, medical imaging center, construction of an additional parking garage, funded interest, and working capital. The Series 2009 B bond proceeds were also used to current refund \$14,365 of the outstanding principal of the Series 2000 B Bonds, \$14,365 of the outstanding principal of the Series 2000 C Bonds, \$3,160 of the outstanding principal of the Series 2004 A Bonds, \$34,750 of the outstanding principal amount of the Series 2004 B Bonds, and \$34,965 of the outstanding principal amount of the Series 2004 C Bonds. The Series 2009 B Bonds comprised a \$61,405 issue of serial bonds maturing as of November 1, 2013 to 2021, a term bond of \$27,425 due as of November 1, 2024, a term bond of \$27,370 due as of November 1, 2029, and term bonds of \$20,000, \$63,000, and \$40,800 due as of November 1, 2039. The term bonds are subject to mandatory

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

bond sinking fund redemptions beginning as of November 1, 2022, 2025, and 2030, respectively. The Series 2009 B Bonds bear interest at effective rates ranging from 2.94% to 5.63% depending on the date of maturity. These fixed rate bonds were issued at an overall premium from face value totaling \$1,070, which is being amortized ratably using the effective-interest method over the life of the bonds.

On May 6, 2009, the Illinois Finance Authority issued \$90,000 of Series 2009 Bonds on behalf of CDHealth. The loan of the Series 2009 bond proceeds is secured by a promissory note issued under the CDH Master Trust Indenture. The Series 2009 bond proceeds were used to pay and reimburse CDHealth and CDH for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities and for funded interest. The Series 2009 Bonds comprised an \$8,700 issue of serial bonds maturing as of November 1, 2014 to 2019, a term bond of \$56,225 due as of November 1, 2027, and a \$25,075 term bond due as of November 1, 2039. The term bonds are subject to mandatory bond sinking fund redemptions beginning as of November 1, 2015 and 2031. The Series 2009 Bonds bear interest at effective rates ranging from 3.18% to 5.50% depending on the date of maturity. These fixed rate bonds were issued at an overall discount from face value totaling \$1,605, which is being amortized ratably using the effective-interest method over the life of the bonds.

On May 19, 2004, the Illinois Finance Authority issued its \$140,000 Series 2004 A Bonds on behalf of CDHealth. The loan of the Series 2004 A Bond proceeds is secured by a direct note obligation issued under the CDH Master Trust Indenture. The Series 2004 A Bond proceeds were used to provide working capital, pay the cost of issuing the bonds, retire certain then-existing indebtedness, and pay or reimburse CDHealth and CDH a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities. The Series 2004 A Bonds bear interest at a variable rate daily mode. The Series 2004 A Bonds may be converted at the option of CDHealth, subject to certain restrictions, to bonds that bear interest at different rates using different rate modalities, including different variable rates, Periodic Auction Rate (PARS) rates, flexible rates, or fixed rates. The loan of the proceeds of the Series 2004 A Bonds is secured by direct note obligations of the CDH Obligated Group. The Series 2004 A Bonds have put options, which allow the bonds to be put prior to maturity or mandatory redemption. The CDH Obligated Group has an agreement with an underwriter to remarket any bonds redeemed based on the exercise of put options.

On May 12, 2000, the Illinois Finance Authority issued \$100,000 of PARS bonds, Series 2000 A, on behalf of CDHealth. The Series 2000 A Bonds were issued through \$50,000 of Sub-Series 2000 A-1 Bonds and \$50,000 of Sub-Series 2000 A-2 Bonds. The loan of the proceeds of the Series 2000 A Bonds is secured by direct note obligations of the CDH Obligated Group.

The Sub-Series 2000 A-1 Bonds bear interest at the applicable PARS rate, which is subject to change based on a daily auction. Interest is payable on the first business day of the following month for any daily auction period. The Sub-Series 2000 A-2 Bonds bear interest at the applicable PARS rate based on a weekly auction. Interest is payable on the first business day following the weekly auction period. During any PARS rate period, Series 2000 A Bonds can be converted to a daily, 7-day, 28-day, 35-day, three-month, six-month, or a special auction period.

The Series 2000 A Bonds are subject to a periodic auction process for which there must be sufficient new bids for an existing bondholder to sell their bonds prior to maturity. Since February 2008, these bonds have

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

paid interest using a maximum rate formula under the bond indenture as specified for "failed auctions" resulting from market conditions.

At the time the Series 2000 A Bonds were issued, the CDH Obligated Group obtained a financial guaranty insurance policy through Municipal Bond Investors Assurance Corporation (MBIA) that guarantees the payment of principal and interest on the Series 2000 A Bonds when due. The CDH Obligated Group also maintains a liquidity facility agreement with JP Morgan for the Series 2004 A Bonds, which was set to expire as of November 16, 2012. On August 5, 2011, the CDH Obligated Group refunded the Illinois Finance Authority Series 2004 A Bonds outstanding in the par amount of \$127,150. The refunding of the Series 2004 A Bonds was funded with the issuance of the Illinois Finance Authority Series 2011 A and Series 2011 B Bonds by the CDH Obligated Group in the aggregate par amount of \$127,150. The Series 2011 A and Series 2011 B Bonds were issued in the Index Mode and have mandatory tenders on August 1, 2016 and August 2, 2021, respectively. The Series 2011 A and Series 2011 B Bonds are secured by the CDH Obligated Group.

