



See a Social Security Number? Say Something!  
Report Privacy Problems to <https://public.resource.org/privacy>  
Or call the IRS Identity Theft Hotline at 1-800-908-4490





Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐ ☒

**1** Briefly describe the organization's mission

THE ORGANIZATION IS COMMITTED TO PROVIDING COMPREHENSIVE, QUALITY HEALTHCARE SERVICES WHICH IMPROVE AND SUSTAIN THE HEALTH STATUS OF THE RESIDENTS PRIMARILY IN CENTRAL NEW JERSEY AND LOWER BUCKS COUNTY THE ORGANIZATION ASSURES ACCESSIBLE, COMPASSIONATE HEALTHCARE SERVICES THAT HONOR THE DIGNITY OF EVERY PERSON THE ORGANIZATION WILL BE A LEADER IN DEFINING THE COMMUNITY'S HEALTHCARE NEEDS, IN PROVIDING APPROPRIATE SOLUTIONS, AND DEVELOPING A COMPREHENSIVE CONTINUUM OF CARE INCLUDING EDUCATION, PREVENTION, DISEASE MANAGEMENT AND RESTORATIVE PROGRAMS THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

<b>4a</b>	(Code ) (Expenses \$ 82,094,790 including grants of \$ 0 ) (Revenue \$ 66,735,978 )
EXPENSES INCURRED IN PROVIDING MEDICALLY NECESSARY PERIOPERATIVE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT	

<b>4b</b>	(Code ) (Expenses \$ 46,758,606 including grants of \$ 0 ) (Revenue \$ 59,580,575 )
EXPENSES INCURRED IN PROVIDING MEDICALLY NECESSARY EMERGENCY ROOM AND EMS SERVICES 24/7 365 DAYS A YEAR TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT	

<b>4c</b>	(Code ) (Expenses \$ 35,043,058 including grants of \$ 0 ) (Revenue \$ 30,676,374 )
EXPENSES INCURRED IN PROVIDING MEDICALLY NECESSARY MATERNAL CHILD HEALTH SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT	

<b>4d</b>	Other program services (Describe in Schedule O )
(Expenses \$ 326,935,173 including grants of \$ 200,535 ) (Revenue \$ 356,185,542 )	

<b>4e</b>	<b>Total program service expenses</b> \$ 490,831,627
-----------	--

Part IV Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.		
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V.		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E.		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	Yes	
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I.	Yes	
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Part II and IV.		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Part III and IV.		No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I.		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II.		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H.	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements.	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	708			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes			
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	4,483			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes			
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes			
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	<b>4a</b>	Yes			
<b>b</b>	If "Yes," enter the name of the foreign country: <b>CJ</b> See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	<b>7a</b>	Yes			
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	Yes			
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	<b>13a</b>				
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.  
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

Section B. Policies

(This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		No
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NJ
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	SHANE F FLEMING CPA 750 BRUNSWICK AVENUE TRENTON, NJ 08638 (609) 278-5415

Check if Schedule O contains a response to any question in this Part VII ☒

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

Form **990** (2011)



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	18,385,095	0	1,908,479

<b>2</b>	Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization	462
----------	---	-----

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	5	No

## Section B. Independent Contractors

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
SKANSKA USA BUILDING INC 516 EAST TOWNSHIP LINE ROAD BLUE BELL, PA 19422	CONSTRUCTION	85,670,624
TARGET BUILDING CONSTRUCTION 1124 CHESTER PIKE CRUM LYNNE, PA 19022	CONSTRUCTION	25,798,516
BARR AND BARR BUILDERS INC 460 WEST 34TH STREET 16TH FLOOR NEW YORK, NY 10001	CONSTRUCTION	16,095,370
TRENTON ANESTHESIOLOGY PO BOX 15321 NEWARK, NJ 07192	PHYSICIAN	8,433,490
SODEXHO MANAGEMENT INC PO BOX 360170 PITTSBURGH, PA 152516170	MANAGEMENT	5,246,484

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►133

Part VIII

Statement of Revenue

				(A)	(B)	(C)	(D)
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c				
	d	Related organizations . . . .	1d				
	e	Government grants (contributions)	1e	4,266,045			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f . . . . .			4,266,045		
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 541900	499,851,320	499,851,320		
	b	911 COUNTY SUPPORT & FIRE DISPATCH	541900	35,000	35,000		
	c	SCHOOL OF NURSING	541900	523,888	523,888		
	d	OTHER HEALTHCARE RELATED REVENUE	541900	11,451,963	11,451,963		
	e	AUXILIARY REVENUE	541900	559,199	559,199		
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .			512,421,370		
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		31,165,951		
4		Income from investment of tax-exempt bond proceeds . .		0			
5		Royalties . . . . .		0			
6a		(i) Real					
		2,111,438					
		(ii) Personal					
b		Less rental expenses					
c		Rental income or (loss)		2,111,438			
d		Net rental income or (loss) . . . . .		2,111,438			2,111,438
7a		(i) Securities					
		4,073,352					
		(ii) Other					
		7,377,075					
b		Less cost or other basis and sales expenses					
c		Gain or (loss)		-3,303,723			
d		Net gain or (loss) . . . . .		-3,303,723			-3,303,723
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . .					
a							
b		Less direct expenses . . . .					
c		Net income or (loss) from fundraising events . .		0			
9a		Gross income from gaming activities See Part IV, line 19 . . . .					
a							
b	Less direct expenses . . . .						
c	Net income or (loss) from gaming activities . .		0				
10a	Gross sales of inventory, less returns and allowances . . . .						
a							
b	Less cost of goods sold . . . .						
c	Net income or (loss) from sales of inventory . .		0				
	Miscellaneous Revenue		Business Code				
11a	CHILD DAY CARE		624410	757,099		757,099	
b	PATIENT/EMPLOYEE CONVENIENCE		722210	1,870,034			1,870,034
c							
d	All other revenue . . . . .						
e	Total. Add lines 11a-11d . . . . .			2,627,133			
12	Total revenue. See Instructions . . . .			549,288,214	512,421,370	757,099	31,843,700

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns  
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)  
Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	200,535	200,535		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	13,596,781	12,237,103	1,359,678	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	234,415,294	210,973,764	23,441,530	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	-140,631	-126,568	-14,063	
9	Other employee benefits	26,111,715	23,500,544	2,611,171	
10	Payroll taxes	16,481,730	14,833,557	1,648,173	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	325,674	293,107	32,567	
c	Accounting	405,070	364,563	40,507	
d	Lobbying	203,099	182,789	20,310	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	924,908	832,417	92,491	
g	Other	55,338,924	49,805,032	5,533,892	
12	Advertising and promotion	4,871,390	4,384,251	487,139	
13	Office expenses	14,974,081	13,476,673	1,497,408	
14	Information technology	1,911,933	1,720,740	191,193	
15	Royalties	0			
16	Occupancy	2,280,304	2,052,274	228,030	
17	Travel	0			
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	563,619	507,257	56,362	
20	Interest	10,505,340	9,454,806	1,050,534	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	36,272,029	32,644,826	3,627,203	
23	Insurance	7,511,723	6,760,551	751,172	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	MEDICAL SUPPLIES	54,855,486	49,369,937	5,485,549	0
b	PROVISION FOR BAD DEBT	31,008,506	27,907,655	3,100,851	0
c	UTILITIES	7,545,648	6,791,083	754,565	0
d	REPAIRS AND MAINTENANCE	4,463,643	4,017,279	446,364	0
e					
f	All other expenses	20,719,391	18,647,452	2,071,939	
25	Total functional expenses. Add lines 1 through 24f	545,346,192	490,831,627	54,514,565	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			0	1	0
	2	Savings and temporary cash investments . . . . .			24,781,552	2	12,291,531
	3	Pledges and grants receivable, net . . . . .			0	3	0
	4	Accounts receivable, net . . . . .			49,596,322	4	63,426,868
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .			0	6	0
	7	Notes and loans receivable, net . . . . .			2,709,346	7	2,252,542
	8	Inventories for sale or use . . . . .			2,658,890	8	3,505,491
	9	Prepaid expenses and deferred charges . . . . .			5,382,293	9	20,323,451
	10a	Land, buildings, and equipment—cost or other basis. Complete Part VI of Schedule D . . . . .	10a	1,215,812,458			
	b	Less: accumulated depreciation . . . . .	10b	398,288,937	583,521,723	10c	817,523,521
	11	Investments—publicly traded securities . . . . .			0	11	0
	12	Investments—other securities. See Part IV, line 11 . . . . .			0	12	0
	13	Investments—program-related. See Part IV, line 11 . . . . .			267,855,492	13	227,925,600
	14	Intangible assets . . . . .			15,991,969	14	17,180,067
	15	Other assets. See Part IV, line 11 . . . . .			12,768,833	15	29,238,544
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			965,266,420	16	1,193,667,615	
Liabilities	17	Accounts payable and accrued expenses . . . . .			66,464,639	17	85,089,815
	18	Grants payable . . . . .			0	18	0
	19	Deferred revenue . . . . .			0	19	0
	20	Tax-exempt bond liabilities . . . . .			0	20	0
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			500,750,016	23	719,686,092
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			70,265,862	25	86,435,126
	26	Total liabilities. Add lines 17 through 25 . . . . .			637,480,517	26	891,211,033
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			327,785,903	27	302,456,582
	28	Temporarily restricted net assets . . . . .			0	28	0
	29	Permanently restricted net assets . . . . .			0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			327,785,903	33	302,456,582
	34	Total liabilities and net assets/fund balances . . . . .			965,266,420	34	1,193,667,615

**Part XI Reconciliation of Net Assets**

Check if Schedule O contains a response to any question in this Part XI ☒

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	549,288,214
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	545,346,192
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	3,942,022
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	327,785,903
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-29,271,343
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	302,456,582

**Part XII Financial Statements and Reporting**

Check if Schedule O contains a response to any question in this Part XII ☒

		Yes	No
<b>1</b>	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
<b>b</b>	Were the organization's financial statements audited by an independent accountant?	Yes	
<b>c</b>	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
<b>d</b>	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
<b>3a</b>	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
<b>b</b>	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization CAPITAL HEALTH SYSTEM INC	Employer identification number  22-3548695
---	--

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box )

- 1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety Se**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7	Amounts from line 4						
8	Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9	Net income from unrelated business activities, whether or not the business is regularly carried on						
10	Other income (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
11	Total support (Add lines 7 through 10)						
12	Gross receipts from related activities, etc (See instructions )					12	
13	First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage		
14	Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization	<input type="checkbox"/>
b	<b>33 1/3% support test—2010.</b> If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization	<input type="checkbox"/>
17a	<b>10%-facts-and-circumstances test—2011.</b> If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	<input type="checkbox"/>
b	<b>10%-facts-and-circumstances test—2010.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	<input type="checkbox"/>
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions	<input type="checkbox"/>

Part IIIPart III

Support Schedule for Organizations Described in IRC 509(a)(2)  
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b>						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		



**Part IV** **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered “Yes,” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes,” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization CAPITAL HEALTH SYSTEM INC	Employer identification number  22-3548695
---	--

Part I-A

Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1

Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2

Political expenditures ▶ \$

3

Volunteer hours

Part I-B

Complete if the organization is exempt under section 501(c)(3).

1

Enter the amount of any excise tax incurred by the organization under section 4955 ▶ \$

2

Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$

3

If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a

Was a correction made? ☐ Yes ☐ No

b

If "Yes," describe in Part IV

Part I-C

Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1

Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ \$

2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ \$

3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ \$

4

Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5

Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)  
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		203,099
j	Total lines 1c through 1i			203,099
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1	
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3	

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a	
a	Current year		
b	Carryover from last year		
c	Total		
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINES 1G AND 1H	DURING 2011, THE ORGANIZATION PAID TWO OUTSIDE LOBBYING FIRMS A TOTAL OF \$157,755 FOR LOBBYING ON A FEDERAL AND STATE LEVEL RELATED TO MEDICARE, MEDICAID AND OTHER HEALTHCARE LEGISLATIVE MATTERS. IN ADDITION, THE ORGANIZATION IS A MEMBER OF THE NEW JERSEY HOSPITAL ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION WHICH BOTH ENGAGE IN LOBBYING EFFORTS ON BEHALF OF THEIR MEMBER HOSPITALS. A PORTION OF THE DUES PAID TO THESE ORGANIZATIONS HAS BEEN ALLOCATED TO LOBBYING ACTIVITIES PERFORMED ON BEHALF OF THE ORGANIZATION. THIS ALLOCATION AMOUNTED TO \$45,344.

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

Department of the Treasury  
Internal Revenue Service

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization CAPITAL HEALTH SYSTEM INC	Employer identification number 22-3548695
---	--

Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	

Part II

Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ \_\_\_\_\_

4

Number of states where property subject to conservation easement is located ▶ \_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes

☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶ \_\_\_\_\_

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ \_\_\_\_\_

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes

☐ No

9

In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i)

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

(ii)

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

1c

Beginning balance

1d

Additions during the year

1e

Distributions during the year

1f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance . . . . .				
b	Contributions . . . . .				
c	Investment earnings or losses . . . . .				
d	Grants or scholarships . . . . .				
e	Other expenditures for facilities and programs . . . . .				
f	Administrative expenses . . . . .				
g	End of year balance . . . . .				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

3a(i)

Yes

No

3a(ii)

3b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

4

Describe in Part XIV the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		49,382,285		49,382,285
b Buildings . . . . .		489,129,052	85,210,774	403,918,278
c Leasehold improvements . . . . .				
d Equipment . . . . .		609,109,010	308,516,984	300,592,026
e Other . . . . .		68,192,111	4,561,179	63,630,932
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				817,523,521



Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements . . . . .	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	
e	Add lines 2a through 2d . . . . .	2e	
3	Subtract line 2e from line 1 . . . . .	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b	Other (Describe in Part XIV) . . . . .	4b	
c	Add lines 4a and 4b . . . . .	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements . . . . .	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities . . . . .	2a	
b	Prior year adjustments . . . . .	2b	
c	Other losses . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	
e	Add lines 2a through 2d . . . . .	2e	
3	Subtract line 2e from line 1 . . . . .	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	
b	Other (Describe in Part XIV) . . . . .	4b	
c	Add lines 4a and 4b . . . . .	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	

Part XIVSupplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
TEXT OF FIN 48 AUDITED FINANCIAL STATEMENT FOOTNOTE	SCHEDULE D, PART X	THE ORGANIZATION IS THE PARENT ORGANIZATION OF THE CAPITAL HEALTH SYSTEM ("SYSTEM"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY SYSTEM THE SYSTEM ISSUES CONSOLIDATED AUDITED FINANCIAL STATEMENTS WHICH INCLUDE ALL RELATED ENTITIES, INCLUDING THIS ORGANIZATION THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS ALSO CONTAIN CONSOLIDATING SCHEDULES ON AN ENTITY BY ENTITY BASIS THE FIN 48 FOOTNOTE BELOW IS FROM THE SYSTEM'S 2007 CONSOLIDATED AUDITED FINANCIAL STATEMENTS IN JULY 2006, FASB INTERPRETATION NO 48 (FIN 48), ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, AN INTERPRETATION OF FASB STATEMENT NO 109, ACCOUNTING FOR INCOME TAXES, WAS ISSUED FIN 48 CREATES A SINGLE MODEL TO ADDRESS UNCERTAINTY IN TAX POSITIONS AND CLARIFIES THE ACCOUNTING FOR INCOME TAXES BY PRESCRIBING THE MINIMUM RECOGNITION THRESHOLD A TAX POSITION IS REQUIRED TO MEET BEFORE BEING RECOGNIZED IN THE FINANCIAL STATEMENTS UNDER THE REQUIREMENTS OF FIN 48, TAX-EXEMPT ORGANIZATIONS COULD BE REQUIRED TO RECORD AN OBLIGATION AS THE RESULT OF A TAX POSITION THEY HAVE HISTORICALLY TAKEN ON VARIOUS TAX EXPOSURE ITEMS PRIOR TO FIN 48, THE DETERMINATION OF WHEN TO RECORD A LIABILITY FOR A TAX EXPOSURE WAS BASED ON WHETHER A LIABILITY WAS CONSIDERED PROBABLE AND REASONABLY ESTIMABLE IN ACCORDANCE WITH FASB STATEMENT NO 5, ACCOUNTING FOR CONTINGENCIES ON JANUARY 1, 2007, THE SYSTEM'S ADOPTED FIN 48 THE IMPACT OF THE ADOPTION OF FIN 48 ON THE SYSTEM'S CONSOLIDATED FINANCIAL STATEMENTS IS NOT SIGNIFICANT



Additional Data

Software ID:  
Software Version:  
EIN: 22-3548695  
Name: CAPITAL HEALTH SYSTEM INC

Form 990, Schedule D, Part VIII - Investments— Program Related

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
SECURITIES	94,016,495	F
SECURITIES	71,562,235	F
INVESTMENT IN SUBSIDIARIES	22,803,504	F
ACCRUED INTEREST	154,893	F
CERTIFICATES OF DEPOSIT	1,098,463	F
LIMITED USE	9,516,681	F
SUPPLEMENTAL RETIREMENT PLAN	4,435,865	F
ALTERNATIVE INVESTMENTS	24,337,464	F
GUARANTEES	0	F



**1**

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ► \_\_\_\_\_

3 Enter total number of other organizations or entities . . . . . ► \_\_\_\_\_

## Part III

[illegible]

**Part IV Foreign Forms**

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐ Yes ☒ No

## Supplemental Information

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

[illegible]

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**  
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

**Name of the organization**  
CAPITAL HEALTH SYSTEM INC

**Employer identification number**  
22-3548695

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input checked="" type="checkbox"/> Other _____ 0 %</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input checked="" type="checkbox"/> Other _____ 0 %</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		No
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a		No
6b	If "Yes," did the organization make it available to the public? . . . . .	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1) . . . . .			48,608,260	28,584,587	20,023,673	3 890 %
b Medicaid (from Worksheet 3, column a) . . . . .			34,311,820	20,478,072	13,833,748	2 690 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			82,920,080	49,062,659	33,857,421	6 580 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .	368	69,077	274,170	1,810	272,360	0 050 %
f Health professions education (from Worksheet 5) . . . . .			9,248,778	6,959,342	2,289,436	0 450 %
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .			126,855	0	126,855	0 020 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .	153		205,914	0	205,914	0 040 %
j <b>Total</b> Other Benefits . . . . .	521	69,077	9,855,717	6,961,152	2,894,565	0 560 %
k <b>Total.</b> Add lines 7d and 7j . . . . .	521	69,077	92,775,797	56,023,811	36,751,986	7 140 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	231,008,506	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	591,287,814	
6	Enter Medicare allowable costs of care relating to payments on line 5	6114,767,414	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-23,479,600	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				



## Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 3

## Name and address

**Schedule H (Form 990) 2011**

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

CAPITAL HEALTH MEDICAL CENTER - HOPEWELL

Name of Hospital Facility:\_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A):\_\_\_\_\_1\_\_\_\_\_

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care ____% If "No," explain in Part VI the criteria the hospital facility used	9	No

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used	10	No
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes
12	Explained the method for applying for financial assistance? . . . . .	12	Yes
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	No
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	Yes
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

CAPITAL HEALTH REGIONAL MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):2

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care ____% If "No," explain in Part VI the criteria the hospital facility used	9	No

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used	10	No
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes
12	Explained the method for applying for financial assistance? . . . . .	12	Yes
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	No
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	Yes
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

CAPITAL HEALTH AT MERCER

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care ____% If "No," explain in Part VI the criteria the hospital facility used	9	No



Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used	10	No
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes
12	Explained the method for applying for financial assistance? . . . . .	12	Yes
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	No
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	Yes
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)		

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
<b>18</b> Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	<b>18</b>	Yes	
<b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions			
<b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing			
<b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

<b>19</b> Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
<b>a</b> <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
<b>b</b> <input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
<b>c</b> <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>20</b> Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	<b>20</b>		No
<b>21</b> Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	<b>21</b>		No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 21

Name and address	Type of Facility (Describe)
1 See Additional Data Table	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
ELIGIBILITY FOR DISCOUNTED CARE	SCHEDULE H, PART I, LINE 3	THE ORGANIZATION UTILIZES NEW JERSEY STATE CHARITY CARE GUIDELINES IN DETERMINING ELIGIBILITY FOR PROVIDING FREE OR DISCOUNTED CARE CHARGES FOR SELF-PAY PATIENTS ARE REDUCED TO 115% OF THE MEDICARE RATE PATIENTS WHOSE INCOME AND ASSETS CRITERIA ARE AT OR BELOW TWICE THE CURRENT THRESHOLD FOR ELIGIBILTY FOR NEW JERSEY CHARITY CARE WILL BE PROVIDED WITH A 100% DISCOUNT OFF OF THE ORGANIZATION'S USUAL AND CUSTOMARY CHARGES THE INCOME BASED CRITERIA USED TO DETERMINE ELIGIBILITY IS PER NEW JERSEY ADMINISTRATIVE CODE 10 52 SUB CHAPTERS 11, 12 AND 13, AND BASED UPON THE 2011 POVERTY GUIDELINES (DEPARTMENT OF HEALTH AND SENIOR SERVICES) FPG ARE INCLUDED IN THE CRITERIA FOR DETERMINING ELIGIBILITY FOR CHARITY AND DISCOUNTED CARE

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT REPORT	SCHEDULE H, PART I, LINE 6A	NOT APPLICABLE

Identifier	ReturnReference	Explanation
SUBSIDIZED HEALTH SERVICES	SCHEDULE H, PART I, QUESTION 7G	NO COSTS RELATING TO SUBSIDIZED HEALTHCARE SERVICES ARE ATTRIBUTABLE TO ANY PHYSICIAN CLINICS

Identifier	ReturnReference	Explanation
PERCENT OF TOTAL EXPENSE	SCHEDULE H, PART I, QUESTION 7 COLUMN (F)	THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$31,008,506

Identifier	ReturnReference	Explanation
CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFIT COST	SCHEDULE H, PART I, QUESTION 7	WORKSHEET 2 WAS USED FOR THE COST TO CHARGE RATIO



Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE AND HFMA STATEMENT #15	SCHEDULE H, PART III, SECTION A, QUESTION 1	HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION STATEMENT NO 15 ("STATEMENT 15") PROVIDES GUIDELINES FOR DISTINGUISHING CHARITY CARE FROM BAD DEBT EXPENSE STATEMENT 15 REQUIRES THAT CHARITY CARE IS NOT RECOGNIZED AS RECEIVABLE OR REVENUE IN THE FINANCIAL STATEMENTS STATEMENT 15 FURTHER EXPLAINS THAT SELF-PAY PATIENTS THAT DO HAVE A REASONABLE LIKELIHOOD OF PAYMENT SHOULD BE REPORTED AS CHARITY CARE AND NOT BAD DEBT EXPENSE THE HOSPITAL GENERALLY FOLLOWS THE GUIDELINES OUTLINED IN STATEMENT 15 IN ADDITION, THE HOSPITAL FOLLOWS THE STATE OF NEW JERSEY GUIDELINES IN DETERMINING CHARITY CARE ELIGIBILITY IN CERTAIN INSTANCES, IT IS UNLIKELY THAT UNINSURED PATIENTS WILL PAY FOR THE SERVICES RENDERED, BUT THEY DO NOT QUALIFY FOR THE STATE'S CHARITY CARE PROGRAM BECAUSE OF LACK OF PATIENT COOPERATION OR OTHER REASONS THE HOSPITAL PURSUES COLLECTION OF THESE AMOUNTS AND UNPAID BALANCES ARE REPORTED AS BAD DEBT EXPENSE UNDER STATEMENT 15, THESE AMOUNTS WOULD BE RECORDED AS CHARITY CARE RATHER THAN BAD DEBT EXPENSE AND THIS IS THE RATIONALE FOR OUR RESPONSE "NO"

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, SECTION A, QUESTION 4	<p>BAD DEBT EXPENSE WAS CALCULATED USING THE PROVIDERS' BAD DEBT EXPENSE FROM ITS AUDITED FINANCIAL STATEMENTS, MULTIPLIED BY ITS COST TO CHARGE RATIO. THE CAPITAL HEALTH SYSTEM, INC. AND ITS AFFILIATES, INCLUDING ITS HOSPITALS AND SUBSIDIARIES, PREPARE AND ISSUE AUDITED CONSOLIDATED FINANCIAL STATEMENTS. THE SYSTEM'S ALLOWANCE FOR DOUBTFUL ACCOUNTS (BAD DEBT EXPENSE) METHODOLOGY AND CHARITY CARE POLICIES ARE CONSISTENTLY APPLIED ACROSS ALL HOSPITAL AFFILIATES. THE ATTACHED TEXT WAS OBTAINED FROM THE FOOTNOTES TO THE AUDITED FINANCIAL STATEMENTS OF THE CAPITAL HEALTH SYSTEM. CHARITY CARE: CAPITAL HEALTH PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA DEFINED BY THE NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES ("DOHSS") WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES. BECAUSE CAPITAL HEALTH DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE, THEY ARE NOT REPORTED AS REVENUE. CAPITAL HEALTH'S RECORDS IDENTIFY AND MONITOR THE LEVEL OF CHARITY CARE IT PROVIDES AND INCLUDE THE AMOUNT OF CHARGES FORGONE FOR SERVICES AND SUPPLIES FURNISHED. DOHSS ALLOWS RETROACTIVE APPLICATION FOR CHARITY CARE UP TO TWO YEARS FROM THE DATE OF SERVICE. THE COSTS OF CHARITY CARE IS DERIVED FROM BOTH ESTIMATED AND ACTUAL DATA. THE ESTIMATED COST OF CHARITY CARE INCLUDES THE DIRECT AND INDIRECT COST OF PROVIDING SUCH SERVICES AND IS ESTIMATED UTILIZING CAPITAL HEALTH'S RATIO OF COST TO GROSS CHARGES, WHICH IS THEN MULTIPLIED BY THE GROSS UNCOMPENSATED CHARGES ASSOCIATED WITH PROVIDING CARE TO CHARITY PATIENTS. CHARITY CARE PROVIDED, AT COST, DURING 2011 AND 2010 TOTALED APPROXIMATELY \$ \$48,608,000 AND \$ \$46,714,000, RESPECTIVELY. CAPITAL HEALTH RECEIVES PAYMENTS FROM THE NEW JERSEY HEALTH CARE SUBSIDY FUNDS FOR CHARITY CARE AND SUCH AMOUNTS TOTALED APPROXIMATELY \$28,585,000 AND \$25,746,000 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY.</p>

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT	SCHEDULE H, PART III, SECTION B, QUESTION 8	MEDICARE COSTS WERE DERIVED FROM THE 2009 MEDICARE COST REPORT MEDICARE UNDERPAYMENTS AND BAD DEBT ARE COMMUNITY BENEFIT AND ASSOCIATED COSTS ARE INCLUDABLE ON THE FORM 990, SCHED ULE H, PART I THE ORGANIZATION BELIEVES THAT MEDICARE UNDERPAYMENTS (SHORTFALL) AND BAD D EBT ARE COMMUNITY BENEFIT AND ASSOCIATED COSTS ARE INCLUDABLE ON THE FORM 990, SCHEDULE H, PART I AS OUTLINED MORE FULLY BELOWTHE ORGANIZATION BELIEVES THAT THESE SERVICES AND RE LATED COSTS PROMOTE THE HEALTH OF THE COMMUNITY AS A WHOLE AND ARE RENDERED IN CONJUNCTION WITH THE ORGANIZATION'S CHARITABLE TAX-EXEMPT PURPOSES AND MISSION IN PROVIDING MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER WITHOUT R EGARD TO RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY AND CONSISTE NT WITH THE COMMUNITY BENEFIT STANDARD PROMULGATED BY THE IRS THE COMMUNITY BENEFIT STAND ARD IS THE CURRENT STANDARD FOR A HOSPITAL FOR RECOGNITION AS A TAX-EXEMPT AND CHARITABLE ORGANIZATION UNDER INTERNAL REVENUE CODE ("IRC") 501(C)(3) THE ORGANIZATION IS RECOGNIZED AS A TAX-EXEMPT ENTITY AND CHARITABLE ORGANIZATION UNDER 501(C)(3) OF THE IRC ALTHOUGH T HERE IS NO DEFINITION IN THE TAX CODE FOR THE TERM "CHARITABLE" A REGULATION PROMULGATED BY THE DEPARTMENT OF THE TREASURY PROVIDES SOME GUIDANCE AND STATES THAT "[T]HE TERM CHARIT ABLE IS USED IN SECTION 501(C)(3) IN ITS GENERALLY ACCEPTED LEGAL SENSE," AND PROVIDES EXA MPLES OF CHARITABLE PURPOSES, INCLUDING THE RELIEF OF THE POOR OR UNPRIVILEGED, THE PROMOT ION OF SOCIAL WELFARE, AND THE ADVANCEMENT OF EDUCATION, RELIGION, AND SCIENCE NOTE IT DO ES NOT EXPLICITLY ADDRESS THE ACTIVITIES OF HOSPITALS IN THE ABSENCE OF EXPLICIT STATUTOR Y OR REGULATORY REQUIREMENTS APPLYING THE TERM "CHARITABLE" TO HOSPITALS, IT HAS BEEN LEFT TO THE IRS TO DETERMINE THE CRITERIA HOSPITALS MUST MEET TO QUALIFY AS IRC 501(C)(3) CHAR ITABLE ORGANIZATIONS THE ORIGINAL STANDARD WAS KNOWN AS THE CHARITY CARE STANDARD THIS S TANDARD WAS REPLACED BY THE IRS WITH THE COMMUNITY BENEFIT STANDARD WHICH IS THE CURRENT S TANDARD CHARITY CARE STANDARD IN 1956, THE IRS ISSUED REVENUE RULING 56-185, WHICH ADDRES SED THE REQUIREMENTS HOSPITALS NEEDED TO MEET IN ORDER TO QUALIFY FOR IRC 501(C)(3) STATUS ONE OF THESE REQUIREMENTS IS KNOWN AS THE "CHARITY CARE STANDARD " UNDER THE STANDARD, A HOSPITAL HAD TO PROVIDE, TO THE EXTENT OF ITS FINANCIAL ABILITY, FREE OR REDUCED-COST CAR E TO PATIENTS UNABLE TO PAY FOR IT A HOSPITAL THAT EXPECTED FULL PAYMENT DID NOT, ACCORDI NG TO THE RULING, PROVIDE CHARITY CARE BASED ON THE FACT THAT SOME PATIENTS ULTIMATELY FAI LED TO PAY THE RULING EMPHASIZED THAT A LOW LEVEL OF CHARITY CARE DID NOT NECESSARILY MEA N THAT A HOSPITAL HAD FAILED TO MEET THE REQUIREMENT SINCE THAT LEVEL COULD REFLECT ITS FI NANCIAL ABILITY TO PROVIDE SUCH CARE THE RULING ALSO NOTED THAT PUBLICLY SUPPORTED COMMUN ITY HOSPITALS WOULD NORMALLY QUALIFY AS CHARITABLE ORGANIZATIONS BECAUSE THEY SERVE THE EN TIRE COMMUNITY, AND A LOW LEVEL OF CHARITY CARE WOULD NOT AFFECT A HOSPITAL'S EXEMPT STATU S IF IT WAS DUE TO THE SURROUNDING COMMUNITY'S LACK OF CHARITABLE DEMANDS COMMUNITY BENEF IT STANDARD IN 1969, THE IRS ISSUED REVENUE RULING 69-545, WHICH "REMOVE[D]" FROM REVENUE RULING 56-185 "THE REQUIREMENTS RELATING TO CARING FOR PATIENTS WITHOUT CHARGE OR AT RATES BELOW COST " UNDER THE STANDARD DEVELOPED IN REVENUE RULING 69-545, WHICH IS KNOWN AS THE "COMMUNITY BENEFIT STANDARD," HOSPITALS ARE JUDGED ON WHETHER THEY PROMOTE THE HEALTH OF A BROAD CLASS OF INDIVIDUALS IN THE COMMUNITY THE RULING INVOLVED A HOSPITAL THAT ONLY AD MITTED INDIVIDUALS WHO COULD PAY FOR THE SERVICES (BY THEMSELVES, PRIVATE INSURANCE, OR PU BLIC PROGRAMS SUCH AS MEDICARE), BUT OPERATED A FULL-TIME EMERGENCY ROOM THAT WAS OPEN TO EVERYONE THE IRS RULED THAT THE HOSPITAL QUALIFIED AS A CHARITABLE ORGANIZATION BECAUSE I T PROMOTED THE HEALTH OF PEOPLE IN ITS COMMUNITY THE IRS REASONED THAT BECAUSE THE PROMOT ION OF HEALTH WAS A CHARITABLE PURPOSE ACCORDING TO THE GENERAL LAW OF CHARITY, IT FELL WI THIN THE "GENERALLY ACCEPTED LEGAL SENSE" OF THE TERM "CHARITABLE," AS REQUIRED BY TREAS REG 1 501(C)(3)-1(D)(2) THE IRS RULING STATED THAT THE PROMOTION OF HEALTH, LIKE THE RELIEF OF POVERTY AND THE ADVANCEMENT OF EDUCATION AND RELIGION, IS ONE OF THE PURPOSES IN TH E GENERAL LAW OF CHARITY THAT IS DEEMED BENEFICIAL TO THE COMMUNITY AS A WHOLE EVEN THOUGH THE CLASS OF BENEFICIARIES ELIGIBLE TO RECEIVE A DIRECT BENEFIT FROM ITS ACTIVITIES DOES NOT INCLUDE ALL MEMBERS OF THE COMMUNITY, SUCH AS INDIGENT MEMBERS OF THE COMMUNITY, PROVI DED THAT THE CLASS IS NOT SO SMALL THAT ITS RELIEF IS NOT OF BENEFIT TO THE COMMUNITY THE IRS CONCLUDED THAT THE HOSPITAL WAS "PROMOTING THE HEALTH OF A CLASS OF PERSONS THAT IS B ROAD ENOUGH TO BENEFIT THE COMMUNITY" BECAUSE ITS EMERGENCY ROOM WAS OPEN TO ALL AND IT PR OVIDED CARE TO EVERYONE WHO COULD PAY, WHETHER DIRECTLY OR THROUGH THIRD-PARTY REIMBURSEME NT OTHER CHARACTERISTICS OF THE HOSPITAL THAT THE

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT	SCHEDULE H, PART III, SECTION B, QUESTION 8	<p>IRS HIGHLIGHTED INCLUDED THE FOLLOWING ITS SURPLUS FUNDS WERE USED TO IMPROVE PATIENT CARE, EXPAND HOSPITAL FACILITIES, AND ADVANCE MEDICAL TRAINING, EDUCATION, AND RESEARCH, IT WAS CONTROLLED BY A BOARD OF TRUSTEES THAT CONSISTED OF INDEPENDENT CIVIC LEADERS, AND HOSPITAL MEDICAL STAFF PRIVILEGES WERE AVAILABLE TO ALL QUALIFIED PHYSICIANS THE AMERICAN HOSPITAL ASSOCIATION ("AHA") BELIEVES THAT MEDICARE UNDERPAYMENTS (SHORTFALL) AND BAD DEBT ARE COMMUNITY BENEFIT AND THUS INCLUDABLE ON THE FORM 990, SCHEDULE H, PART I THIS ORGANIZATION AGREES WITH THE AHA POSITION AS OUTLINED IN THE AHA LETTER TO THE IRS DATED AUGUST 21, 2007 WITH RESPECT TO THE FIRST PUBLISHED DRAFT OF THE NEW FORM 990 AND SCHEDULE H, THE AHA FELT THAT THE IRS SHOULD INCORPORATE THE FULL VALUE OF THE COMMUNITY BENEFIT THAT HOSPITALS PROVIDE BY COUNTING MEDICARE UNDERPAYMENTS (SHORTFALL) AS QUANTIFIABLE COMMUNITY BENEFIT FOR THE FOLLOWING REASONS - PROVIDING CARE FOR THE ELDERLY AND SERVING MEDICARE PATIENTS IS AN ESSENTIAL PART OF THE COMMUNITY BENEFIT STANDARD - MEDICARE, LIKE MEDICAID, DOES NOT PAY THE FULL COST OF CARE RECENTLY, MEDICARE REIMBURSES HOSPITALS ONLY 92 CENTS FOR EVERY DOLLAR THEY SPEND TO TAKE CARE OF MEDICARE PATIENTS THE MEDICARE PAYMENT ADVISORY COMMISSION ("MEDPAC") IN ITS MARCH 2007 REPORT TO CONGRESS CAUTIONED THAT UNDERPAYMENT WILL GET EVEN WORSE, WITH MARGINS REACHING A 10-YEAR LOW AT NEGATIVE 54 PERCENT - MANY MEDICARE BENEFICIARIES, LIKE THEIR MEDICAID COUNTERPARTS, ARE POOR MORE THAN 46 PERCENT OF MEDICARE SPENDING IS FOR BENEFICIARIES WHOSE INCOME IS BELOW 200 PERCENT OF THE FEDERAL POVERTY LEVEL MANY OF THOSE MEDICARE BENEFICIARIES ARE ALSO ELIGIBLE FOR MEDICAID -- SO CALLED "DUAL ELIGIBLES " THERE IS EVERY COMPELLING PUBLIC POLICY REASON TO TREAT MEDICARE AND MEDICAID UNDERPAYMENTS SIMILARLY FOR PURPOSES OF A HOSPITAL'S COMMUNITY BENEFIT AND INCLUDE THESE COSTS ON FORM 990, SCHEDULE H, PART I MEDICARE UNDERPAYMENT MUST BE SHOULDERED BY THE HOSPITAL IN ORDER TO CONTINUE TREATING THE COMMUNITY'S ELDERLY AND POOR THESE UNDERPAYMENTS REPRESENT A REAL COST OF SERVING THE COMMUNITY AND SHOULD COUNT AS A QUANTIFIABLE COMMUNITY BENEFIT BOTH THE AHA AND THIS ORGANIZATION ALSO FEEL THAT PATIENT BAD DEBT IS A COMMUNITY BENEFIT AND THUS INCLUDABLE ON THE FORM 990, SCHEDULE H, PART I LIKE MEDICARE UNDERPAYMENT (SHORTFALLS), THERE ALSO ARE COMPELLING REASONS THAT PATIENT BAD DEBT SHOULD BE COUNTED AS QUANTIFIABLE COMMUNITY BENEFIT AS FOLLOWS - A SIGNIFICANT MAJORITY OF BAD DEBT IS ATTRIBUTABLE TO LOW-INCOME PATIENTS, WHO, FOR MANY REASONS, DECLINE TO COMPLETE THE FORMS REQUIRED TO ESTABLISH ELIGIBILITY FOR HOSPITALS' CHARITY CARE OR FINANCIAL ASSISTANCE PROGRAMS A 2006 CONGRESSIONAL BUDGET OFFICE ("CBO") REPORT, NONPROFIT HOSPITALS AND THE PROVISION OF COMMUNITY BENEFITS, CITED TWO STUDIES INDICATING THAT "THE GREAT MAJORITY OF BAD DEBT WAS ATTRIBUTABLE TO PATIENTS WITH INCOMES BELOW 200% OF THE FEDERAL POVERTY LINE " - THE REPORT ALSO NOTED THAT A SUBSTANTIAL PORTION OF BAD DEBT IS PENDING CHARITY CARE UNLIKE BAD DEBT IN OTHER INDUSTRIES, HOSPITAL BAD DEBT IS COMPLICATED BY THE FACT THAT HOSPITALS FOLLOW THEIR MISSION TO THE COMMUNITY AND TREAT EVERY PATIENT THAT COMES THROUGH THEIR EMERGENCY DEPARTMENT, REGARDLESS OF ABILITY TO PAY PATIENTS WHO HAVE OUTSTANDING BILLS ARE NOT TURNED AWAY, UNLIKE OTHER INDUSTRIES BAD DEBT IS FURTHER COMPLICATED BY THE AUDITING INDUSTRY'S STANDARDS ON REPORTING CHARITY CARE MANY PATIENTS CANNOT OR DO NOT PROVIDE THE NECESSARY, EXTENSIVE DOCUMENTATION REQUIRED TO BE DEEMED CHARITY CARE BY AUDITORS AS A RESULT, ROUGHLY 40% OF BAD DEBT IS PENDING CHARITY CARE - THE CBO CONCLUDED THAT ITS FINDINGS "SUPPORT THE VALIDITY OF THE USE OF UNCOMPENSATED CARE [BAD DEBT AND CHARITY CARE] AS A MEASURE OF COMMUNITY BENEFITS" ASSUMING THE FINDINGS ARE GENERALIZABLE NATIONWIDE, THE EXPERIENCE OF HOSPITALS AROUND THE NATION REINFORCES THAT THEY ARE GENERALIZABLE AS OUTLINED BY THE AHA, DESPITE THE HOSP</p>

Identifier	ReturnReference	Explanation
COLLECTION POLICY	SCHEDULE H, PART III, SECTION B, QUESTION 9B	ACCOUNTS CONSIDERED TO BE CHARITY CARE ARE NOT INCLUDED IN THE BAD DEBT EXPENSE, BUT RATHER, ACCOUNTED FOR AS AN ALLOWANCE. IT IS THE POLICY OF THE CAPITAL HEALTH SYSTEM, AND ALL ITS HOSPITAL AFFILIATES, TO TREAT ALL PATIENTS EQUALLY REGARDLESS OF INSURANCE AND THEIR ABILITY TO PAY. FOR ACCOUNTS DETERMINED TO BE "SELF-PAY" AND/OR ACCOUNTS WITH BALANCE AFTER PRIMARY INSURANCE PAYMENTS, THE COLLECTION POLICY REQUIRES SENDING THREE STATEMENTS, A MINIMUM OF ONE PRE-COLLECTION LETTER, TELEPHONE CONTACT FOR ANY ACCOUNT OVER \$5,000.00 OR AT THE DISCRETION OF THE ACCOUNT REPRESENTATIVE AND/OR SUPERVISOR. THE FACILITY ALSO HAS A CHARITY CARE ACCESS POLICY TO ASSURE PATIENTS ARE PROVIDED WITH CHARITY CARE ASSISTANCE DETERMINED BY STATE AND FEDERAL REGULATIONS. IT IS THE POLICY TO INFORM ALL PATIENTS DEEMED SELF-PAY OF THE APPROPRIATE ASSISTANCE PROGRAMS AVAILABLE. PATIENTS APPLYING FOR CHARITY CARE ASSISTANCE WILL BE FINANCIALLY SCREENED BY A RESOURCE ADVISOR TO DETERMINE ELIGIBILITY ACCORDING TO STATE AND FEDERAL GUIDELINES AND WILL BE INFORMED OF DOCUMENTATION NEEDED TO COMPLETE A CHARITY CARE APPLICATION. PATIENTS NOT ELIGIBLE FOR CHARITY CARE WILL BE FINANCIALLY COUNSELED FOR ALL OTHER OPTIONS. QUALIFIED PATIENTS WILL BE REFERRED TO ALL APPROPRIATE AGENCIES OR PROGRAMS TO MEET OTHER FINANCIAL NEEDS. AT THE TIME OF THE PATIENT VISIT AND PART OF THE REGISTRATION PROCESS AT THE FACILITY, THE FOLLOWING OPTIONS ARE MADE AVAILABLE TO PATIENTS: - FINANCIAL COUNSELING FOR POSSIBLE ELIGIBILITY FOR MEDICAL ASSISTANCE INCLUDING MEDICAID AND SSI, - FINANCIAL COUNSELING FOR POSSIBLE ELIGIBILITY FOR THE NEW JERSEY HOSPITAL CARE PAYMENT ASSISTANCE PROGRAM, AND, - FINANCIAL ARRANGEMENTS INCLUDING: 1. CASH/CREDIT CARD (AMERICAN EXPRESS, DISCOVER, VISA, MASTERCARD), 2. LOW INTEREST LOAN PROGRAM, OR 3. FLEXIBLE PAYMENT PLANS. IN ADDITION TO THE ABOVE OPTIONS, THE FACILITY HAS ESTABLISHED A SELF-PAY ASSISTANCE PROGRAM FOR ITS UNINSURED PATIENTS THAT DO NOT QUALIFY FOR MEDICAID OR THE NEW JERSEY HOSPITAL CARE PAYMENT ASSISTANCE PROGRAM. THE SELF-PAY ASSISTANCE PROGRAM RATES ARE REFLECTIVE OF MEDICARE REIMBURSEMENT, AS REFERRED BY THE STATE OF NEW JERSEY.

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTIONS 1J, 3, 4, 5C, 6I & 7	NOT APPLICABLE

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTIONS 9,10,11H,15E,16E,17E,18D,20&21	NOT APPLICABLE

Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 13G	BILLING STATEMENTS PROVIDED TO PATIENTS INDICATE THAT THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY IS AVAILABLE UPON REQUEST



Identifier	ReturnReference	Explanation
FACILITY INFORMATION	SCHEDULE H, PART V, SECTION B, QUESTION 19D	THE FACILITY USES 115% OF THE MEDICARE RATE AS THE MAXIMUM AMOUNT THAT CAN BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, QUESTION 2	CAPITAL HEALTH ROUTINELY MONITORS DEMAND FOR THE SERVICES IT PROVIDES WHILE SIMULTANEOUSLY UTILIZING A VARIETY OF INFORMATION SOURCES TO DETERMINE UNMET OR UNDERSERVED NEEDS OF THE COMMUNITIES IT SERVES. CAPITAL HEALTH MEETS AT LEAST MONTHLY WITH THE OTHER HEALTHCARE PROVIDERS IN ITS SERVICE AREA AS WELL AS A COMMUNITY HEALTH DEPARTMENT DIRECTOR TO DISCUSS UNMET NEEDS AND COLLABORATIVELY STRATEGIZE THE PRIORITIZATION OF NEEDS AND DEVELOP PROGRAMS TO ADDRESS THEM IN A COORDINATED WAY. WE ALSO ROUTINELY REVIEW AVAILABLE DATA REGARDING INCIDENTS OF HEALTH ISSUES AND PROPOSE PROGRAMS TO ADDRESS THESE ISSUES AND ULTIMATELY IMPLEMENT THOSE WHICH WILL HAVE THE GREATEST IMPACT. ADDITIONALLY, WE RETAIN A FULL TIME COMMUNITY RELATIONS COORDINATOR WHOSE TASK IT IS TO BE OUT IN THE COMMUNITY INTERACTING WITH COMMUNITY LEADERS AND RECEIVING FEEDBACK ON THEIR SATISFACTION WITH OUR SERVICES. WE BELIEVE THIS COMPREHENSIVE APPROACH OF MONITORING AND ANALYZING BOTH OBJECTIVE DATA AND SUBJECTIVE FEEDBACK GIVES US A CURRENT UNDERSTANDING OF HOW WE ARE ADDRESSING COMMUNITY NEEDS AND WHAT WE NEED TO DO TO OPTIMIZE OUR IMPACT UPON THE HEALTHCARE STATUS OF OUR REGION.

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, QUESTION 3	CAPITAL HEALTH SYSTEM, INC EDUCATES PATIENTS ABOUT ELIGIBILITY FOR ASSISTANCE WITH THEIR BILLS IN NUMEROUS WAYS INSURANCE INFORMATION IS OBTAINED AT ALL REGISTRATION POINTS AT EACH VISIT IF A PATIENT IS FOUND NOT TO HAVE INSURANCE, OR IS UNDERINSURED THE FOLLOWING PROCEDURE IS FOLLOWED, 1 WHEN A PATIENT IS FOUND TO BE UNINSURED AND IN NEED OF FINANCIAL ASSISTANCE, A NEW JERSEY CARE PAYMENT FACT SHEET IS REVIEWED WITH THE PATIENT, AND A WRITTEN COPY IS PROVIDED TO THE PATIENT BY THE HEALTH ACCESS STAFF THE FACT SHEET EXPLAINS WHO IS ELIGIBLE, HOW TO APPLY WITH THE PHONE NUMBER OF EACH CAMPUS CHARITY CARE OFFICE, AND WHAT DOCUMENTS ARE NEEDED TO DETERMINE ELIGIBILITY 2 WHEN A PATIENT IS ADMITTED TO THE HOSPITAL, A CHARITY CARE WORKER WILL VISIT THE PATIENT'S BEDSIDE TO START THE CHARITY CARE PROCESS IF A PATIENT IS FINANCIALLY SCREENED AND FOUND TO BE ELIGIBLE FOR MEDICAID, A REFERRAL IS GIVEN TO THE HOSPITAL'S MEDICAID OUTSTATION WORKER THE OUTSTATION WORKER WILL VISIT THE PATIENT, AND BEGIN THE MEDICAID PROCESS 3 WHEN A PATIENT IS FOUND TO BE UNDERINSURED, (EXAMPLE IS A PATIENT WHO HAS MEDICARE ONLY) A REFERRAL IS MADE TO THE CHARITY CARE WORKER, AND THE SAME PROCESS IS FOLLOWED ABOVE 4 THE PATIENT IS MONITORED FOR COMPLIANCE IN COMPLETING THE APPLICATION INCLUDING VISITING THE PATIENT'S HOME IF NECESSARY TO OBTAIN NECESSARY DOCUMENTATION TO COMPLETE THE APPLICATION 5 ONCE THE PATIENT HAS BEEN APPROVED, THE CHARITY CARE DETERMINATION INFORMATION IS DOCUMENTED IN THE PATIENT'S REGISTRATION RECORD PATIENT ACCESS MONITORS AND INSTRUCTS THE PATIENT WHEN THEIR CHARITY CARE APPLICATION IS DUE FOR RENEWAL ASIDE FROM INFORMING PATIENTS DURING THEIR REGISTRATION PROCESS, ALL OF CAPITAL HEALTH'S DUNNING STATEMENTS CONTAIN THE FOLLOWING LANGUAGE CAPITAL HEALTH SYSTEM OFFERS FINANCIAL ASSISTANCE TO ALL OF ITS PATIENTS WHO ARE UNINSURED OR DO NOT HAVE FULL INSURANCE COVERAGE, AND WHO MEET CERTAIN INCOME AND ASSET CRITERIA CAPITAL HEALTH SYSTEM PROVIDES THIS ASSISTANCE THROUGH THE MEDICAID PROGRAM WHICH IS SPONSORED BY THE STATE OF NEW JERSEY AND FEDERAL GOVERNMENT AND THROUGH THE STATE OF NEW JERSEY'S HEALTHCARE FOR THE UNINSURED PROGRAM IN ADDITION, IF A PATIENT DOES NOT QUALIFY FOR EITHER OF THESE PROGRAMS, CAPITAL HEALTH SYSTEM CAN OFFER PROMPT PAYMENT DISCOUNTS AND DISCOUNTS FOR PATIENTS WHO HAVE BILLS THAT ARE A SIGNIFICANT FINANCIAL BURDEN TO THEM CAPITAL HEALTH SYSTEM, INC ALSO PROVIDES, IN ENGLISH AND SPANISH, A PHONE NUMBER FOR THOSE PATIENTS WHO CAN NOT AFFORD TO PAY THEIR BILL AND WOULD LIKE TO APPLY FOR FINANCIAL ASSISTANCE LASTLY, THE HOSPITAL HAS A RECORDED MESSAGE THAT IS PLAYED WHILE A CUSTOMER IS ON HOLD THAT SAYS THE FOLLOWING CAPITAL HEALTH SYSTEM, INC OFFERS FINANCIAL ASSISTANCE TO ALL OF ITS PATIENTS WHO ARE UNINSURED OR DO NOT HAVE FULL INSURANCE COVERAGE, AND WHO MEET CERTAIN INCOME AND ASSET CRITERIA CAPITAL HEALTH SYSTEM, INC PROVIDES THIS ASSISTANCE THROUGH THE MEDICAID PROGRAM WHICH IS SPONSORED BY THE STATE OF NEW JERSEY AND FEDERAL GOVERNMENT AND THROUGH NEW JERSEY'S HEALTHCARE FOR THE UNINSURED PROGRAM IN ADDITION, IF A PATIENT DOES NOT QUALIFY FOR ANY OF THESE PROGRAMS, CAPITAL HEALTH SYSTEM CAN OFFER PROMPT PAYMENT DISCOUNTS AND DISCOUNTS FOR PATIENTS WHO HAVE BILLS THAT ARE A SIGNIFICANT BURDEN TO THEM

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, QUESTION 4	CAPITAL HEALTH SERVES THE COMMUNITIES IN MERCER AND BURLINGTON COUNTIES IN NEW JERSEY AND BUCK COUNTY IN PENNSYLVANIA THERE ARE APPROXIMATELY 400,000 RESIDENTS WITHIN THE DEFINED PRIMARY AND SECONDARY SERVICE AREA THE RACIAL MAKEUP OF MERCER COUNTY, WHICH INCLUDES TRENTON, THE STATE CAPITAL, IS 61 4% WHITE, 20 3% BLACK, AND 15 1% HISPANIC OR LATINO NEARLY 87% OF THE COUNTY'S RESIDENTS WHO ARE 25 YEARS OR OLDER GRADUATED HIGH SCHOOL AND 38% HAVE A BACHELOR'S DEGREE MEDIAN HOUSEHOLD INCOME IN THE COUNTY WAS \$70,570 ACCORDING TO THE US CENSUS THE RACIAL MAKEUP OF BURLINGTON COUNTY IS 73 8% WHITE, 16 6% BLACK, AND 6 4% HISPANIC OR LATINO MORE THAN 90 6% OF BURLINGTON COUNTY RESIDENTS WHO ARE 25 YEARS OR OLDER GRADUATED HIGH SCHOOL AND 33% HAVE A BACHELOR'S DEGREE MEDIAN HOUSEHOLD INCOME IN BURLINGTON COUNTY WAS \$74,481, ACCORDING TO THE US CENSUS THE RACIAL MAKEUP OF BUCKS COUNTY, PENNSYLVANIA IS 89 2% WHITE, 3 6% BLACK AND 4 3% HISPANIC OR LATINO OF THOSE, 91 3% OF BUCKS COUNTY RESIDENTS WHO ARE 25 YEARS OR OLDER GRADUATED HIGH SCHOOL AND 34 1% HAVE A BACHELOR'S DEGREE MEDIAN HOUSEHOLD INCOME IN BUCKS COUNTY WAS \$75,895 ACCORDING TO THE US CENSUS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, QUESTION 5	THIS ORGANIZATION OPERATES CONSISTENTLY WITH THE FOLLOWING CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 1 THE ORGANIZATION PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF ABILITY TO PAY, INCLUDING CHARITY CARE, SELF-PAY, MEDICARE AND MEDICAID PATIENTS, 2 THE ORGANIZATION OPERATES AN ACTIVE EMERGENCY ROOM FOR ALL PERSONS, WHICH IS OPEN 24 HOURS A DAY, 7 DAYS A WEEK, 365 DAYS PER YEAR, 3 THE ORGANIZATION MAINTAINS AN OPEN MEDICAL STAFF, WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS, 4 CONTROL OF THE ORGANIZATION RESTS WITH ITS BOARD OF TRUSTEES, WHICH IS COMPRISED OF INDEPENDENT CIVIC LEADERS AND OTHER PROMINENT MEMBERS OF THE COMMUNITY, AND 5 SURPLUS FUNDS ARE USED TO IMPROVE THE QUALITY OF PATIENT CARE, EXPAND AND RENOVATE FACILITIES AND ADVANCE MEDICAL CARE, PROGRAMS AND ACTIVITIES PLEASE REFER TO SCHEDULE O FOR THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT FOR ADDITIONAL INFORMATION ON HOW THE ORGANIZATION PROMOTES COMMUNITY HEALTH