Delnor Hospital entered into a Master Trust Indenture (Delnor Master Trust Indenture) dated as of May 15, 1989. The purpose of the Delnor Master Trust Indenture is to provide a mechanism to be able to issue promissory notes and other evidences of indebtedness in order to secure the financing or refinancing of facilities and for other lawful proper corporate purposes. In May 2002, Delnor Hospital issued Auction Rate Certificates, Series 2002 A, Series 2002 B, Series 2002 C, and Series 2002 D, in the aggregate amount of \$35,000 through the Illinois Finance Authority (the Series 2002 Bonds). Proceeds of the Series 2002 Bonds were used to provide funding for various capital expenditures made by Delnor Hospital. The Series 2002 Bonds bore interest at auction rates, which were determined every 35 days. Holders of the Series 2002 Bonds had a put option that allowed them to tender the bonds prior to maturity. The Hospital had an agreement with an underwriter to remarket any bonds tendered based on the exercise of put options.

On May 23, 2008, the Illinois Health Facilities Authority remarketed the Series 2002 Bonds as Fixed Rate Revenue Bonds (Series 2002 Remarketed Bonds) in the aggregate amount of \$35,000 on behalf of Delnor Hospital. The proceeds from the Series 2002 bond remarketing were used to convert the Series 2002 Auction Rate Certificates utilized to provide funding for various capital expenditures made by Delnor Hospital to fixed rate revenue bonds.

Principal and interest payments on the Series 2002 Remarketed Bonds are guaranteed by a bond insurance policy. In addition, the bonds are secured by Delnor Hospital's unrestricted receivables. Provisions of the bond indentures require Delnor Hospital to maintain certain minimum financial ratios and limit new borrowings and transfers of property subject to compliance with certain financial ratios.

In July 2003, Delnor Hospital issued Auction Rate Certificates, Series 2003 A, Series 2003 B, and Series 2003 C, in the aggregate amount of \$47,775 through the Illinois Finance Authority (the Series 2003 Bonds). Proceeds of the Series 2003 Bonds were used to advance refund then-existing indebtedness and to provide funding for various capital expansion projects. On May 23, 2008, the Illinois Health Facilities Authority remarketed the Series 2003 Bonds as Fixed Rate Revenue Bonds (Series 2003 Remarketed Bonds) in the aggregate amount of \$39,050 on behalf of the Hospital. The proceeds from the Series 2003 bond remarketing were used to convert the Series 2003 Auction Rate Certificates to fixed rate revenue bonds.

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

Principal and interest payments on the Series 2003 Remarketed Bonds are guaranteed by a bond insurance policy. In addition, the bonds are secured by Delnor Hospital's unrestricted receivables. Provisions of the bond indentures require Delnor Hospital to maintain certain minimum financial ratios and limit new borrowings and transfers of property subject to compliance with certain financial ratios.

In June 2008, the Hospital issued Variable Rate Demand Revenue Refunding Bonds, Series 2008A, in the amount of \$59,090 through the Illinois Finance Authority (the Series 2008A Bonds). The Series 2008A Bonds were issued pursuant to the Delnor Master Trust Indenture. Proceeds of the Series 2008A Bonds were used to retire then-existing indebtedness. The bonds were secured by Delnor Hospital's unrestricted receivables and an irrevocable letter of credit, which was set to expire October 15, 2013. On August 24, 2011, Delnor Hospital refunded the Series 2008 A Bonds outstanding in the par amount of \$58,415. The refunding of the Series 2008 A Bonds was funded with the issuance of the Illinois Finance Authority Series 2011C Bonds in the par amount of \$58,415. The Series 2011 C Bonds were issued in the Index Mode and have a mandatory tender date of August 24, 2018. The Series 2011 C Bonds are secured by Delnor Hospital.

Deferred finance charges consist of underwriter fees and other issuance costs. Deferred finance charges are amortized using the bonds outstanding method over the periods in which the related obligations are expected to be outstanding.

At June 30, 2011, the fair value of the Series 2009 and Series 2009 B fixed rate bonds was \$89,748 and \$246,802, respectively. The recorded carrying amount of the Series 2009 and Series 2009B fixed rate bonds was \$88,578, net of unamortized discount, and \$240,977, net of unamortized premium, respectively.

At June 30, 2011, the fair values of the Series 2002 A-D and Series 2003 A-C fixed rate bonds was \$34,066 and \$33,889, respectively. The recorded carrying amount of the Series 2002A-D and Series 2003A-C fixed rate bonds was \$35,753, including unamortized premium, and \$34,562, including unamortized premium, respectively.

At June 30, 2011, the fair value of the Corporations' variable rate long-term debt approximated recorded amounts.

Scheduled principal repayments of long-term debt, after giving effect to the refinancing of the Series 2004 A Bonds and Series 2008 A Bonds on August 5, 2011 and August 24, 2011, respectively, are as follows:

Year ending June 30:		
2012	\$	4,658
2013		4,969
2014		14,642
2015		12,755
2016		13,350
Thereafter		548,091
	\$	<u>598,465</u>

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

CDHealth is a limited partner in HealthTrack Sports & Wellness, LP, an Illinois limited partnership that owns and operates a sports and fitness facility located in Glen Ellyn, Illinois (HealthTrack). CDHealth's affiliate DuPage Health Services, Inc. (DHSI) is a member of the limited liability company that serves as general partner of the limited partnership. CDHealth guarantees one-half of the debt and interest rate swaps of HealthTrack. As of June 30, 2011, there was \$4,000 of debt outstanding at HealthTrack, of which CDHealth has guaranteed \$2,000. HealthTrack has a fixed payer interest rate swap to hedge its exposure to fluctuations in interest rates. The swap had a liability of \$575 at June 30, 2011, \$288 of which was subject to the CDHealth guaranty. There is no collateral posting requirement on the swap. CDHealth has not been required to make any payment pursuant to this bank guaranty.

CDHealth is a member with a one-third ownership interest in Bloomingdale Life Time Fitness, LLC, an Illinois limited liability company that owns a sports and fitness facility located in Bloomingdale, Illinois (Lifetime). CDHealth guarantees one-third of the debt and interest rate swaps of Lifetime. As of June 30, 2011, there was \$7,300 of debt outstanding at Lifetime, of which CDHealth has guaranteed \$2,433. CDHealth has not been required to make any payment pursuant to its guaranty.

During 2010, CDHealth sold its senior care and living facilities. Pursuant to the terms of the sale agreement, CDHealth agreed to provide certain liquidity and guarantees of buyer acquisition debt and obligations subsequent to the date of sale. CDHealth also guaranteed certain long-term debt of the senior care facilities assumed by the buyer. Pursuant to these terms, CDHealth deposited \$6,400 in escrow accounts for the benefit of the senior lender in the event the buyer does not make scheduled debt service payments or comply with specified debt covenants. Such escrow amounts are included with assets whose use is limited – funds held by trustees. In addition, CDHealth has provided the senior lender a put option for a five-year period subsequent to the transaction date that allows the senior lender to put the buyer debt to CDHealth in the event the buyer fails to satisfy occupancy, debt service coverage, or days cash on hand ratios for any quarter. The put option extends to the earlier of the maturity date on the debt or the achievement of the aforementioned ratios for four consecutive quarters. In the event the senior lender puts the debt to CDHealth, CDHealth will assume the debt under the same terms and conditions as the buyer. Total debt outstanding at June 30, 2011 subject to the guarantees approximated \$36,915. As of June 30, 2011, no escrowed funds have been drawn upon nor have the Corporations been required to assume the buyer acquisition debt or make any payments pursuant to the guarantee arrangements. Any payments made under the guarantees will be secured by the assets of the senior care and living facilities.

(13) Employee Retirement Plans

CDHealth sponsors a defined contribution retirement plan (the Plan) that covers substantially all employees of CDH, CDPG, CNS, PAHCS II, Special Health, and Foundation. The Plan is a money purchase defined contribution plan qualified under Section 401 of the Code. Other significant provisions of the Plan are as follows:

- **Contributions** – The Corporations contribute 5% of qualified employees' gross annual earnings into each participant's plan account. Employee contributions to the Plan are not permitted. The Corporations fund the Plan annually for the plan year ended December 31.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

- **Qualification** – To qualify for the Plan, employees must complete one year of employment, be at least 21 years of age, and provide a minimum of 1,000 hours of annual service.
- **Vesting** – Prior to January 1, 2002, employees vested in the Plan over a seven-year period. As of January 1, 2002, the vesting period was reduced to a six-year period. Forfeited employer contributions revert back to the Corporations.

Effective July 1, 1999, CDHealth and participating affiliates adopted a matched savings plan under Section 403(b) of the Code (the 403(b) Plan). The 403(b) Plan is a defined contribution plan and significant provisions of the 403(b) Plan are as follows:

- **Contributions** – Employees contribute to the 403(b) Plan through salary reductions specified in the participant's salary reduction agreement. CDHealth and affiliates, at their sole discretion, may make matching contributions to the 403(b) Plan equal to a defined percentage of the participant's contributions for participants who have earned one year of service.
- **Qualification** – Employees employed on July 1, 1999 were immediately eligible to participate in the 403(b) Plan. An employee hired after July 1, 1999 and before the 15th day of the month in which they were hired become eligible to participate in the 403(b) Plan on the first day of the month after the employee has earned one hour of service.
- **Vesting** – Employees are fully vested in their participant contributions to the 403(b) Plan. Prior to January 1, 2002, employer contributions vested over a seven-year period. As of January 1, 2002, the vesting period was reduced to a six-year period. Forfeited employer contributions revert back to CDHealth and its affiliates.

The Corporations make contributions to the Plan and the 403(b) Plan equal to amounts accrued for pension expense. Pension expense of \$2,456 for the three-month period ended June 30, 2011 has been recognized under the terms of the Plan and the 403(b) Plan and is included with employee benefits expense.

CDHealth and CDH also sponsor deferred compensation programs to supplement the income of participating individuals during retirement or following separation from the organization. Eligibility for the plans is restricted to specified executives or as defined by the Internal Revenue Service for certain "highly paid" employees. The deferred compensation plans are not qualified retirement plans under Section 401 of the Code. Contributions to the plans are stipulated in the plan documents and involve various methodologies depending on the plan. These range from use of an actuarial analysis based on compensation, an annual sum approved at the Board's discretion or salary deferrals as elected by the participants. CDHealth and CDH have recorded \$75 of pension expense during the three-month period ended June 30, 2011 under provisions of the deferred compensation plans. Amounts accrued for the benefit of the specified participants under the plans are reflected as retirement plan liabilities in the noncurrent liabilities section of the accompanying consolidated balance sheet.