Identifier	ReturnReference	Explanation
AFFILIATED HEALTHCARE SYSTEM	SCHEDULE H, PART VI, QUESTION 6	OUTLINED BELOW IS A SUMMARY OF THE ENTITIES WHICH COMPRISE THE CAPITAL HEALTH SYSTEM AND AFFILIATES NOT FOR PROFIT CAPITAL HEALTH SYSTEM AND AFFILIATES ENTITIES CAPITAL HEALTH SYSTEM, INC CAPITAL HEALTH SYSTEM, INC ("CHS") IS THE TAX-EXEMPT PARENT OF CAPITAL HEALTH SYSTEM AND AFFILIATES ("SYSTEM") THIS INTEGRATED HEALTHCARE DELIVERY SYSTEM CONSISTS OF A GROUP OF AFFILIATED HEALTHCARE ORGANIZATIONS THE SOLE MEMBER OR STOCKHOLDER OF EACH ENTITY IS EITHER CHS OR ANOTHER SYSTEM AFFILIATE CONTROLLED BY CHS THE SYSTEM IS AN INTEGRATED NETWORK OF HEALTHCARE PROVIDERS IN THE STATE OF NEW JERSEY CAPITAL HEALTH SYSTEM IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A HOSPITAL UNDER IRC 170(B)(1)(A)(I) AS THE PARENT ORGANIZATION OF A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY SYSTEM IN MERCER COUNTY NEW JERSEY CAPITAL HEALTH SYSTEM STRIVES TO CONTINUALLY DEVELOP AND OPERATE A MULTI-HOSPITAL HEALTHCARE SYSTEM WHICH PROVIDES SUBSTANTIAL COMMUNITY BENEFIT THROUGH THE PROVISION OF A COMPREHENSIVE SPECTRUM OF HEALTHCARE SERVICES TO THE RESIDENTS OF NEW JERSEY AND SURROUNDING COMMUNITIES CAPITAL HEALTH SYSTEM, INC ENSURES THAT ITS SYSTEM PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGINS OR ABILITY TO PAY NO INDIVIDUALS ARE DENIED NECESSARY MEDICAL CARE, TREATMENT OR SERVICES CAPITAL HEALTH SYSTEM, INC 'S ACTIVE HOSPITALS ARE CAPITAL HEALTH MEDICAL CENTER - HOPEWELL, CAPITAL HEALTH REGIONAL MEDICAL CENTER AND CAPITAL HEALTH AT MERCER THE HOSPITAL OPERATES CONSISTENTLY WITH THE FOLLOWING CRITERIA OUTLINED IN IRS REVENUE RULING 69-545 1 PROVIDE MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF ABILITY TO PAY, INCLUDING CHARITY CARE, SELF-PAY, MEDICARE AND MEDICAID PATIENTS, 2 OPERATE AN ACTIVE EMERGENCY ROOM FOR ALL PERSONS, WHICH IS OPEN 24 HOURS A DAY, 7 DAYS A WEEK, 365 DAYS PER YEAR, 3 MAINTAIN AN OPEN MEDICAL STAFF, WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS, AND 4 CONTROL RESTS WITH ITS BOARD OF TRUSTEES THE BOARD IS COMPRISED OF INDEPENDENT CIVIC LEADERS AND OTHER PROMINENT MEMBERS OF THE COMMUNITY 5 SURPLUS FUNDS ARE USED TO IMPROVE THE QUALITY OF PATIENT CARE, EXPAND AND RENOVATE FACILITIES AND ADVANCE MEDICAL CARE, PROGRAMS AND ACTIVITIES CAPITAL HEALTH SYSTEM FOUNDATION CAPITAL HEALTH SYSTEM FOUNDATION IS AN ORGANIZATION RECOGNIZED BY THE INTERNAL REVENUE SERVICE AS TAX-EXEMPT PURSUANT TO INTERNAL REVENUE CODE 501(C)(3) AND AS A NON-PRIVATE FOUNDATION PURSUANT TO INTERNAL REVENUE CODE 509(A)(1) THROUGH FUNDRAISING ACTIVITIES THE ORGANIZATION SUPPORTS THE CHARITABLE PURPOSES, PROGRAMS AND SERVICES OF CAPITAL HEALTH SYSTEM, INC , A RELATED INTERNAL REVENUE CODE 501(C)(3) TAX-EXEMPT ORGANIZATION, THAT PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY FOR PROFIT CAPITAL HEALTH SYSTEM AND AFFILIATES ENTITIES BELLEVUE AVENUE MANAGEMENT, INC A FOR-PROFIT ENTITY WHOSE SOLE SHAREHOLDER IS MERCER HOLDING CORPORATION THE ORGANIZATION IS LOCATED IN TRENTON, MERCER COUNTY, NEW JERSEY THE ORGANIZATION PROVIDES MANAGERIAL ADMINISTRATION AND SUPPORT CAPITAL HEALTH SYSTEM CONDOMINIUM ASSOCIATION, INC A FOR-PROFIT ENTITY WHOSE SOLE SHAREHOLDER IS CAPITAL HEALTH SYSTEM, INC THE ORGANIZATION IS LOCATED IN TRENTON, MERCER COUNTY, NEW JERSEY THIS ENTITY IS A HOMEOWNERS ASSOCIATION CAPITAL REGION INSURANCE COMPANY A CONTROLLED FOREIGN CORPORATION OF CAPITAL HEALTH SYSTEM, INC THE ORGANIZATION WAS FORMED AND OPERATES SOLELY IN CAYMAN ISLANDS MERCER HOLDING CORPORATION A FOR-PROFIT ENTITY WHOSE SOLE SHAREHOLDER IS CAPITAL HEALTH SYSTEM, INC THIS ENTITY IS THE SOLE OWNER OF ALL THE OUTSTANDING COMMON STOCK OF BELLEVUE AVENUE MANAGEMENT, INC AND IS INVOLVED IN VARIOUS ANCILLARY HEALTHCARE RELATED ACTIVITIES STROKE AND CEREBROVASCULAR CENTER OF NEW JERSEY, P C A FOR-PROFIT ENTITY WHOSE SOLE SHAREHOLDER IS CAPITAL HEALTH SYSTEM, INC THE ORGANIZATION IS LOCATED IN TRENTON, MERCER COUNTY, NEW JERSEY THIS ENTITY PROVIDES MEDICAL SERVICES TO INDIVIDUALS TRENTON NEUROLOGICAL SURGEONS ASSOCIATES, P A A FOR-PROFIT ENTITY WHOSE SOLE SHAREHOLDER IS CAPITAL HEALTH SYSTEM, INC THE ORGANIZATION IS LOCATED IN LAWRENCEVILLE, MERCER COUNTY, NEW JERSEY THIS ENTITY PROVIDES GENERAL MEDICAL SERVICES TO INDIVIDUALS

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, QUESTION 7	NOT APPLICABLE THE ENTITY AND RELATED PROVIDER ORGANIZATIONS ARE LOCATED IN NEW JERSEY THE STATE OF NEW JERSEY DOES NOT REQUIRE HOSPITALS TO ANNUALLY FILE A COMMUNITY BENEFIT REPORT WITH THE STATE OF NEW JERSEY

## Additional Data

Software ID:

**Software Version:**

**EIN:** 22-3548695

**Name:** CAPITAL HEALTH SYSTEM INC

**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

[illegible]



**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

<b>Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility</b> (list in order of size from largest to smallest)	
How many non-hospital facilities did the organization operate during the tax year? <u>21</u>	
Name and address	Type of Facility (Describe)
CAPITAL HEALTH SYSTEM IN HAMILTON 1401-1445 WHITEHORSE-MERCERVILLE RO HAMILTON,NJ 08619	OUTPATIENT FACILITY

Name of the organization  
CAPITAL HEALTH SYSTEM INC

Employer identification number  
22-3548695

Part I General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) CAPITAL HEALTH SYSTEM FOUNDATION750 BRUNSWICK AVENUE TRENTON,NJ 08638	22-2230681	501(C)(3)	100,000				PROGRAM SUPPORT
(2) MERCER REGIONAL CHAMBER OF COMMERCE 1A QUAKERBRIDGE PLAZA DRIVE MERCERVILLE,NJ 08619	21-0581086	501(C)(3)	15,835				PROGRAM SUPPORT
(3) PRINCETON REGIONAL CHAMBER OF COMMERCE9 VANDEVENTER AVE PRINCETON,NJ 08542	21-0722138	501(C)(3)	8,950				PROGRAM SUPPORT
(4) ISLES INC10 WOOD STREET TRENTON,NJ 08618	22-2350832	501(C)(3)	10,000				PROGRAM SUPPORT
(5) AMERICAN CANCER SOCIETY3076 PRINCETON PIKE LAWRENCEVILLE,NJ 08648	16-0743902	501(C)(3)	7,750				PROGRAM SUPPORT
(6) MARCH OF DIMES5 CEDAR BROOK DR CRANBURY,NJ 08512	22-2383132	501(C)(3)	9,500				PROGRAM SUPPORT
(7) SUSAN G KOMEN BREAST CANCER FOUNDATION INC5005 LBJ FREEWAY DALLAS,TX 752446125	75-1835298	501(C)(3)	8,500				PROGRAM SUPPORT
(8) BOY SCOUTS OF AMERICA1325 WEST WALNUT HILL LANE IRVING,TX 75038	22-1576300	501(C)(3)	10,000				PROGRAM SUPPORT
(9) HAMILTON TOWNSHIP 2090 GREENWOOD AVE HAMILTON,NJ 086500150	21-6000691	501(C)(3)	8,000				PROGRAM SUPPORT
(10) AMERICAN HEART ASSOCIATION2550 US HGHWY 1 NORTH BRUNSWICK,NJ 08902	13-5613797	501(C)(3)	15,500				PROGRAM SUPPORT
(11) DEBORAH HOSPITAL FOUNDATION212 TRENTON ROAD BROWNS MILLS,NJ 08015	22-2049500	501(C)(3)	6,500				PROGRAM SUPPORT

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
GRANT FUND MONITORING	SCHEDULE D, PART I, QUESTION 2	GRANTS ARE MONITORED BY THE ORGANIZATION'S FINANCE PERSONNEL THROUGH THE UTILIZATION OF COST CENTERS AND OTHER INFORMATION, INCLUDING WRITTEN DOCUMENTATION AND RECEIPTS

Software ID:  
Software Version:  
EIN: 22-3548695  
Name: CAPITAL HEALTH SYSTEM INC

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CAPITAL HEALTH SYSTEM FOUNDATION750 BRUNSWICK AVENUE TRENTON,NJ 08638	22- 2230681	501(C)(3)	100,000				PROGRAM SUPPORT
MERCER REGIONAL CHAMBER OF COMMERCE1A QUAKERBRIDGE PLAZA DRIVE MERCERVILLE,NJ 08619	21- 0581086	501(C)(3)	15,835				PROGRAM SUPPORT

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
PRINCETON REGIONAL CHAMBER OF COMMERCE9 VANDEVENTER AVE PRINCETON, NJ 08542	21-0722138	501(C)(3)	8,950				PROGRAM SUPPORT
ISLES INC10 WOOD STREET TRENTON, NJ 08618	22-2350832	501(C)(3)	10,000				PROGRAM SUPPORT

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
AMERICAN CANCER SOCIETY3076 PRINCETON PIKE LAWRENCEVILLE, NJ 08648	16-0743902	501(C)(3)	7,750				PROGRAM SUPPORT
MARCH OF DIMES5 CEDAR BROOK DR CRANBURY, NJ 08512	22-2383132	501(C)(3)	9,500				PROGRAM SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SUSAN G KOMEN BREAST CANCER FOUNDATION INC 5005 LBJ FREEWAY DALLAS, TX 752446125	75-1835298	501(C)(3)	8,500				PROGRAM SUPPORT
BOY SCOUTS OF AMERICA1325 WEST WALNUT HILL LANE IRVING, TX 75038	22-1576300	501(C)(3)	10,000				PROGRAM SUPPORT

**Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States**

<b>(a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
HAMILTON TOWNSHIP2090 GREENWOOD AVE HAMILTON,NJ 086500150	21-6000691	501(C)(3)	8,000				PROGRAM SUPPORT
AMERICAN HEART ASSOCIATION2550 US HGHWY 1 NORTH BRUNSWICK, NJ 08902	13-5613797	501(C)(3)	15,500				PROGRAM SUPPORT



Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
DEBORAH HOSPITAL FOUNDATION212 TRENTON ROAD BROWNS MILLS,NJ 08015	22-2049500	501(C)(3)	6,500				PROGRAM SUPPORT

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information  
  
For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047  
  
2011  
  
Open to Public Inspection

Name of the organization CAPITAL HEALTH SYSTEM INC	Employer identification number  22-3548695
---	--

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	Yes
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply <div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization  a Receive a severance payment or change-of-control payment? b Participate in, or receive payment from, a supplemental nonqualified retirement plan? c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4a	No
		4b	Yes
		4c	No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of  a The organization? b Any related organization? If "Yes," to line 5a or 5b, describe in Part III	5a	Yes
		5b	No
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of  a The organization? b Any related organization? If "Yes," to line 6a or 6b, describe in Part III	6a	No
		6b	No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

Part II

Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

**Part III**   **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 1A	THE ORGANIZATION PAID FOR CERTAIN HEALTH CLUB DUES FOR BOTH EUGENE W GROCHALA AND GREGORY N D'ADAMO IN THE AMOUNT OF \$50 AND \$40, RESPECTIVELY, DURING 2011. THESE AMOUNTS WERE FULLY INCLUDED IN TAXABLE INCOME AND REPORTED ON EACH INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 4B	THE ORGANIZATION IMPLEMENTED AN AT-RISK DEFERRED COMPENSATION PROGRAM WITH RESPECT TO THE CONSTRUCTION AND OPENING OF ITS NEW HOPEWELL HOSPITAL FACILITY. THE PROGRAM PAID THESE INDIVIDUALS BASED UPON SPECIFIC CRITERIA BEING SATISFIED WITH RESPECT TO THE HOPEWELL HOSPITAL FACILITY BEING ON TIME AND UNDER BUDGET ("HOTUB"). ACCORDINGLY, THESE HOTUB AMOUNTS AS OUTLINED BELOW ARE NO LONGER SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE DUE TO THE SPECIFIC CRITERIA BEING SATISFIED. THE AMOUNTS OUTLINED HEREIN WERE INCLUDED IN EACH INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. AL MAGHAZEHE, PH.D., FACHE, \$298,500, RONALD J. GUY, \$223,500, SHANE F. FLEMING, CPA, \$123,500, EUGENE W. GROCHALA, \$98,500, STEPHEN A. MILLER, J.D., \$48,500, LARRY DISANTO, \$223,500, JAN GABIN, ESQ., \$123,500, ROBERT REMSTEIN, D.O., \$48,500, PATRICIA V. CAVANAUGH, RN, MSN, \$98,500, NATHAN BOSK, FACHE, \$98,500, J. SCOTT CLEMMENSEN, \$98,500, GREGORY N. D'ADAMO, \$98,500, MARGARET SULLIVAN, \$98,500, DENNIS DOOLEY, \$98,500, LINDA DITE, \$98,500, EILEEN M. HORTON, \$98,500 AND ARLENE WALSH, \$48,500. THE DEFERRED COMPENSATION AMOUNT IN COLUMN C FOR THE FOLLOWING INDIVIDUALS INCLUDES UNVESTED BENEFITS IN AN INTERNAL REVENUE CODE SECTION 457(F) PLAN (NON-QUALIFIED DEFERRED COMPENSATION PLAN) WHICH ARE SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE. ACCORDINGLY, THE INDIVIDUALS MAY NEVER ACTUALLY RECEIVE THIS UNVESTED BENEFIT AMOUNT. THE AMOUNTS OUTLINED HEREIN WERE NOT INCLUDED IN THESE INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. AL MAGHAZEHE, PH.D., FACHE, \$456,551, EUGENE W. GROCHALA, \$63,296, STEPHEN A. MILLER, J.D., \$32,085, LARRY DISANTO, \$312,286, JAN GABIN, ESQ., \$54,491, ROBERT REMSTEIN, D.O., \$60,900, NATHAN BOSK, FACHE, \$48,525, J. SCOTT CLEMMENSEN, \$52,000, GREGORY N. D'ADAMO, \$48,078, MARGARET SULLIVAN, \$48,000, DENNIS DOOLEY, \$45,550, LINDA DITE, \$34,552, EILEEN M. HORTON, \$31,264 AND ARLENE WALSH, \$14,785.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 5A	CERTAIN INDIVIDUALS INCLUDED IN SCHEDULE J, PART II RECEIVED INCENTIVE COMPENSATION PAYMENTS DURING CALENDAR YEAR 2011 WHICH INCENTIVE COMPENSATION PAYMENTS WERE INCLUDED IN COLUMN B (II) HEREIN AND IN EACH INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THESE INCENTIVE COMPENSATION PAYMENTS WERE BASED UPON A NUMBER OF FACTORS INCLUDING PRODUCTIVITY, PERFORMANCE AND REVENUES COLLECTED BY THE ORGANIZATION FOR PROFESSIONAL PHYSICIAN SERVICES RENDERED BY THESE INDIVIDUALS. PLEASE REFER TO THIS SECTION OF THE FORM 990, SCHEDULE J FOR THIS INFORMATION BY PERSON BY AMOUNT.
COMPENSATION INFORMATION	SCHEDULE J, PART I, QUESTION 7	CERTAIN INDIVIDUALS INCLUDED IN SCHEDULE J, PART II RECEIVED INCENTIVE AWARDS DURING CALENDAR YEAR 2011 WHICH INCENTIVE AWARDS WERE INCLUDED IN COLUMN B (II) HEREIN AND IN EACH INDIVIDUAL'S 2011 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THESE INCENTIVE AWARDS WERE GIVEN PURSUANT TO THE ORGANIZATION'S 2011 INCENTIVE COMPENSATION PLAN (ICP), APPROVED BY THE BOARD COMPENSATION COMMITTEE, BASED ON ACHIEVEMENT OF PRE-ESTABLISHED SYSTEM-WIDE AND BUSINESS UNIT PERFORMANCE CRITERIA AND METRICS, AS WELL AS MEETING OR EXCEEDING SPECIFIC PERFORMANCE ON "CIRCUIT BREAKERS." PLEASE REFER TO THIS SECTION OF THE FORM 990, SCHEDULE J FOR THIS INFORMATION BY PERSON BY AMOUNT.
COMPENSATION INFORMATION	SCHEDULE J, PART II, COLUMN F	THE AMOUNT REPORTED IN SCHEDULE J, PART II, COLUMN F REPRESENTS AMOUNTS RELATED TO THE ORGANIZATION'S AT-RISK DEFERRED COMPENSATION PROGRAM WITH RESPECT TO THE CONSTRUCTION AND OPENING OF ITS NEW HOPEWELL HOSPITAL FACILITY. THE PROGRAM PAID THESE INDIVIDUALS BASED UPON SPECIFIC CRITERIA BEING SATISFIED WITH RESPECT TO THE HOPEWELL HOSPITAL FACILITY BEING ON TIME AND UNDER BUDGET ("HOTUB"). ACCORDINGLY, THESE HOTUB AMOUNTS AS OUTLINED BELOW WERE NO LONGER SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE DUE TO THE SPECIFIC CRITERIA BEING SATISFIED AND WERE REPORTED ON PRIOR FORMS 990. THESE AMOUNTS WERE TREATED AS TAXABLE INCOME AND REPORTED ON EACH INDIVIDUAL'S 2011 FORM W-2, BOX 5 MEDICARE WAGES AS FOLLOWS: AL MAGHAZEHE, PH.D., FACHE, \$298,500, RONALD J. GUY, \$223,500, EUGENE W. GROCHALA, \$98,500, STEPHEN A. MILLER, J.D., \$48,500, LARRY DISANTO, \$223,500, JAN GABIN, ESQ., \$123,500, ROBERT REMSTEIN, D.O., \$48,500, PATRICIA V. CAVANAUGH, RN, MSN, \$98,500, NATHAN BOSK, FACHE, \$98,500, J. SCOTT CLEMMENSEN, \$98,500, GREGORY N. D'ADAMO, \$98,500, MARGARET SULLIVAN, \$98,500, DENNIS DOOLEY, \$98,500, LINDA DITE, \$98,500 AND EILEEN M. HORTON, \$98,500.