Delnor Hospital and Residential Living maintain defined contribution plans covering substantially all full-time employees of Delnor Hospital and Residential Living. Contributions are 2% of each covered employee's salary and a matching portion of 50% of the employee's contribution up to a maximum of 4% of individual earnings. DelCom maintains a 401(k) plan for the employees of DelCom. DelCom will match

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

contributions up to 4% of the employee's contribution. The total cost of these plans was approximately \$570 for the three-month period ended June 30, 2011, and is included in employee benefits expense in the accompanying consolidated statement of operations. These plans are funded on a current basis.

(14) Self-insurance

(a) *Professional and General Liability*

Effective April 16, 1979, CDH entered into a contractual agreement with the Illinois Provider Trust (IPT), a self-insurance administrator that, through its risk-sharing provisions, provided CDH with insurance coverage for medical, professional, and comprehensive general liability exposure. CDH ceased participation in IPT effective July 1, 1999. CDH obtained various levels of primary and excess insurance coverage from IPT on an occurrence basis while a participant in the program prior to July 1, 1999. IPT is a multi-hospital trust formed pursuant to the provisions of the Illinois Religious and Charitable Risk Pooling Act. Hospitals participating in IPT are obligated to make additional contributions necessary for maintaining trust assets at a level adequate to support anticipated disbursements as defined in the trust agreement. This obligation continues beyond the period of participation in the trust.

For the period July 1, 1999 through August 12, 2002, CDH obtained coverage from commercial insurance carriers for all professional and general liability claims. For the period July 1, 1999 through August 12, 2001, coverage was occurrence-based; and for the period August 13, 2001 through August 12, 2002, such coverage was on a claims-made basis. The commercial carrier, which provided coverage for the period July 1, 1999 through June 30, 2000 is insolvent and CDH does not expect the carrier to be able to pay claims for contracted coverage limits. Effective August 13, 2002, CDH elected to again participate in the IPT. Professional liability coverage, as well as excess coverage obtained from the IPT, was on a claims-made basis whereas general liability continued on an occurrence basis.

As of January 1, 2006, CDH terminated its participation in the IPT and became self-insured for all its professional and general liability claims made on or subsequent to that date. CDH has procured excess liability coverage from commercial carriers on a claims-made basis to insure those claims that may exceed a stated self-insured retention amount. A self-insurance trust fund is maintained for anticipated claims that may be payable from the retained amount based on an actuarial review of historical and industry claims patterns. CDH utilizes the services of a professional consultant for actuarial evaluations of self-insured funding requirements. CDH has designated attorneys to handle legal matters relating to medical, professional, and comprehensive general liability matters. The CDH professional and general liability insurance program also provides coverage to other CDHealth affiliates, excluding affiliates that merged with CDHealth on April 1, 2011. The Corporations recognize a provision for the ultimate cost of claims reported that fall within the self-insured retention, cost of claims not insured, and estimates of claims incurred but not reported as of the respective consolidated balance sheet dates for uninsured exposures.

Delnor Hospital is under a contractual agreement with IPT for its medical, professional, and comprehensive general liability exposures. Coverage obtained from IPT was provided on an

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

occurrence basis through December 31, 2004. Effective January 1, 2005, IPT began providing primary insurance coverage on a claims-made basis. Excess coverage currently provided through IPT is on the claims-made basis. General liability coverage is on an occurrence basis. As of July 1, 2011, Delnor Hospital terminated its participation in IPT and became self-insured for all its medical, professional, and comprehensive general liability claims made on or subsequent to that date.

The provision for claims incurred but not reported at June 30, 2011 is actuarially determined using factors including historical Corporations' and specific industry experience. The estimated outstanding professional and general claims liability of \$38,393 at June 30, 2011 is included with deferred revenue and other long-term liabilities. Included in other expense are provisions of \$3,145 for professional and general liability program expenses. No portion of the professional and general claims liability is reported within current liabilities, as the amount expected to be paid within one year of the consolidated balance sheet is not determinable.

(b) Workers' Compensation

The Corporations maintain self-insurance programs for workers' compensation coverage. Accrued workers' compensation claims of \$6,401 at June 30, 2011 are included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheet. The provision for claims incurred but not reported at June 30, 2011 is actuarially determined using factors including the Corporations' historical and industry-specific experience. Provisions for the self-insured workers' compensation claims of \$1,836 for the three-month period ended June 30, 2011 are included in employee benefits expense as the best estimate of workers' compensation insurance costs. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retention levels. No portion of the workers' compensation claims liability is reported within current liabilities, as the amount expected to be paid within one year of the consolidated balance sheet is not determinable.

(c) Healthcare

The Corporations also participate in a program of self-insurance for employee healthcare coverage. Accrued health claims of \$3,387 at June 30, 2011 are included with other accrued liabilities in the accompanying consolidated balance sheet. Provisions for self-insured employee healthcare claims amounted to \$9,314 for the three-month period ended June 30, 2011 and are included in employee benefits expense. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits.

CDHealth is self-insured for employee dental coverage. Accrued dental claims of approximately \$143 at June 30, 2011 are included with other accrued liabilities in the accompanying consolidated balance sheet. Provisions for self-insured employee dental claims amounted to \$275 for the three-month period ended June 30, 2011 and are included in employee benefits expense.

(15) Endowments

The Corporations comply with the provisions of ASC Subtopic 958. ASC Subtopic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowments funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation established two donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income and realized gains from the fund established in 1973 and the fund established in 2001 are utilized for CDH operations and a physician services program, respectively. The Funds are classified in permanently restricted net assets in the consolidated balance sheet at June 30, 2011.

The Funds' activity for the three-months ended June 30, 2011 is as follows:

Beginning fair value	\$	5,255
Current year contributions		3
Income:		
Interest and dividends		15
Disbursements:		
Assets released from restriction		(12)
Unrealized gains, net		4
Ending fair value	\$	<u>5,265</u>

The principal of the Funds is approximately \$5,265 at June 30, 2011. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of June 30, 2011.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

(16) Physician Loans

Delnor Hospital has line-of-credit agreements with physicians under guidelines approved by the board of directors. The agreements are extended to physicians where a community need is identified. The agreements have a maximum term of two years. Under the terms of the loan agreements, Delnor Hospital will provide partial forgiveness of the principal and interest owed for every year the physician serves the community up to four years after the initial term of the agreement. At June 30, 2011, approximately \$1,819 of physician loans due within one year were recorded as other current assets in the accompanying consolidated balance sheet. At June 30, 2011, approximately \$1,227 of physician loans due after one year were recorded as other assets in the accompanying consolidated balance sheet.

(17) Commitments and Contingencies

(a) *Litigation*

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results from operations.

(b) *Regulatory Investigations*

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters that will result in a material adverse effect on the Corporations' financial position or results from operations.

(c) *Investment Risks and Uncertainties*

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

(18) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the balance sheet date of June 30, 2011 through September 21, 2011, which was the date the consolidated financial statements were available to be issued.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Required Supplementary Information (Unaudited)

June 30, 2011

(In thousands)

Unaudited Supplementary Information

The following information is not audited, but is required supplemental pro forma information. The Corporations' revenue, excess of revenues and gains over expenses and losses, and changes in each component of net assets for the year ended June 30, 2011, as if the merger had occurred as of July 1, 2010, are as follows:

Revenue	\$	951,516
Excess of revenues and gains over expenses and losses	\$	173,420
Changes in net assets:		
Unrestricted	\$	176,791
Temporarily restricted		(2,047)
Permanently restricted		642
Total changes in net assets	\$	<u>175,386</u>

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Assets	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor- Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Current assets:							
Cash and cash equivalents	\$ 1,122	25,331	—	26,453	9,315	62	320
Current portion of assets limited or restricted as to use	—	—	—	—	100	—	—
Receivables:							
Patient and resident accounts, less allowance for doubtful accounts of \$27,046	248	77,712	—	77,960	23,936	3,912	3,781
Estimated receivables under third-party reimbursemen programs and other	2,688	32,865	(1,142)	34,411	1,204	645	174
Inventories	—	2,446	—	2,446	2,931	—	—
Prepaid expenses	8,815	10,199	—	19,014	1,415	—	10
Total current assets	<u>12,873</u>	<u>148,553</u>	<u>(1,142)</u>	<u>160,284</u>	<u>38,901</u>	<u>4,619</u>	<u>4,285</u>
Assets whose use is limited or restricted:							
By board for investment	607,671	274,790	—	882,461	193,290	9	5,832
Self-insurance trust	27,629	—	—	27,629	—	—	—
Held by trustee under debt agreements	49,135	—	—	49,135	—	—	—
Donor restricted	—	—	—	—	209	—	—
Total assets whose use is limited or restricted, net of current portion	<u>684,435</u>	<u>274,790</u>	<u>—</u>	<u>959,225</u>	<u>193,499</u>	<u>9</u>	<u>5,832</u>
Land, buildings, and equipment, net of accumulated depreciation and amortization	109,897	532,050	—	641,947	123,518	3,743	413
Other assets:							
Notes and advances receivable	57,985	—	—	57,985	—	—	—
Retirement plan assets	4,372	—	—	4,372	—	—	—
Investments in joint ventures and other assets	36,882	—	—	36,882	5,793	1,994	506
Total other assets	<u>99,239</u>	<u>—</u>	<u>—</u>	<u>99,239</u>	<u>5,793</u>	<u>1,994</u>	<u>506</u>
Total assets	\$ <u>906,444</u>	<u>955,393</u>	<u>(1,142)</u>	<u>1,860,695</u>	<u>361,711</u>	<u>10,365</u>	<u>11,036</u>

See accompanying independent auditors' report.