**Software ID:**  
**Software Version:**  
**EIN:** 22-3548695  
**Name:** CAPITAL HEALTH SYSTEM INC

**Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
LOUIS DAMELIO MD	(i) (ii)	662,244 0	2,500 0	114,192 0	13,237 0	3,594 0	795,767 0	0 0
AL MAGHAZEHE PHD FACHE	(i) (ii)	826,807 0	441,827 0	465,432 0	477,099 0	17,496 0	2,228,661 0	298,500 0
RONALD J GUY	(i) (ii)	518,014 0	935,566 0	333,768 0	17,574 0	18,779 0	1,823,701 0	223,500 0
SHANE F FLEMING CPA	(i) (ii)	201,239 0	31,502 0	162,027 0	12,922 0	17,651 0	425,341 0	0 0
EUGENE W GROCHALA	(i) (ii)	255,837 0	94,944 0	165,994 0	80,112 0	4,958 0	601,845 0	98,500 0
STEPHEN A MILLER JD	(i) (ii)	167,940 0	60,159 0	81,116 0	40,114 0	19,499 0	368,828 0	48,500 0
LARRY DISANTO	(i) (ii)	475,451 0	217,060 0	328,564 0	332,261 0	19,496 0	1,372,832 0	223,500 0
JAN GABIN ESQ	(i) (ii)	288,230 0	102,170 0	178,731 0	67,781 0	2,465 0	639,377 0	123,500 0
ROBERT REMSTEIN DO	(i) (ii)	325,673 0	114,188 0	107,686 0	71,051 0	15,784 0	634,382 0	48,500 0
PATRICIA V CAVANAUGH RN MSN	(i) (ii)	213,625 0	123,944 0	166,399 0	13,358 0	2,848 0	520,174 0	98,500 0
NATHAN BOSK FACHE	(i) (ii)	245,881 0	90,984 0	162,466 0	58,999 0	16,212 0	574,542 0	98,500 0
J SCOTT CLEMMENSEN	(i) (ii)	201,826 0	78,000 0	157,547 0	71,484 0	17,875 0	526,732 0	98,500 0
GREGORY N DADAMO	(i) (ii)	211,199 0	72,117 0	140,480 0	66,868 0	249 0	490,913 0	98,500 0
MARGARET SULLIVAN	(i) (ii)	185,810 0	72,000 0	156,518 0	66,792 0	16,224 0	497,344 0	98,500 0
DENNIS DOOLEY	(i) (ii)	193,352 0	68,325 0	135,807 0	64,852 0	20,115 0	482,451 0	98,500 0
LINDA DITE	(i) (ii)	190,812 0	64,784 0	135,548 0	51,251 0	1,252 0	443,647 0	98,500 0
EILEEN M HORTON	(i) (ii)	161,932 0	58,620 0	132,641 0	43,587 0	18,082 0	414,862 0	98,500 0
ARLENE WALSH	(i) (ii)	157,150 0	42,556 0	80,135 0	25,767 0	18,233 0	323,841 0	0 0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
ARLINE M STEPHAN	(i) (ii)	136,922 0	26,855 0	22,873 0	7,264 0	8,123 0	202,037 0	0 0
EROL VEZNEDAROGLU MD	(i) (ii)	568,885 0	1,164,719 0	206,393 0	8,575 0	1,152 0	1,949,724 0	0 0
KENNETH M LIEBMAN MD	(i) (ii)	565,749 0	1,165,219 0	206,433 0	8,575 0	11,600 0	1,957,576 0	0 0
LEE M BUONO MD	(i) (ii)	777,698 0	71,848 0	121,426 0	8,575 0	7,820 0	987,367 0	0 0
ARIEL F ABUD MD	(i) (ii)	748,631 0	0 0	143,692 0	8,714 0	14,016 0	915,053 0	0 0
JOHN D LIPANI MD	(i) (ii)	685,867 0	69,592 0	113,471 0	8,690 0	9,454 0	887,074 0	0 0

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V lines 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
CAPITAL HEALTH SYSTEM INC

Employer identification number  
  
22-3548695

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$ \_\_\_\_\_

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$ \_\_\_\_\_

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . . ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PRINCETON PIKE OFFICE PARK LLC	TRUSTEE, JINGOLI	493,869	RENT		No
(2) MOUNTAIN VIEW OFFICE PARK LLC	TRUSTEE, JINGOLI	641,632	RENT		No
(3) MERCER MEDICAL ASSOCIATES PA	TRUSTEE, SUDHAKAR	261,667	MEDICAL SERVICES		No
(4) WILLIS OF NEW YORK INC	TRUSTEE, FAM MEMBER CO	975,389	INSURANCE SERVICES		No
(5) RONA H REMSTEIN	SPOUSE OF OFFICER	129,722	EMPLOYEE		No
(6) BAHRAM MAGHAZEHE	BROTHER OF OFFICER	110,264	EMPLOYEE		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	SCHEDULE L, PART IV	JOSEPH R JINGOLI IS A TRUSTEE OF THE ORGANIZATION THE ORGANIZATION RENTED PROPERTY FROM BOTH OF HIS COMPANIES, PRINCETON PIKE OFFICE PARK, L L C AND MOUNTAIN VIEW OFFICE PARK, L L C , DURING 2011 TOTAL RENTAL FEES PAID TO PRINCETON PIKE OFFICE PARK, L L C AND MOUNTAIN VIEW OFFICE PARK, L L C WERE \$493,869 AND \$641,632, RESPECTIVELY SERVICES WERE RENDERED AT FAIR MARKET VALUE RATES PURSUANT TO ARM'S LENGTH NEGOTIATIONS SAMUEL J PLUMERI, JR IS A TRUSTEE OF THE ORGANIZATION THE ORGANIZATION UTILIZED THE SERVICES OF HIS FAMILY MEMBER'S COMPANY, WILLIS OF NEW YORK, INC , DURING 2011 TOTAL FEES PAID TO WILLIS OF NEW YORK, INC WERE \$975,389 SERVICES WERE RENDERED AT FAIR MARKET VALUE RATES PURSUANT TO ARM'S LENGTH NEGOTIATIONS TELECHERY SUDHAKAR, M D IS A TRUSTEE OF THE ORGANIZATION THE ORGANIZATION UTILIZED THE SERVICES OF HIS COMPANY, MERCER MEDICAL ASSOCIATES, P A , DURING 2011 TOTAL FEES PAID TO MERCER MEDICAL ASSOCIATES, P A WERE \$261,667 SERVICES WERE RENDERED AT FAIR MARKET VALUE RATES PURSUANT TO ARM'S LENGTH NEGOTIATIONS



**SCHEDULE O**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

**Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.**  
▶ **Attach to Form 990 or 990-EZ.**

OMB No 1545-0047

**2011**

**Open to Public  
Inspection**

Name of the organization  
CAPITAL HEALTH SYSTEM INC

**Employer identification number**

22-3548695

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>BACKGROUND ===== CAPITAL HEALTH SYSTEM, INC ("CAPITAL HEALTH") IS A GENERAL MEDICAL AND SURGICAL HOSPITAL. CAPITAL HEALTH IS RECOGNIZED BY THE IRS AS AN INTERNAL REVENUE CODE SECTION 501(C)(3) TAX-EXEMPT ORGANIZATION. PURSUANT TO ITS CHARITABLE PURPOSES, CAPITAL HEALTH PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN OR ABILITY TO PAY. MOREOVER, CAPITAL HEALTH OPERATES CONSISTENTLY WITH THE FOLLOWING CRITERIA OUTLINED IN IRS REVENUE RULING 69-545: 1) CAPITAL HEALTH PROVIDES MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS REGARDLESS OF ABILITY TO PAY, 2) CAPITAL HEALTH OPERATES EMERGENCY ROOMS AT BOTH OF ITS HOSPITAL CAMPUSES, REGIONAL AND HOPEWELL, WHICH ARE OPEN 24 HOURS A DAY, 7 DAYS A WEEK, 365 DAYS PER YEAR, 3) CAPITAL HEALTH MAINTAINS AN OPEN MEDICAL STAFF, WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS, 4) CONTROL OF CAPITAL HEALTH RESTS WITH ITS BOARD OF DIRECTORS, WHICH IS COMPRISED OF INDEPENDENT CIVIC LEADERS AND OTHER PROMINENT MEMBERS OF THE COMMUNITY, AND 5) SURPLUS FUNDS ARE USED TO IMPROVE THE QUALITY OF PATIENT CARE, EXPAND AND RENOVATE FACILITIES AND ADVANCE MEDICAL CARE, PROGRAMS AND ACTIVITIES. WITH OVER A CENTURY OF SERVICE TO MERCER AND BUCKS COUNTIES, BOTH HELENE FULD AND MERCER MEDICAL CENTERS SHARED TRADITIONS OF CARING WITH THE VISION OF BUILDING ON THAT SERVICE INTO THE MILLENNIUM, THEY CAME TOGETHER IN DECEMBER 1997 TO FORM CAPITAL HEALTH. THE NEW ORGANIZATION IS COMPRISED OF 494 BEDS, EMPLOYS APPROXIMATELY 3,500 INDIVIDUALS, AND GENERATES OVER 499 MILLION DOLLARS IN ANNUAL NET PATIENT SERVICE REVENUE. CAPITAL HEALTH REGIONAL AND HOPEWELL CAMPUSES ARE SEPARATELY LICENSED ACUTE CARE HOSPITALS WITH 271 AND 350 BEDS, RESPECTIVELY. CAPITAL HEALTH ALSO OPERATES A NEW KIND OF HEALTHCARE CENTER THAT PUTS FAMILY PHYSICIANS AND SPECIALISTS, STATE-OF-THE-ART TECHNOLOGIES, AND SAME-DAY SURGICAL SERVICES ALL IN ONE LOCATION. CAPITAL HEALTH IN HAMILTON, LOCATED AT 1445 WHITEHORSE-MERCERVILLE ROAD, AND SPANNING 46,293 SQUARE FEET, CREATES A "MEDICAL MALL" WHERE PATIENTS CAN SEEK A HOST OF SERVICES SUCH AS OUTPATIENT SURGERY, RADIOLOGICAL TESTING AND SPECIALIZED CARE. MOREOVER, IT IS AESTHETICALLY DESIGNED TO MAKE PATIENTS FEEL BETTER EVEN BEFORE SEEING A PHYSICIAN. THE FAMILY HEALTH CENTER AT CAPITAL HEALTH IS LOCATED AT 433 BELLEVUE AVENUE IN TRENTON. THE 14,000 SQUARE FOOT LOCATION HELPS TO REDUCE PATIENT WAIT TIME AND EXPEDITE THE REGISTRATION PROCESS. CAPITAL HEALTH IS GUIDED BY ITS DEDICATION TO THE HEALTHCARE NEEDS OF THE COMMUNITIES THAT IT SERVES. THAT LEVEL OF DETERMINATION AND COMMITMENT IS THE VERY SOUL OF CAPITAL HEALTH. CAPITAL HEALTH PROVIDES HEALTHCARE SERVICES TO ALL PERSONS IN A NON-DISCRIMINATORY MANNER, REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGINS OR ABILITY TO PAY. MOREOVER, CAPITAL HEALTH PROVIDES HEALTHCARE SERVICES TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE POLICY, AS DEFINED BY THE NEW JERSEY STATE ATTORNEY GENERAL, WITHOUT CHARGE OR AT AMOUNTS LESS THAN ESTABLISHED RATES. CAPITAL HEALTH MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE AMOUNT OF CHARITY CARE IT PROVIDES. THESE RECORDS INCLUDE THE AMOUNT OF CHARGES FOREGONE FOR SERVICES AND SUPPLIES FURNISHED UNDER ITS CHARITY CARE POLICY.</p> <p>MISSION STATEMENT ===== CAPITAL HEALTH IS COMMITTED TO PROVIDING COMPREHENSIVE, QUALITY HEALTHCARE SERVICES, WHICH IMPROVE AND SUSTAIN THE HEALTH STATUS OF THE RESIDENTS PRIMARILY IN CENTRAL NEW JERSEY AND LOWER BUCKS COUNTY, PENNSYLVANIA. CAPITAL HEALTH ASSURES ACCESSIBLE, COMPASSIONATE HEALTHCARE SERVICES THAT HONOR THE DIGNITY OF EVERY PERSON. CAPITAL HEALTH WILL BE A LEADER IN DEFINING THE COMMUNITY'S HEALTHCARE NEEDS, IN PROVIDING APPROPRIATE SOLUTIONS, AND DEVELOPING A COMPREHENSIVE CONTINUUM OF CARE INCLUDING EDUCATION, PREVENTION, DISEASE MANAGEMENT AND RESTORATIVE PROGRAMS.</p> <p>AWARDS AND RECOGNITION ===== CAPITAL HEALTH HAS RECENTLY RECEIVED THE FOLLOWING AWARDS AND RECOGNITIONS: JOINT COMMISSION DISEASE SPECIFIC CERTIFICATION FOR HIV/AIDS, JOINT COMMISSION DISEASE SPECIFIC CERTIFICATION FOR STROKE, JOINT COMMISSION DISEASE SPECIFIC CERTIFICATION FOR RESPIRATORY DISTRESS IN PRETERM INFANTS, MAGNET RE-DESIGNATION. ----- THE AMERICAN NURSES CREDENTIALING CENTER (ANCC) HAS RECOGNIZED CAPITAL HEALTH'S EXEMPLARY NURSING LEADERSHIP AND QUALITY PATIENT CARE BY AWARDING ITS MAGNET RECOGNITION FOR EXCELLENCE IN NURSING SERVICE. MAGNET STATUS IS THE HIGHEST LEVEL OF RECOGNITION THE ANCC CAN EXTEND TO A HEALTHCARE ORGANIZATION. CAPITAL HEALTH HOSTED TWO ANCC APPRAISERS FOR A SITE VISIT AND THEIR RESULTS FOUND CAPITAL HEALTH TO BE THE DEFINITION OF EXCELLENCE SET FORTH BY THE SCOPE AND STANDARDS FOR NURSE ADMINISTRATORS AND OUTLINED BY THE CONGRESS OF NURSING PRACTICE OF THE AMERICAN NURSES ASSOCIATION (ANA). JOINT COMMISSION'S GOLD SEAL OF APPROVAL. ----- THE JOINT</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>COMMISSION IS AN INDEPENDENT, NOT-FOR-PROFIT, NATIONAL BODY THAT OVERSEES THE SAFETY AND QUALITY OF HEALTHCARE AND OTHER SERVICES PROVIDED IN ACCREDITED ORGANIZATIONS BY AWARDING CAPITAL HEALTH THEIR GOLD SEAL OF APPROVAL, THE JOINT COMMISSION CONFIRMED THAT CAPITAL H EALTH IMPROVED THE ACCURACY OF PATIENT IDENTIFICATION, IMPROVED THE EFFECTIVENESS OF COMMU NICATION AMONG CAREGIVERS, AND IMPROVED THE SAFETY OF USING MEDICATIONS IN ADDITION, THE JOINT COMMISSION CONFIRMED THAT CAPITAL HEALTH REDUCED THE RISK OF HEALTHCARE-ASSOCIATED I NFECTIONS, ACCURATELY AND COMPLETELY RECONCILE MEDICATIONS ACROSS THE CONTINUUM OF CARE, R EDUCED THE RISK OF PATIENT HARM RESULTING FROM FALLS, ENCOURAGED PATIENTS' ACTIVE INVOLVEMENT IN THEIR OWN CARE AS A PATIENT SAFETY STRATEGY, AND CAPITAL HEALTH IDENTIFIED SAFETY R ISKS INHERENT IN THE PATIENT POPULATION STATEMENT FOR COMMUNITY HEALTH IMPROVEMENT &amp; BENE FITS ===== TO PROMOTE WELLNESS, PREVENT IL LNESS, AND REMOVE BARRIERS THAT HINDER ACCESS TO HEALTHCARE BY WORKING HAND-IN-HAND WITH T HE COMMUNITIES SERVED PRINCIPLES ----- - CAPITAL HEALTH BELIEVES THAT COMMUNITY HEAL TH IMPROVEMENT IS ESSENTIAL TO THE CAPITAL HEALTH MISSION - CAPITAL HEALTH BELIEVES COMMU NITY-BASED COALITIONS ARE UNIQUELY QUALIFIED TO ACHIEVE COMMUNITY HEALTH GOALS, AND CAPITA L HEALTH VALUES PARTNERSHIPS WITH THEM - CAPITAL HEALTH VALUES EVIDENCE-BASED PRACTICES A ND SEEKS TO MODEL EXCELLENCE IN COMMUNITY HEALTH PRACTICE BASED ON EVIDENCE - CAPITAL HEA LTH BELIEVES IN APPLYING CONTINUOUS QUALITY IMPROVEMENT TO COMMUNITY HEALTH MEASURING NEE D, MATCHING RESOURCES TO NEED, MEASURING OUTCOMES, AND MAKING ADJUSTMENTS IN PROCESSES OPERATIONAL VALUES - ----- - INTEGRITY ADHERES TO AN APPROPRIATE AND EFFECTIVE S ET OF CORE BELIEFS INCLUDING HONESTY AND SERVING THE GREATER GOOD DOES NOT BLAME OTHERS F OR HIS OR HER OWN MISTAKES OR MISREPRESENT HIM OR HER FOR PERSONAL GAIN OR PROTECTION PER CEIVED BY OTHERS AS A DIRECT, TRUTHFUL INDIVIDUAL AND IS WIDELY TRUSTED, WITH THE ABILITY TO PRESENT THE TRUTH IN AN APPROPRIATE AND HELPFUL MANNER - EXCELLENCE PROVIDES THE MOST EFFICIENT AND EFFECTIVE WORK PROCESSES TO MEET THE NEEDS OF PATIENTS AND OTHER CUSTOMERS, WHICH LEADS TO THE HIGHEST QUALITY SERVICES MAKES SOUND DECISIONS BASED UPON KNOWLEDGE, JUDGMENT, AND EXPERIENCE, AND IS SOUGHT OUT BY OTHERS FOR ADVICE AND SOLUTIONS TO ISSUES A ND PROBLEMS - COMPASSION DEMONSTRATES CARING AND CONCERN FOR THE WELFARE OF OTHERS, ASSI STING WHEREVER NECESSARY USES UNDERSTANDING AND INSIGHT WHEN DEALING WITH PATIENTS OR OTH ER CUSTOMERS IN ALL ASPECTS OF CARE OR SERVICE DELIVERY - TEAMWORK DISPLAYS A PROFESSION AL AND COLLABORATIVE SPIRIT IN FULFILLING RESPONSIBILITIES AND ASSISTING OTHERS HELPS TO CREATE AND MAINTAIN POSITIVE MORALE WITH HIS OR HER TEAM, SHARING IN SUCCESSES, WORKING TH ROUGH PROBLEMS FOSTERS OPEN DIALOGUE, AND WORKS TOWARDS CREATING AN ATMOSPHERE WHERE OUTC OMES AND SUCCESS ARE BENEFICIAL TO THE TEAM AND/OR THE ORGANIZATION AT LARGE VISION ----- - CAPITAL HEALTH WILL BE THE PREMIER COMMUNITY-BASED HEALTHCARE PROVIDER IN NEW JERSEY CA PITAL HEALTH WILL CONSTANTLY STRIVE TO SUSTAIN THE HIGHEST PROFESSIONAL QUALITY STANDARDS, TO EXCEED EXPECTATIONS OF THOSE SERVED AND TO PROMOTE A POSITIVE WORK ENVIRONMENT CAPITA L HEALTH'S SUCCESS WILL BE BUILT UPON CARING, COMPASSION, CREATIVITY, INTEGRITY, RESPECT, SERVICE, AND TEAMWORK SERVICE CULTURE INITIATIVE -----</p> <p>----- CAPITAL HEALT H IS DEDICATED TO HIGH QUALITY PERFORMANCE AND TO EXCEEDING CUSTOMER EXPECTATIONS WITHIN A SUPPORTIVE AND FRIENDLY ENVIRONMENT EACH EMPLOYEE HAS A RESPONSIBILITY AND IS ACCOUNTABL E FOR PROVIDING OPTIMUM SATISFACTION TO THE PATIENTS AND THEIR FAMILIES, PHYSICIANS AND CO WORKERS</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT (CONTINUED)	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>SERVICE CULTURE INITIATIVE VISION STATEMENT ----- - CAPITAL HEALTH COMMITS TO THE NEEDS OF THE COMMUNITY SERVED THROUGH EXCELLENT SERVICE AND CARE, CAPITAL HEALTH ACHIEVES SUCCESSFUL PATIENT OUTCOMES - CAPITAL HEALTH ADHERES TO A STANDARD OR POSITIVE BEHAVIOR THIS MUST INCLUDE POSITIVE FIRST IMPRESSIONS, APPROPRIATE C OMMUNICATION, PROFESSIONAL APPEARANCE AND THE REALIZATION THAT THEY ARE DEALING WITH PEOPL E'S LIVES - CAPITAL HEALTH CREATES AN ENVIRONMENT CONDUCTIVE TO POSITIVE RELATIONSHIPS BY HAVING EFFICIENT AND EFFECTIVE SYSTEMS, CAPITAL HEALTH IMPROVES QUALITY CARE AND SERVICE DELIVERY - CAPITAL HEALTH ACCEPTS THE CHALLENGE OF SERVICE CULTURE IMPROVEMENT AS A BUSIN ESS STRATEGY IT IS NOT ONLY THE NICE THING TO DO, BUT THE RIGHT THING TO DO TO ASSURE THE GROWTH OF CAPITAL HEALTH - CAPITAL HEALTH RECOGNIZES EXCELLENT SERVICE CULTURE PERFORMAN CE. FEATURED SERVICES</p> <p>===== DIABETES SERVICES ----- DIABETES CARE AT CAPITAL HEALTH IS AN OUTPATIENT COMPREHENSIVE REFERRAL BASED DIABETES EDUCATION PROGRAM THAT EMPOWERS PATIENTS TO TAKE CONTROL IN THE SUCCESSFUL MANAGEMENT OF THEIR DISEASE. CAP ITAL HEALTH'S EDUCATION MODEL, WHERE THE PATIENT IS THE CENTRAL PLAYER, IS WIDELY RECOGNIZ ED AS THE BEST MODEL TO USE TO HELP THE PATIENT ACHIEVE OPTIMAL HEALTH RELATED OUTCOMES. C APITAL HEALTH WORKS CLOSELY WITH PRIMARY CARE PHY SICIANS WHO CONTINUE TO MONITOR EACH INDIVI DUAL'S MEDICAL PROBLEMS. EMERGENCY SERVICES -----</p> <p>----- THE CAPITAL AREA REGIONAL TRAUMA CENTER, THE LEVEL II TRAUMA CENTER AT CAPITAL HEALTH - REGIONAL MEDICAL CENTER, IS ONE OF ONLY 10 DESIGNATED TRAUMA CENTERS IN NEW JERSEY. CAPITAL HEALTH PROVIDES COMPREHEN SIVE CARE FROM THE TIME OF INJURY THROUGH REHABILITATION. THE CAPITAL HEALTH CENTER MEETS HIGH NATIONAL STANDARDS FOR PATIENT CARE AND TEACHING. THE CAPITAL AREA REGIONAL TRAUMA CE NTER IS A NEW JERSEY STATE DESIGNATED TRAUMA CENTER. THE DESIGNATION PROCESS INVOLVES DETA ILED REGULAR INSPECTIONS BY NATIONAL AND STATE ORGANIZATIONS TO ASSURE HIGH STANDARDS OF C ARE. CAPITAL HEALTH IS THE REGIONAL REFERRAL CENTER FOR INJURED PATIENTS IN MERCER COUNTY AND ADJACENT PARTS OF SOMERSET, HUNTERDON, BURLINGTON, AND MIDDLESEX COUNTIES AS WELL AS N EARBY AREAS OF PENNSYLVANIA. DESIGNATED TRAUMA CENTERS CARE FOR SEVERELY INJURED PATIENTS AS WELL AS VICTIMS OF ACCIDENT TYPES KNOWN TO BE ASSOCIATED WITH A HIGH RISK FOR INJURY. T RAUMA PATIENTS INCLUDE PERSONS INVOLVED IN MOTOR VEHICLE CRASHES, FALLS, AND ASSAULTS WITH KNIVES, GUNS, OR BLUNT OBJECTS. TRAUMA CENTERS HAVE THE LATEST TECHNOLOGY AND EXPERIENCED STAFF AVAILABLE TO CARE FOR YOUR FAMILY MEMBER. BESIDES PROVIDING CARE TO THE INJURED, TR AUMA CENTERS ARE ALSO ACTIVE PARTNERS WITH THE COMMUNITY IN INJURY PREVENTION AND PUBLIC E DUCATION. MATERNITY ----- FROM ROUTINE DELIVERIES TO HIGH-RISK NEEDS, CAPITAL HEALTH'S GREAT EXPECTATIONS PROGRAM PROVIDES A FULL RANGE OF PRENATAL, OBSTETRICAL, POSTPARTUM, AN D NEONATAL CARE OPTIONS TO MAKE SURE YOUR NEW FAMILY HAS THE GREATEST CHANCE FOR A HEALTHY BEGINNING. THE MATERNITY UNIT ON THE REGIONAL CAMPUS IS MERCER COUNTY'S ONLY REGIONAL PER INATAL CENTER AND THE ONLY LEVEL III NEONATAL INTENSIVE CARE UNIT. CAPITAL HEALTH IS THE O NLY HEALTHCARE PROVIDER IN THE REGION TO HAVE IN-HOUSE COVERAGE BY OBSTETRICIANS, MIDWIVES , NEONATOLOGISTS, AND ANESTHESIOLOGISTS 24 HOURS A DAY, SEVEN DAYS A WEEK. AND, CAPITAL HE ALTH WAS CHOSEN AS NEW JERSEY'S FIRST SITE TO HOUSE A NEW PROGRAM CALLED MARCH OF DIMES FA MILY SUPPORT. THE PROGRAM PROVIDES INFORMATION AND EMOTIONAL SUPPORT TO FAMILIES OF CRITIC ALLY ILL NEWBORNS BEING CARED FOR IN THE NEONATAL INTENSIVE CARE UNIT. ALSO, THE COMPREHEN SIVE CHILDBIRTH AND PARENT EDUCATION SERVICES HELPS PREPARE INDIVIDUALS TO BE THE BEST PAR ENT POSSIBLE BY TEACHING ABOUT THE PROCESS OF BIRTH AND HOW TO CARE FOR YOUR INFANT. INSTI TUTE FOR NEUROSCIENCES ----- THE CAPITAL INSTITUTE FOR NEUROSCIENCES , SUPPORTED BY CAPITAL HEALTH'S HOSPITALS IN BOTH TRENTON AND HOPEWELL, AND WITH OUTPATIEN T OFFICES IN THE MEDICAL OFFICE BUILDING ATTACHED TO CAPITAL HEALTH MEDICAL CENTER - HOPEW ELL, HAS ADVANCED THE LEVEL OF CARE AVAILABLE TO PATIENTS IN THE REGION. PROVIDING COMPREH ENSIVE, STATE-OF-THE-ART DIAGNOSTICS AND TREATMENTS FOR A WIDE RANGE OF MEDICAL CONDITIONS INVOLVING THE BRAIN, SPINE AND NERVOUS SYSTEM, THE INSTITUTE'S HIGHLY TRAINED PHY SICIANS INCLUDE BOARD-CERTIFIED AND FELLOWSHIP-TRAINED SPECIALISTS, AND AMONG THEM ARE THREE OF ON LY A VERY SELECT NUMBER OF DUAL-TRAINED NEUROSURGEONS IN THE NATION. AT THE INSTITUTE, PAR T OF CAPITAL HEALTH, PATIENTS BENEFIT FROM A MULTI-DISCIPLINARY TEAM OF SPECIALISTS WHICH CAN INCLUDE NEUROLOGISTS, NEUROSURGEONS, AND OTHER SPECIALIZED PHY SICIANS, AS WELL AS ANES THESIOLOGISTS, PHY SICIAN ASSISTANTS, CRITICAL CARE NURSES, NURSE ANESTHETISTS, SPEECH PATH OLOGISTS, TECHNICIANS, PHY SICAL AND OCCUPATIONAL THERAPISTS, SOCIAL WORKERS, AND OTHER CRI TICAL TEAM MEMBERS WHO PROVIDE AN OUTSTANDING CONT</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT (CONTINUED)	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>INUUM OF CARE FROM DIAGNOSIS TO TREATMENT AND RECOVERY AT CAPITAL HEALTH THE INSTITUTE, L ED BY NEUROSURGEON DR EROL VEZNEDAROGLU, INCLUDES MANY SPECIALIZED CENTERS OF CARE INCLUD ING THE STROKE AND CEREBROVASCULAR CENTER OF NJ, KNOWN AS A CENTER OF EXCELLENCE TO REFERR ING PHYSICIANS AS WELL AS PATIENTS AND THEIR FAMILIES AMONG THE CONDITIONS TREATED - STR OKE AND TRANSIENT ISCHEMIC ATTACKS - CAROTID STENOSIS - ANEURY SM - ARTERIOVENOUS MALFORMAT IONS (AVMS) - CHIARI MALFORMATIONS - TRAUMATIC BRAIN INJURY - TUMORS OF THE BRAIN AND SPIN E - BOTH MALIGNANT AND BENIGN AND INCLUDING SCHWANNOMAS, MENINGIOMAS, NEUROFIBROMAS, PITUI TARY, PINEAL, SKULL BASE, GLIOMAS AND OTHERS - SPINAL DISEASES AND INJURIES - SUCH AS HERN IATED DISCS, SPONDY LOLISTHESIS, SPINAL COMPRESSION FRACTURES AND SPINAL VASCULAR MALFORMAT IONS - DEGENERATIVE DISEASES AND SPINAL TRAUMA - NEUROLOGIC CONDITIONS INCLUDING DEMENTIA, MUSCLE AND MOVEMENT DISORDERS, NERVE DISORDERS AND HEADACHES - MOVEMENT DISORDERS, PARKIN SON'S, ESSENTIAL TREMOR, ATYPICAL PARKINSON'S (MULTISY STEM ATROHY, PROGRESSIVE SUPRANUCLEA R PALSY, AND CORTICOBASILAR DEGENERATION), DY STONIA, ATAXIA AND SPASTICITY - PEDIATRIC NEU ROLOGY, INCLUDING DEVELOPMENTAL DELAYS, AUTISM, NEUROMETABOLIC AND GENETIC DISORDERS, AND ATTENTION DEFICIT DISORDERS - ACUTE AND CHRONIC PAIN, INCLUDING PAIN FROM SPINAL STENOSIS, NERVE DISORDERS, CANCER, FIBROMY ALGIA, SCIATICA, MIGRAINES, TRIGEMINAL MEURALGIA, MYOFACI AL, SHINGLES AND OTHER CONDITIONS - EPILEPSY - MOVEMENT LIMITATIONS DUE TO STROKE, ARTHRIT IS, INJURY, AMPUTATION, OR OTHER CONDITIONS CENTER FOR DIGESTIVE HEALTH ----- THE CAPITAL HEALTH CENTER FOR DIGESTIVE HEALTH IS ADVANCING THE LEVEL OF CARE AV AILABLE TO PATIENTS IN THE REGION BY PROVIDING COMPREHENSIVE, STATE-OF-THE-ART DIAGNOSTICS AND TREATMENTS FOR A WIDE RANGE OF MEDICAL CONDITIONS INVOLVING THE ENTIRE DIGESTIVE SY ST EM ALL IN ONE LOCATION THE CENTER'S HIGHLY TRAINED AND SPECIALIZED PHY SICIANS UTILIZE CUT TING-EDGE TECHNOLOGY TO DELIVER OUTSTANDING CARE THE CENTER'S MEDICAL DIRECTOR IS A BOARD - CERTIFIED GASTROENTEROLOGIST WITH YEARS OF EXPERIENCE WHO HELPS PATIENTS AND THEIR REFERR ING DOCTORS NAVIGATE THE CENTER AND ACCESS THE APPROPRIATE SPECIALIST OR SURGEON FOR THE A DVANCED TESTING OR CARE REQUIRED THE CENTER'S MEDICAL STAFF INCLUDES THE REGION'S PRE-EMI NENT MEDICAL EXPERT IN INTERVENTIONAL GASTROENTEROLOGY AND THERAPEUTIC ENDOSCOPY, WHO HAS UNMATCHED EXPERIENCE USING ADVANCED DIAGNOSTIC TECHNIQUES SUCH AS ENDOSCOPIC ULTRASOUND (E US) AND NON-SURGICAL TREATMENTS SUCH AS ENDOSCOPIC RETROGRADE CHOLANGIOPANCREATOGRAPHY (ER CP), RADIOFREQUENCY ABLATION (BARRX), ENDOSCOPIC MUCOSAL RESECTION (EMR), AND ENTERAL STEN T PLACEMENT IF SURGERY IS AN OPTION, THE CENTER HAS DIRECT ACCESS TO A ROSTER OF HIGHLY T RAINED LAPAROSCOPIC (MINIMALLY INVASIVE) SURGEONS, INCLUDING THE AREA'S ONLY HEPATOBILIARY SURGEON WHO SPECIALIZES IN ADVANCED LAPAROSCOPIC PROCEDURES OF THE LIVER, PANCREAS, AND B ILE DUCTS</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT (CONTINUED)	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>CENTER FOR ONCOLOGY ----- CAPITAL HEALTH HAS CONSISTENTLY OFFERED PATIENTS A CLOSELY INTEGRATED TEAM OF MEDICAL, SURGICAL, RADIATION, AND ALLIED CANCER SPECIALISTS WHO USE THEIR KNOWLEDGE AND EXPERIENCE TO PROVIDE CUTTING-EDGE CANCER TREATMENT CLOSE TO HOME. WHEN ONE CHOOSES CAPITAL HEALTH FOR CANCER CARE, ONE SELECTS BOARD CERTIFIED PHYSICIANS WHO REMAIN WITH THE PATIENT FROM DIAGNOSIS THROUGH TREATMENT. WORKING TOGETHER, CAPITAL HEALTH OFFERS A COMPASSIONATE APPROACH TO ASSIST PATIENTS WITH EVERY ASPECT OF CANCER CARE, INCLUDING SCREENING, DIAGNOSIS, TREATMENT, RECOVERY, AND SURVIVORSHIP. THE CAPITAL HEALTH CENTER FOR ONCOLOGY IS COMMITTED TO PROVIDING COMPREHENSIVE QUALITY ONCOLOGY HEALTHCARE SERVICES, TO HELP IMPROVE AND SUSTAIN THE HEALTH STATUS OF RESIDENTS LIVING PRIMARILY IN CENTRAL NEW JERSEY AND LOWER BUCKS COUNTY. CAPITAL HEALTH STRIVES TO IMPROVE AND EXTEND THE QUALITY OF LIFE FOR THE PATIENT WITH CANCER. THE RCC WILL BE A LEADER IN DEFINING THE COMMUNITY'S CANCER CARE NEEDS BY PROVIDING APPROPRIATE PLANS THROUGH A COMPREHENSIVE CONTINUUM OF CARE, WHICH INCLUDES EDUCATION, PREVENTION, SCREENING, DIAGNOSIS, TREATMENT, SYMPTOM MANAGEMENT, SUPPORTIVE CARE AND SURVIVORSHIP PROGRAMS. CAPITAL HEALTH'S SUCCESS WILL BE BUILT UPON CARE, COMPASSION, CREATIVITY, INTEGRITY, RESPECT, SERVICE, STATE-OF-THE-ART TECHNOLOGY AND MULTIDISCIPLINARY TEAMWORK.</p> <p>PEDIATRICS ----- CAPITAL HEALTH MEDICAL CENTER - HOPEWELL IS HOME TO THE ONLY IN-PATIENT PEDIATRIC UNIT IN MERCER COUNTY. CAPITAL HEALTH'S PEDIATRIC EMERGENCY SERVICES ENSURES NO CHILD WILL WAIT FOR EMERGENCY CARE. THE PEDIATRIC HOSPITALIST PROGRAM GIVES PEDIATRIC PATIENTS AND THEIR PHYSICIANS AROUND-THE-CLOCK ACCESS TO IN-HOUSE PEDIATRICIANS. RADIOLOGY SERVICES ----- CAPITAL HEALTH HAS AN ARSENAL OF THE MOST STATE-OF-THE-ART TECHNOLOGY TOOLS THAN ANY OTHER HEALTHCARE SYSTEM IN THE REGION. AS THE REGION'S TECHNOLOGY LEADER, CAPITAL HEALTH IS THE FIRST TO OFFER FULL-TIME, ONSITE PET SCAN TECHNOLOGY. THE FULL-SERVICE IMAGING SUITE BOASTS A NEW GENERATION SPIRAL CT ULTRA SCANNER EQUIPPED TO PERFORM COMPUTERIZED TOMOGRAPHY (CAT SCANS) AND A MAGNETIC RESONANCE IMAGING (MRI) MACHINE THAT FEATURES THE SHORTEST HIGH-FIELD MAGNET IN THE INDUSTRY.</p> <p>SLEEP CENTER ----- CAPITAL HEALTH HAS BEEN PROVIDING COMPREHENSIVE EVALUATION AND TREATMENT FOR SLEEP RELATED PROBLEMS FOR MORE THAN 20 YEARS AND CAPITAL HEALTH WAS THE FIRST IN MERCER COUNTY. AT THE PRESENT TIME, CAPITAL HEALTH IS THE LARGEST FULLY ACCREDITED SLEEP CENTER IN MERCER AND BUCKS COUNTIES. BETWEEN BOTH CAMPUSES, CAPITAL HEALTH OFFERS FOURTEEN PRIVATE ROOMS DEDICATED TO SLEEP TESTING FOR PATIENTS WHO HAVE A WIDE VARIETY OF PROBLEMS RELATED TO SLEEP AND WAKEFULNESS. AS SLEEP CENTERS FULLY ACCREDITED BY THE AMERICAN ACADEMY OF SLEEP MEDICINE, CAPITAL HEALTH ENSURES THAT ALL PATIENTS TREATED AT CAPITAL HEALTH BENEFIT FROM A COMPLETE SLEEP EVALUATION AND INDIVIDUALIZED TREATMENT PLAN.</p> <p>DEFINITION OF COMMUNITY AND POPULATION SERVED ----- CAPITAL HEALTH DEFINES ITS COMMUNITY AS THE CITY OF TRENTON, MERCER COUNTY AND BUCKS COUNTY. TRENTON, N.J. IS LOCATED IN MERCER COUNTY ACROSS THE DELAWARE RIVER FROM BUCKS COUNTY, PA. TRENTON WAS ONCE A CENTER FOR INDUSTRY IN THE LATE 1800'S AND EARLY 1900'S, BUT HAS SEEN DRAMATIC ECONOMIC DEVELOPMENT CHALLENGES FOR MOST OF THE 20TH CENTURY. ACCORDING TO THE 2000 U.S. CENSUS, ITS 1999 MEDIAN HOUSEHOLD INCOME WAS \$31,074, BY FAR THE LOWEST IN MERCER COUNTY, WHERE THE OVERALL MEDIAN HOUSEHOLD INCOME WAS \$56,612. TRENTON WAS THE ONLY MUNICIPALITY IN THE COUNTY TO EXPERIENCE A DECREASE IN ITS POPULATION BETWEEN 1990 AND 2000 AS ITS NUMBER OF RESIDENTS FELL 3.7 PERCENT TO 85,403. TRENTON ALSO HAS THE HIGHEST NUMBER AND PERCENTAGE OF MINORITIES IN MERCER COUNTY WITH A PREDOMINANTLY AFRICAN-AMERICAN POPULATION OF 44,465 RESIDENTS OR 52.1 PERCENT. HISPANICS OR LATINOS OF ANY RACE CONSTITUTED 18,391 RESIDENTS OR 21.5 PERCENT, WHILE CAUCASIANS WERE NUMBERED AT 27,802 OR 32.6 PERCENT.</p> <p>COMMUNITY BENEFITS PROGRAMS ===== OUTLINED BELOW ARE A NUMBER OF CAPITAL HEALTH COMMUNITY BENEFIT PROGRAMS. THE INFORMATION IS NOT INTENDED TO BE ALL-INCLUSIVE BUT RATHER PROVIDES ADDITIONAL INFORMATION THAT FURTHER DEMONSTRATES HOW CAPITAL HEALTH BENEFITS THE SURROUNDING COMMUNITY IN FURTHERANCE OF ITS CHARITABLE TAX-EXEMPT PURPOSES.</p> <p>CAPITAL HEALTH CHILD BIRTH AND PARENT EDUCATION PROGRAM ----- BENEFIT ACTIVITY. PREPARED CHILD BIRTH CLASSES IN SPANISH LANGUAGE. THE CHILD BIRTH AND PARENT EDUCATION PROGRAM PROVIDES, FREE OF CHARGE, A FULL-DAY PREPARED CHILD BIRTH CLASS TO SPANISH-SPEAKING EXPECTANT PARENTS FROM THEIR COMMUNITY. THE CLASS IS HELD EVERY OTHER MONTH AND IS TAUGHT BY A CAPITAL HEALTH CERTIFIED CHILD BIRTH AND PARENT EDUCATOR WHO IS FLUENT IN SPANISH. CULTURALLY APPROPRIATE METHODS AND AUDIO-VISUAL MATERIALS ARE UTILIZED IN THE TEACHING OF THIS CLASS. PARTICIPANTS R</p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT (CONTINUED)	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	<p>ECEIVE FREE BREAKFAST AND LUNCH PARTICIPANTS RECEIVE SPANISH LANGUAGE REFERENCE MATERIALS AND AN EXTENSIVE HANDBOOK REFERRALS TO THIS CLASS COME FROM THE CAPITAL HEALTH, HEALTH S TART PRENATAL CLINIC, A COMMUNITY PARTNERSHIP WITH CUNA, AND BY WORD-OF-MOUTH LACTATION S ERVICES ----- IN 2000, THE BREASTFEEDING RATE AT CAPITAL HEALTH START CLINIC FOR ANY BREASTFEEDING WAS 40 PERCENT EXCLUSIVE BREASTFEEDING WAS ONLY 14 PERCENT THROUGH EDUCATIONAL PROGRAMS AND ONE-TO-ONE SUPPORT WITH INCREASES IN SERVICES, THE CAPITAL HEALT H, HEALTH START CLINIC AS OF 2005 DEMONSTRATED A 69 PERCENT BREASTFEEDING INITIATION RATE AND A 34 PERCENT EXCLUSIVE BREASTFEEDING RATE SUPPORT PROGRAMS FOR THIS VULNERABLE POPULA TION HAVE BEEN INSTRUMENTAL IN THESE DRAMATIC INCREASES THESE RATES EXCEED THOSE OF OTHER CITIES SUCH AS NEWARK, PHILADELPHIA AND BALTIMORE TRAUMA EDUCATION ----- THE CAPITAL AREA REGIONAL TRAUMA CENTER AT CAPITAL HEALTH OFFERS FREE INJURY PREVENTION PROGRA MS TO MEMBERS OF THE COMMUNITY THAT INCLUDE PEDESTRIAN SAFETY, BICYCLE SAFETY, SEAT BELT S AFETY, PROPER USE OF CHILD SAFETY SEATS, AND HOME SAFETY CONNECTING WITH THE LATINO COMMU NITY ----- ENLACE ("LINK" IN SPANISH) IS A NAME FOR AN INNO VATIVE CAPITAL HEALTH PROGRAM DESIGNED TO CREATE CONTACTS AND CONNECTIONS WITHIN THE LATIN O COMMUNITY THROUGH ENLACE, CAPITAL HEALTH PROVIDES MEDICAL INTERPRETING AND HAS TRANSLAT ED ALL VITAL MEDICAL DOCUMENTS AND ARE NOW DOING THE SAME WITH PATIENT EDUCATION MATERIALS ENLACE ALSO HELPS EDUCATE THE LATINO COMMUNITY ABOUT AMERICAN CUSTOMS AND HEALTHCARE PRA CTICES AND PROVIDES CAPITAL HEALTH STAFF WITH INFORMATION ABOUT LATINO CULTURES ANOTHER P ROGRAM, CUNA (WHICH IS SPANISH FOR "CRIB"), CONNECTS LATINO WOMEN WITH PRE- AND POST-NATAL CARE, AND HELPS NEW MOTHERS OVERCOME LANGUAGE BARRIERS TO BETTER UNDERSTAND HEALTH ISSUES CUNA ALSO OFFERS HELP WITH NUTRITION, COPING SKILLS AND EVEN BABY SITTING FOR OLDER CHILD REN COMMUNITY HEALTH EDUCATION - ----- CAPITAL HEALTH'S COMMUNITY HEAL TH EDUCATION PROGRAM IS DEDICATED TO IMPROVING THE HEALTH AND WELL-BEING OF THE COMMUNITY, AS WELL AS TO THE PREVENTION AND EARLY DETECTION OF DISEASE AMONG PEOPLE LIVING IN OUR CO MMUNITY THESE GOALS ARE ACCOMPLISHED BY PROVIDING HEALTH EDUCATION AND OTHER RELATED SERV ICES TO THE GENERAL PUBLIC, AS WELL AS TO BUSINESS ORGANIZATIONS THESE SERVICES CONSIST O F THE SPEAKER'S BUREAU, HEALTH FAIRS/HEALTH SCREENINGS, HEALTH EDUCATION LECTURE SERIES AN D SUPPORT GROUPS, WALKING CLUBS, HEALTH INFORMATION CENTER, WELLNESS SPA, AND A PARTNERSHIP WITH THE MERCER COUNTY TOBACCO QUIT CENTER PROGRAMS ARE HELD IN VARIOUS LOCATIONS THROU GHOUT MERCER AND BUCKS COUNTIES, WITH TOPICS INCLUDING DIABETES EDUCATION, PERIPHERAL VASC ULAR DISEASE AWARENESS, HEALTHY EATING, CANCER GENETICS, AND WOMEN'S HEALTH ISSUES THE CO MMUNITY HEALTH EDUCATION PROGRAM PROVIDES A SERIES OF DIVERSE HEALTH EDUCATION PROGRAMS, R ELATED TO HEALTH MAINTENANCE, DISEASE PREVENTION, EARLY DETECTION, GENERAL WELLNESS AND PE RSONAL DEVELOPMENT A SCHEDULE OF THE PROGRAMS, SCREENINGS AND SUPPORT GROUPS MAY BE VIEWE D ONLINE AT <a href="http://WWW.CAPITALHEALTH.ORG">WWW.CAPITALHEALTH.ORG</a></p>