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	DeInor-Community Health Care Foundation	DelCom Corporation	DeInor-Community Residential Living, Inc.	Living Well Cancer Resource Center	DeInor-Community Health System	Eliminations	Consolidated
70	768	141	295	1,393	1,206	528	—	348	—	40,899
—	—	—	—	—	—	—	—	—	—	100
—	1,013	739	—	—	—	—	—	—	—	111,341
1,354	36	179	154	133	912	62	—	243	(7,449)	32,058
—	—	59	—	44	—	—	—	—	—	5,480
60	(3)	—	—	—	3	13	—	12	—	20,524
<u>1,484</u>	<u>1,814</u>	<u>1,118</u>	<u>449</u>	<u>1,570</u>	<u>2,121</u>	<u>603</u>	<u>—</u>	<u>603</u>	<u>(7,449)</u>	<u>210,402</u>
—	—	1,694	5,602	15,905	—	809	5,067	1,114	—	1,111,783
—	—	—	—	—	—	—	—	—	—	27,629
—	—	—	—	—	—	—	—	—	—	49,135
—	—	—	9,007	2,895	—	—	1,409	—	—	13,520
—	—	<u>1,694</u>	<u>14,609</u>	<u>18,800</u>	<u>—</u>	<u>809</u>	<u>6,476</u>	<u>1,114</u>	<u>—</u>	<u>1,202,067</u>
370	146	3	61	24,987	511	15,205	1,257	6,118	—	818,279
—	—	—	—	—	—	—	—	—	—	57,985
—	—	—	—	—	—	—	—	—	—	4,372
<u>204</u>	<u>—</u>	<u>—</u>	<u>263</u>	<u>2,802</u>	<u>4,207</u>	<u>1,109</u>	<u>206</u>	<u>6,351</u>	<u>(10,985)</u>	<u>49,332</u>
<u>204</u>	<u>—</u>	<u>—</u>	<u>263</u>	<u>2,802</u>	<u>4,207</u>	<u>1,109</u>	<u>206</u>	<u>6,351</u>	<u>(10,985)</u>	<u>111,689</u>
<u>2,058</u>	<u>1,960</u>	<u>2,815</u>	<u>15,382</u>	<u>48,159</u>	<u>6,839</u>	<u>17,726</u>	<u>7,939</u>	<u>14,186</u>	<u>(18,434)</u>	<u>2,342,437</u>

107
ATTACHMENT 39

(Continued)

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Liabilities and Net Assets	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor- Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Current liabilities:							
Current installments of long-term debt	\$ 2,575	—	—	2,575	2,050	—	—
Accounts payable	15,429	15,301	(1,142)	29,588	5,262	3,723	1,305
Accrued liabilities:							
Salaries and wages	9,840	36,128	—	45,968	10,794	2,112	—
Pension	—	3,367	—	3,367	—	—	—
Interest	3,282	—	—	3,282	715	—	—
Other	8,610	14,338	—	22,948	1,979	73	523
Estimated payables under third-party reimbursement programs	—	67,266	—	67,266	19,809	—	—
Total current liabilities	39,736	136,400	(1,142)	174,994	40,609	5,908	1,828
Long-term debt, net of unamortized bond premiums and current installments	466,854	—	—	466,854	126,681	—	—
Construction payables	—	10,091	—	10,091	—	—	—
Retirement plan liabilities	4,372	—	—	4,372	—	—	—
Deferred revenue and other liabilities	61,501	4,842	—	66,343	12,969	—	—
Total liabilities	572,463	151,333	(1,142)	722,654	180,259	5,908	1,828
Net assets:							
Unrestricted	333,981	804,060	—	1,138,041	179,959	4,457	9,208
Temporarily restricted	—	—	—	—	1,493	—	—
Permanently restricted	—	—	—	—	—	—	—
Total net assets	333,981	804,060	—	1,138,041	181,452	4,457	9,208
Total liabilities and net assets	\$ 906,444	955,393	(1,142)	1,860,695	361,711	10,365	11,036

108

See accompanying independent auditors' report.

ATTACHMENT 39

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	DeInor-Community Health Care Foundation	DelCom Corporation	DeInor-Community Residential Living, Inc.	Living Well Cancer Resource Center	DeInor-Community Health System	Eliminations	Consolidated
—	—	—	—	33	—	—	—	—	—	4,658
—	418	649	188	1,057	17	583	31	947	(7,449)	36,319
—	25	—	30	—	471	124	—	1,001	—	60,525
—	—	—	—	—	—	—	—	—	—	3,367
25	—	—	—	—	—	—	—	—	(6)	3,997
—	—	—	—	—	—	—	—	—	—	25,542
—	—	—	—	—	—	—	—	—	—	87,075
25	443	649	218	1,090	488	707	31	1,948	(7,455)	221,483
—	—	—	—	1,867	—	—	—	—	—	595,402
—	—	—	—	—	—	—	—	—	—	10,091
—	—	—	—	—	—	—	—	—	—	4,372
—	—	—	—	654	—	6,714	—	461	—	87,141
25	443	649	218	3,611	488	7,421	31	2,409	(7,455)	918,489
2,033	1,517	2,166	6,157	41,653	6,351	9,197	6,293	11,777	(8,381)	1,410,428
—	—	—	3,742	2,895	—	1,108	1,615	—	(2,598)	8,255
—	—	—	5,265	—	—	—	—	—	—	5,265
2,033	1,517	2,166	15,164	44,548	6,351	10,305	7,908	11,777	(10,979)	1,423,948
2,058	1,960	2,815	15,382	48,159	6,839	17,726	7,939	14,186	(18,434)	2,342,437

109

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Statement of Operations Information