Identifier	Return Reference	Explanation
COMMUNITY BENEFIT STATEMENT (CONTINUED)	CORE FORM, PART III, STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	COMMUNITY SPONSORSHIPS ----- CAPITAL HEALTH IS PROUD TO SPONSOR MANY LOCAL ORGANIZATIONS IN MERCER AND BUCKS COUNTIES THROUGH IN-KIND AND MONETARY DONATIONS CAPITAL HEALTH SUPPORTS A VARIETY OF CIVIC AND CULTURAL ORGANIZATIONS THAT WORK TO IMPROVE THE WELL BEING OF THE COMMUNITY CONCLUSION ----- CAPITAL HEALTH IS A NON-PROFIT ORGANIZATION THAT HAS AN "OPEN DOOR" POLICY THIS POLICY MEANS THAT CAPITAL HEALTH PROVIDES NECESSARY BASIC HOSPITAL CARE TO EVERYONE, REGARDLESS OF THEIR ABILITY TO PAY FOR THEIR CARE CAPITAL HEALTH IS COMMITTED TO COMMUNITY OUTREACH AND EDUCATION, OFFERING NUMEROUS HEATH CARE RELATED PROGRAMS AND ACTIVITIES, INCLUDING COMMUNITY HEALTH FAIRS, HEALTH SCREENINGS, HEALTH EDUCATION AND MEDICAL LECTURES AND SEMINARS ANNUALLY CAPITAL HEALTH IS PROUD OF THEIR MANY PARTNERSHIPS WITH LOCAL ORGANIZATIONS TO FURTHER SHOW HOW CAPITAL HEALTH IS COMMITTED TO BENEFITING ITS COMMUNITY, CAPITAL HEALTH, IN NOVEMBER 2011, OPENED ITS \$530 MILLION 223-BED HOSPITAL IN HOPEWELL TOWNSHIP, NEW JERSEY TO REPLACE ITS EXISTING FACILITY, CAPITAL HEALTH - MERCER, IN TRENTON, NEW JERSEY IN ADDITION, CAPITAL HEALTH REGIONAL MEDICAL CENTER IN TRENTON IS CREATING TWO NEW MEDICAL-SURGICAL UNITS AND HAS UNDERGONE A COMPLETE RENOVATION, INCLUDING THE ADDITION OF SPACE TO ACCOMMODATE SERVICES TRANSFERRED FROM MERCER, WHEN THE NEW HOSPITAL OPENED CAPITAL HEALTH OBTAINED A MORTGAGE LOAN THROUGH THE FEDERAL HOUSING ADMINISTRATION WHICH ENABLED IT TO LOWER ITS COST OF CREDIT THIS WILL ALLOW CAPITAL HEALTH TO USE MORE OF ITS RESOURCES TO SERVE THE MEDICAL NEEDS OF ITS COMMUNITY



Identifier	Return Reference	Explanation
OTHER PROGRAM SERVICES	CORE FORM, PART III, QUESTION 4D	EXPENSES INCURRED IN PROVIDING VARIOUS OTHER MEDICALLY NECESSARY HEALTHCARE SERVICES TO ALL INDIVIDUALS IN A NON-DISCRIMINATORY MANNER REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY PLEASE REFER TO THE ORGANIZATION'S COMMUNITY BENEFIT STATEMENT INCLUDED IN SCHEDULE O