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor- Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Net patient and resident service revenue	\$ 423	166,186	(858)	165,751	48,646	9,487	3,511
Other revenue	15,472	4,817	(11,293)	8,996	1,005	835	88
Total revenue	15,895	171,003	(12,151)	174,747	49,651	10,322	3,599
Expenses:							
Salaries and wages	7,721	44,569	—	52,290	16,360	10,006	2,367
Employee benefits	4,711	9,688	—	14,399	5,925	1,390	527
Professional fees and purchased services	11,625	28,000	(11,293)	28,332	4,446	13	409
Supplies	1,321	26,831	—	28,152	7,106	775	309
Interest	3,203	—	—	3,203	—	—	—
Depreciation and amortization	3,076	10,686	—	13,762	3,288	513	52
Provision for uncollectible accounts	14	11,132	—	11,146	3,615	304	(140)
Other	4,183	8,365	(858)	11,690	5,555	3,056	284
Total expenses	35,854	139,271	(12,151)	162,974	46,295	16,057	3,808
Revenue in excess (deficient) of expenses	(19,959)	31,732	—	11,773	3,356	(5,735)	(209)
Nonoperating gains and losses:							
Investment return, unrestricted contributions and other, net	3,103	1,938	—	5,041	(1,737)	20	(166)
Revenue and gains in excess (deficient) of expenses and losses	(16,856)	33,670	—	16,814	1,619	(5,715)	(375)
Other changes in unrestricted net assets:							
Change in net unrealized gains and losses on other-than-trading securities	(622)	1,768	—	1,146	—	118	41
Joint venture equity transactions	36	—	—	36	—	—	—
Net assets released from restriction for the purchase of land, buildings, and equipment	—	119	—	119	90	—	—
Equity transfers among affiliates	(4,260)	(3,398)	—	(7,658)	(5,086)	8,114	—
Increase (decrease) in unrestricted net assets	\$ (21,702)	32,159	—	10,457	(3,377)	2,517	(334)

See accompanying independent auditors' report.

110

ATTACHMENT 39

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor-Community Health Care Foundation	DelCom Corporation	Delnor-Community Residential Living, Inc.	Living Well Cancer Resource Center	Delnor-Community Health System	Eliminations	Consolidated
—	1,672	862	—	—	—	—	—	—	(778)	229,151
—	8	—	—	1,274	2,133	1,109	233	422	(2,729)	13,374
—	1,680	862	—	1,274	2,133	1,109	233	422	(3,507)	242,525
—	582	208	—	596	1,452	347	111	643	(377)	84,585
—	120	32	—	21	349	131	27	—	(208)	22,713
2	319	80	—	62	139	90	16	24	(1,778)	32,154
—	44	409	—	7	5	45	13	—	(6)	36,859
—	—	—	—	—	—	—	—	—	—	3,203
—	8	—	—	124	64	202	—	164	—	18,177
—	146	57	—	—	—	—	—	—	—	15,128
5	196	48	—	496	217	194	66	276	(1,137)	20,946
7	1,415	834	—	1,306	2,226	1,009	233	1,107	(3,506)	233,765
(7)	265	28	—	(32)	(93)	100	—	(685)	(1)	8,760
57	—	9	(186)	(68)	445	(382)	41	367	(425)	3,016
50	265	37	(186)	(100)	352	(282)	41	(318)	(426)	11,776
—	—	15	51	—	—	—	—	—	—	1,371
—	—	—	—	—	—	—	—	—	—	36
—	—	—	—	—	—	—	—	—	—	209
—	(500)	—	(29)	24	—	5,036	26	—	73	—
50	(235)	52	(164)	(76)	352	4,754	67	(318)	(353)	13,392

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES
 Consolidating Statement of Changes in Net Assets Information
 Period of April 1, 2011 (date of merger) through June 30, 2011
 (In thousands)

	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor- Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Increase (decrease) in unrestricted net assets	\$ (21,702)	32,159	—	10,457	(3,377)	2,517	(334)
Temporarily restricted net assets:							
Contributions for specific purposes	—	—	—	—	—	—	—
Investment return	—	—	—	—	—	—	—
Net assets released from restriction and used for operations	—	—	—	—	—	—	—
Change in net interest of DCHCF	—	—	—	—	210	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment	—	—	—	—	—	—	—
Increase (decrease) in temporarily restricted net assets	—	—	—	—	210	—	—
Permanently restricted net assets:							
Contributions to be held in perpetuity	—	—	—	—	—	—	—
Investment return	—	—	—	—	—	—	—
Increase in permanently restricted net assets	—	—	—	—	—	—	—
Change in net assets	(21,702)	32,159	—	10,457	(3,167)	2,517	(334)
Net assets at the beginning of the period	355,683	771,901	—	1,127,584	184,619	1,940	9,542
Net assets at end of period	\$ 333,981	804,060	—	1,138,041	181,452	4,457	9,208

See accompanying independent auditors' report.

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor-Community Health Care Foundation	DelCom Corporation	Delnor-Community Residential Living, Inc.	Living Well Cancer Resource Center	Delnor-Community Health System	Eliminations	Consolidated
50	(235)	52	(164)	(76)	352	4,754	67	(318)	(353)	13,392
—	—	—	393	436	—	—	394	—	—	1,223
—	—	—	—	12	—	—	—	—	—	12
—	—	—	—	(176)	—	—	(212)	—	—	(388)
—	—	—	—	—	—	(23)	(4)	—	(183)	—
—	—	—	(119)	(90)	—	—	—	—	—	(209)
—	—	—	274	182	—	(23)	178	—	(183)	638
—	—	—	3	—	—	—	—	—	—	3
—	—	—	7	—	—	—	—	—	—	7
—	—	—	10	—	—	—	—	—	—	10
50	(235)	52	120	106	352	4,731	245	(318)	(536)	14,040
1,983	1,752	2,114	15,044	44,442	5,999	5,574	7,663	12,095	(10,443)	1,409,908
2,033	1,517	2,166	15,164	44,548	6,351	10,305	7,908	11,777	(10,979)	1,423,948

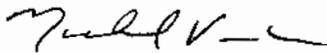
February 20, 2012

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

To Whom It May Concern:

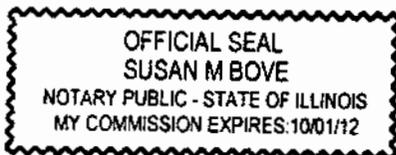
Please be advised that the proposed project to modernize portions of Central DuPage Hospital will be funded entirely with cash and equivalents.

Sincerely,



Michael Vivoda
President

Notarization:



25 N. Winfield Road
Winfield, Illinois 60190

T. 630.933.1600
TTY for the hearing
Impaired 630.933.4833
cdh.org

114
ATTACHMENT 42A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A		B		C		D		E		F		G		H		Total
	Cost/Sq. Foot		Gross Sq. Ft.		Gross Sq. Ft.		Const. \$		Mod. \$		Costs						
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)								
Reviewable																	
ICU		\$ 290.00				12,325							\$ 3,574,250			\$ 3,574,250	
Contingency		\$ 20.00											\$ 246,500			\$ 246,500	
													\$ 3,820,750			\$ 3,820,750	
Non-Reviewable																	
Conference Center		\$ 185.00				8,600							\$ 1,591,000			\$ 1,591,000	
Contingency		\$ 20.00											\$ 172,000			\$ 172,000	
													\$ 1,763,000			\$ 1,763,000	
Project Total		\$ 266.85				20,925							\$ 5,583,750			\$ 5,583,750	

115

ATTACHMENT 42C

**PROJECTED OPERATING COSTS and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS**

**CENTRAL DuPAGE HOSPITAL
2ND Year Following Project Completion**

Adjusted Patient Days:

\$	945,000,000 =	81,032
\$	11,662	

Operating Costs:	Hospital		ICU
salaries, benefits & supplies	\$ 349,326,656	\$	13,728,400

Per Adjusted Patient Day	
Hospital	ICU
\$ 4,311	\$ 169

Capital Costs*	Hospital
depreciation & amortization	\$43,403,000

Per Adjusted Patient Day	
Hospital	
\$ 535.63	

* Note: Interest expense is carried at the corporate (parent) level

SAFETY NET IMPACT STATEMENT

Central DuPage Hospital operates with liberal charity care and financial assistance policies, is a major provider of charity care, Medicaid and Medicare services in its service area, and is a founding sponsor and primary provider of inpatient and outpatient services for Access DuPage; which serves as a conduit for the provision of medical care services to uninsured DuPage County residents. The proposed project proposes the addition of intensive care (ICU) beds, and the IDPH's latest bed need calculations identify a need for additional ICU beds in Planning Area A-05.

ICU beds is an essential service, addressing the most critical medical/surgical needs of the patient populations that seek care in DuPage County, and the applicants believe that the hospital's proposed expanded capacity will have a material impact on area residents' access to these services.

The proposed project does not involve the discontinuation of any services or the hospital's reduction in capacity for any service.

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

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant/Coapplicant Identification including Certificate of Good Standing	27-28
2	Site Ownership	29-30
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	31
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	32
5	Flood Plain Requirements	
6	Historic Preservation Act Requirements	33
7	Project and Sources of Funds Itemization	34
8	Obligation Document if required	
9	Cost Space Requirements	36
10	Discontinuation	
11	Background of the Applicant	37-48
12	Purpose of the Project	49-51
13	Alternatives to the Project	52-53
14	Size of the Project	54-55
15	Project Service Utilization	56-59
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
18	Master Design Project	
19	Mergers, Consolidations and Acquisitions	
	Service Specific:	
20	Medical Surgical Pediatrics, Obstetrics, ICU	60-69
21	Comprehensive Physical Rehabilitation	
22	Acute Mental Illness	
23	Neonatal Intensive Care	
24	Open Heart Surgery	
25	Cardiac Catheterization	
26	In-Center Hemodialysis	
27	Non-Hospital Based Ambulatory Surgery	
28	General Long Term Care	
29	Specialized Long Term Care	
30	Selected Organ Transplantation	
31	Kidney Transplantation	
32	Subacute Care Hospital Model	
33	Post Surgical Recovery Care Center	
34	Children's Community-Based Health Care Center	
35	Community-Based Residential Rehabilitation Center	
36	Long Term Acute Care Hospital	
37	Clinical Service Areas Other than Categories of Service	
38	Freestanding Emergency Center Medical Services	
	Financial and Economic Feasibility:	
39	Availability of Funds	70-113
40	Financial Waiver	
41	Financial Viability	
42	Economic Feasibility	114-116
43	Safety Net Impact Statement	23-24, 117
44	Charity Care Information	25-26