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 11B	<p>THE ORGANIZATION IS THE PARENT ENTITY OF CAPITAL HEALTH SYSTEM AND AFFILIATES ("SYSTEM"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY SYSTEM. THE ORGANIZATION'S FEDERAL FORM 990 WAS PROVIDED TO EACH VOTING MEMBER OF THE ORGANIZATION'S GOVERNING BODY (ITS BOARD OF TRUSTEES) PRIOR TO FILING WITH THE INTERNAL REVENUE SERVICE ("IRS"). IN ADDITION THE CAPITAL HEALTH SYSTEM, INC. COMPENSATION COMMITTEE ALSO PERFORMED A DETAILED REVIEW OF THE FEDERAL FORM 990 PRIOR TO PROVIDING IT TO EACH VOTING MEMBER OF ITS BOARD OF TRUSTEES FOR REVIEW. THE CAPITAL HEALTH SYSTEM, INC. BOARD OF TRUSTEES HAS DELEGATED TO THE COMPENSATION COMMITTEE THE RESPONSIBILITY TO OVERSEE AND COORDINATE THE FEDERAL FORM 990 PREPARATION AND FILING PROCESS FOR THE TAX-EXEMPT AFFILIATES OF THE SYSTEM. AS PART OF THE ORGANIZATION'S FEDERAL FORM 990 TAX RETURN PREPARATION PROCESS THE ORGANIZATION HIRED A PROFESSIONAL CPA FIRM WITH EXPERIENCE AND EXPERTISE IN BOTH HEALTHCARE AND NOT-FOR-PROFIT TAX RETURN PREPARATION TO PREPARE THE FEDERAL FORM 990. THE CPA FIRM'S TAX PROFESSIONALS WORKED CLOSELY WITH THE ORGANIZATION'S GENERAL COUNSEL, VICE PRESIDENT OF FINANCE, CHIEF COMPLIANCE OFFICER AND VARIOUS OTHER INDIVIDUALS OF THE SYSTEM TO OBTAIN THE INFORMATION NEEDED IN ORDER TO PREPARE A COMPLETE AND ACCURATE TAX RETURN. THE CPA FIRM PREPARED A DRAFT FEDERAL FORM 990 AND FURNISHED IT TO THE ORGANIZATION'S INTERNAL WORKING GROUP, INCLUDING, BUT NOT LIMITED TO, THOSE INDIVIDUALS OUTLINED ABOVE FOR THEIR REVIEW. THE ORGANIZATION'S INTERNAL WORKING GROUP AND OTHER INDIVIDUALS REVIEWED THE DRAFT FEDERAL FORM 990 AND DISCUSSED QUESTIONS AND COMMENTS WITH THE CPA FIRM. REVISIONS WERE MADE TO THE DRAFT FEDERAL FORM 990 WHERE NECESSARY AND A FINAL DRAFT WAS FURNISHED BY THE CPA FIRM TO THE ORGANIZATION'S INTERNAL WORKING GROUP AND VARIOUS OTHER INDIVIDUALS FOR FINAL REVIEW AND APPROVAL PRIOR TO PRESENTATION OF THE FEDERAL FORM 990 TO THE MEMBERS OF THE CAPITAL HEALTH SYSTEM, INC. COMPENSATION COMMITTEE. FOLLOWING THE COMPENSATION COMMITTEE'S REVIEW THE FINAL FEDERAL FORM 990 WAS PROVIDED TO EACH VOTING MEMBER OF THE ORGANIZATION'S GOVERNING BODY PRIOR TO FILING WITH THE IRS.</p>

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 12	THE ORGANIZATION IS THE PARENT ENTITY IN THE CAPITAL HEALTH SYSTEM AND AFFILIATES ("SYSTEM") THE ORGANIZATION AND THE SYSTEM REGULARLY MONITOR AND ENFORCE COMPLIANCE WITH ITS CONFLICT OF INTEREST POLICY ANNUALLY ALL MEMBERS OF THE BOARD OF TRUSTEES, OFFICERS AND SENIOR MANAGEMENT PERSONNEL ARE REQUIRED TO REVIEW THE EXISTING CONFLICT OF INTEREST POLICY AND COMPLETE A QUESTIONNAIRE THE COMPLETED QUESTIONNAIRES ARE RETURNED TO THE ORGANIZATION AND BOTH THE SYSTEM'S GENERAL COUNSEL AND CHIEF COMPLIANCE OFFICER FOR REVIEW THEREAFTER THE CHIEF COMPLIANCE OFFICER PREPARES A SUMMARY OF THE COMPLETED QUESTIONNAIRES WHICH CONTAINS INFORMATION DISCLOSED ON AN INDIVIDUAL BY INDIVIDUAL BASIS THE SYSTEMS CHIEF COMPLIANCE OFFICER THEN PRESENTS THIS SUMMARY TO THE SYSTEM'S FULL BOARD OF TRUSTEES FOR ITS REVIEW AND DISCUSSION THIS SUMMARY IS UPDATED BY THE CHIEF COMPLIANCE OFFICER ON A QUARTERLY BASIS

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 15	<p>THE ORGANIZATION'S BOARD OF TRUSTEES HAS A BOARD COMPENSATION COMMITTEE ("COMMITTEE"). THE COMMITTEE HAS ADOPTED A WRITTEN EXECUTIVE COMPENSATION PHILOSOPHY WHICH IT FOLLOWS WHEN IT REVIEWS AND APPROVES OF THE COMPENSATION AND BENEFITS OF ALL OF THE ORGANIZATION'S SENIOR MANAGEMENT AND OTHERS, INCLUDING THE CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND OTHER OFFICERS OF THE ORGANIZATION, PHYSICIANS, AND ANY OTHER DISINTERESTED PERSONS. IT ALSO REVIEWS AND APPROVES EMPLOYMENT AGREEMENTS FOR THE COVERED EMPLOYEES AND DISINTERESTED PERSONS. THE COMMITTEE REVIEWS THE "TOTAL COMPENSATION" OF THE INDIVIDUALS WHICH IS INTENDED TO INCLUDE BOTH CURRENT AND DEFERRED COMPENSATION AND ALL EMPLOYEE BENEFITS, BOTH QUALIFIED AND NON-QUALIFIED. THE COMMITTEE'S REVIEW IS DONE ON AT LEAST AN ANNUAL BASIS AND ENSURES THAT THE "TOTAL COMPENSATION" OF SENIOR MANAGEMENT OF THE ORGANIZATION IS REASONABLE. THE ACTIONS TAKEN BY THE COMMITTEE ENABLE THE ORGANIZATION TO RECEIVE THE REBUTTABLE PRESUMPTION OF REASONABLENESS FOR PURPOSES OF INTERNAL REVENUE CODE SECTION 4958 WITH RESPECT TO THE TOTAL COMPENSATION OF THE SENIOR MANAGEMENT TEAM. REBUTTAL PRESUMPTION REQUIREMENTS HAVE GUIDED THE ACTIVITIES OF THE COMMITTEE IN ALL OF ITS REVIEWS, DELIBERATIONS AND APPROVAL OF EXECUTIVE COMPENSATION ACTIONS FOR ALL OF THE COVERED EMPLOYEES AND DISINTERESTED PERSONS. THE THREE FACTORS WHICH MUST BE SATISFIED IN ORDER TO RECEIVE THE REBUTTABLE PRESUMPTION OF REASONABLENESS ARE THE FOLLOWING: 1. THE COMPENSATION ARRANGEMENT IS APPROVED IN ADVANCE BY AN "AUTHORIZED BODY" OF THE APPLICABLE TAX-EXEMPT ORGANIZATION WHICH IS COMPOSED ENTIRELY OF INDIVIDUALS WHO DO NOT HAVE A "CONFLICT OF INTEREST" WITH RESPECT TO THE COMPENSATION ARRANGEMENT, 2. THE AUTHORIZED BODY OBTAINED AND RELIED UPON "APPROPRIATE DATA AS TO COMPARABILITY" PRIOR TO MAKING ITS DETERMINATION, AND 3. THE AUTHORIZED BODY "ADEQUATELY DOCUMENTED THE BASIS FOR ITS DETERMINATION" CONCURRENTLY WITH MAKING THAT DETERMINATION. THE COMMITTEE IS COMPRISED OF MEMBERS OF THE BOARD OF TRUSTEES EACH OF WHO ARE INDEPENDENT AND ARE FREE FROM ANY CONFLICTS OF INTEREST. THE COMMITTEE RELIED UPON DATA FROM COMPARABLE HEALTHCARE AND HOSPITAL PEERS IN NEW JERSEY AS WELL AS NEIGHBORING STATES BASED ON APPROPRIATE REVENUE, SERVICES, AND OVERALL FINANCIAL PERFORMANCE. IN ADDITION, SPECIFIC SALARY SURVEYS COVERING SIMILAR, REPRESENTATIVE HOSPITAL COMPENSATION DATA WAS USED. ALL DATA WAS WEIGHTED IN ARRIVING AT MARKET CONSENSUS FOR COVERED EMPLOYEE POSITIONS, IN ORDER TO ACCURATELY REFLECT THE RELEVANT LABOR MARKET. CONTEMPORANEOUS MINUTES ARE COMPILED AND APPROVED OF ALL COMMITTEE DELIBERATIONS. THESE ARE SUPPORTED BY THE WRITTEN DOCUMENTATION COVERING ALL COMPENSATION STUDIES AND PLAN DOCUMENTS, AS WELL AS DETAILED PERFORMANCE JUSTIFICATION USED AS THE BASIS FOR AWARDING OF ALL INCENTIVE PROGRAMS. REBUTTAL PRESUMPTION ACTIVITIES OF THE COMMITTEE COVER ALL MEMBERS OF SENIOR MANAGEMENT, AS WELL AS THE COMPENSATION AND CONTRACTS COVERING PHYSICIANS AND OTHER DISINTERESTED PERSONS, ALL OF WHICH ARE SUBJECT TO THE REVIEW AND APPROVAL OF THE COMMITTEE. RECOGNIZING THE NEED TO CONSIDER RETIREMENT PLANNING FOR ITS SENIOR MANAGEMENT AS A MEANS TO AID IN THEIR RETENTION, THE COMMITTEE UNDERTOOK AN EXTENSIVE RESEARCH AND ANALYSIS OF ALTERNATIVE PROGRAMS, AND CREATED AND APPROVED A FORM OF LONG-TERM NON-QUALIFIED DEFERRED COMPENSATION (REFERRED TO AS THE "PERFORMANCE-BASED CAPITAL ACCUMULATION PLAN", OR "PBCAP"). THIS PLAN ALSO PROVIDES THE ORGANIZATION WITH AN ADDITIONAL TOOL TO ASSIST IN THE RECRUITING OF SENIOR MANAGEMENT WITHIN THE HIGHLY COMPETITIVE HEALTHCARE LABOR MARKET. THE PLAN PROVIDES SENIOR MANAGEMENT WITH THE OPPORTUNITY TO QUALIFY FOR ANNUAL DEFERRED CONTRIBUTIONS TO BE PAID AT RETIREMENT, BASED ON ACHIEVING SPECIFIED FINANCIAL PERFORMANCE TARGETS AND MEETING ESTABLISHED CIRCUIT BREAKERS. THIS PLAN COMPLIES WITH AND ADHERES TO ALL RELATED REGULATIONS, WITH AN EMPHASIS ON IRC SECTIONS 409A AND 457(F). WITH THE DECISION IN MAY 2004 TO CONSTRUCT A NEW HOSPITAL CAMPUS IN HOPEWELL, NJ, THE COMMITTEE WAS CHALLENGED TO PROVIDE THE MOTIVATION TO MEET THE CONSTRUCTION TIMETABLE AND GUARANTEED MAXIMUM PRICE (GMP). THIS WAS NECESSARY TO ENSURE THAT THE PROJECT, INCLUDING THE RETROFIT OF THE REGIONAL CAMPUS, WAS COMPLETED ON A TIMELY AND ECONOMIC BASIS. THEY RECOGNIZED THAT TRANSACTIONAL BONUSES, INCLUDED IN MOST STATE CONSTRUCTION CONTRACTS, PROVIDE THE INCENTIVE TOOLS NECESSARY TO KEEP PROJECTS ON TIME AND WITHIN BUDGET. THE RESULTING INCENTIVE PLAN, REFERRED TO AS THE "HOSPITAL ON TIME AND UNDER BUDGET PLAN" OR "HOTUB", CONTAINS THE METHODOLOGY TO REWARD MEMBERS OF SENIOR MANAGEMENT AND OTHER IDENTIFIED KEY MANAGEMENT FOR ACHIEVING THOSE GOALS, WHILE REDUCING AND/OR ELIMINATING AWARDS IF THE PROJECT IS NOT ON SCHEDULE AND/OR OVER BUDGET. SINCE THIS TYPE OF PLAN IS RELATIVELY UNIQUE IN THE NOT-FOR-PROFIT ENVIRONMENT, THE COMPENSATION COMMITTEE SPENT CONSIDERABLE TIME IN ITS DEVELOPMENT AND ENGAGED BOTH</p>

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION B, QUESTION 15	AN EXTERNAL COMPENSATION CONSULTANT TO DEVELOP THE PLAN, AS WELL AS A NOT-FOR-PROFIT LEGAL COMPENSATION AUTHORITY TO REVIEW THE PLAN THE COMPENSATION AND BENEFITS OF CERTAIN OTHER INDIVIDUALS CONTAINED IN THIS FORM 990 ARE REVIEWED ANNUALLY BY THE PRESIDENT/CHIEF EXECUTIVE OFFICER WITH ASSISTANCE FROM ORGANIZATION'S HUMAN RESOURCES DEPARTMENT IN CONJUNCTION WITH THE INDIVIDUAL'S JOB PERFORMANCE DURING THE YEAR AND IS BASED UPON OTHER OBJECTIVE FACTORS DESIGNED TO ENSURE THAT REASONABLE AND FAIR MARKET VALUE COMPENSATION IS PAID BY THE ORGANIZATION OTHER OBJECTIVE FACTORS INCLUDE MARKET SURVEY DATA FOR COMPARABLE POSITIONS, INDIVIDUAL GOALS AND OBJECTIVES, PERSONNEL REVIEWS, EVALUATIONS, SELF-EVALUATIONS AND PERFORMANCE FEEDBACK MEETINGS

Identifier	Return Reference	Explanation
DISCLOSURE INFORMATION	CORE FORM, PART VI, SECTION C, QUESTION 19	THE ORGANIZATION'S FILED CERTIFICATE OF INCORPORATION AND ANY AMENDMENTS CAN BE OBTAINED AND REVIEWED THROUGH THE STATE OF NEW JERSEY DEPARTMENT OF THE TREASURY

Identifier	Return Reference	Explanation
COMPENSATION INFORMATION DISCLOSURE	CORE FORM, PART VII AND SCHEDULE J	PART VII AND SCHEDULE J REFLECT CERTAIN BOARD MEMBERS AND OFFICERS RECEIVING COMPENSATION AND BENEFITS FROM THIS ORGANIZATION PLEASE NOTE THIS REMUNERATION WAS FOR SERVICES RENDERED AS FULL-TIME EMPLOYEES OR INDEPENDENT CONTRACTORS OF THE ORGANIZATION AND NOT FOR SERVICES RENDERED AS A VOTING MEMBER OR OFFICER OF THIS ORGANIZATION'S BOARD OF TRUSTEES

Identifier	Return Reference	Explanation
COMPENSATION AND BENEFITS DISCLOSURE	CORE FORM, PART VII AND SCHEDULE J	THE ORGANIZATION DOES NOT COMPENSATE ITS BOARD MEMBERS FOR THEIR SERVICES PERFORMED AS A TRUSTEE. ALL TRUSTEES ARE VOLUNTEERS. COMPENSATION AND BENEFITS, WHERE APPLICABLE FOR CERTAIN MEMBERS, IS RELATED TO THE BOARD MEMBER'S SERVICES PERFORMED AS A FULL-TIME EMPLOYEE OR INDEPENDENT CONTRACTOR OF THE ORGANIZATION.



Identifier	Return Reference	Explanation
RELATED HOURS DISCLOSURE	CORE FORM, PART VII, SECTION A, COLUMN B	THIS ORGANIZATION IS THE PARENT ENTITY OF CAPITAL HEALTH SYSTEM AND AFFILIATES, A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY SYSTEM ("SYSTEM"). THE SYSTEM INCLUDES BOTH FOR-PROFIT AND NOT FOR-PROFIT ORGANIZATIONS. CERTAIN BOARD OF TRUSTEE MEMBERS, OFFICERS AND/OR DIRECTORS LISTED ON CORE FORM, PART VII AND SCHEDULE J OF THIS FORM 990 MAY HOLD SIMILAR POSITIONS WITH BOTH THIS ORGANIZATION AND OTHER AFFILIATES WITHIN THE SYSTEM. THE HOURS SHOWN ON THIS FORM, 990 FOR BOARD MEMBERS WHO RECEIVE NO COMPENSATION FOR SERVICES RENDERED IN A NON-BOARD CAPACITY, REPRESENT THE ESTIMATED HOURS DEVOTED PER WEEK FOR THIS ORGANIZATION. TO THE EXTENT THESE INDIVIDUALS SERVE AS A MEMBER OF THE BOARD OF TRUSTEES OF OTHER RELATED ORGANIZATIONS IN THE SYSTEM, THEIR RESPECTIVE HOURS PER WEEK PER ORGANIZATION ARE APPROXIMATELY ONE HOUR. THE HOURS REFLECTED ON PART VII OF THIS FORM 990, FOR BOARD MEMBERS WHO RECEIVE COMPENSATION FOR SERVICES RENDERED IN A NON-BOARD CAPACITY, PAID OFFICERS AND KEY EMPLOYEES, REFLECT TOTAL HOURS WORKED PER WEEK ON BEHALF OF CAPITAL HEALTH SYSTEM, NOT SOLELY THIS ORGANIZATION.

Identifier	Return Reference	Explanation
INDEPENDENT CONTRACTORS	CORE FORM, PART VII, SECTION B	THE AMOUNTS REPORTED FOR SERVICES PROVIDED BY SKANSKA USA BUILDING, INC , BARR & BARR BUILDERS, INC AND TARGET BUILDING CONSTRUCTION INCLUDE BOTH SERVICES AND CONSTRUCTION GOODS AND SUPPLIES

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	CORE FORM, PART XI, QUESTION 5	OTHER CHANGES IN NET ASSETS OR FUND BALANCES INCLUDE - NET CHANGE IN UNREALIZED GAINS AND LOSSES ON INVESTMENTS, (\$29,519,343), AND - PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST, \$248,000

Identifier	Return Reference	Explanation
AUDITED FINANCIAL STATEMENTS	CORE FORM, PART XII, QUESTION 2	THE TAXPAYER IS THE PARENT ENTITY IN A TAX-EXEMPT, INTEGRATED HEALTHCARE DELIVERY SYSTEM. AN INDEPENDENT CPA FIRM AUDITED THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TAXPAYER AND ALL AFFILIATES FOR THE YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010, RESPECTIVELY AND ISSUED A CONSOLIDATED FINANCIAL STATEMENT WITH CONSOLIDATING SCHEDULES BY ENTITY. AN UNQUALIFIED OPINION WAS ISSUED EACH YEAR BY THE INDEPENDENT CPA FIRM. THE TAXPAYER'S AUDIT COMMITTEE ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF ITS FINANCIAL STATEMENTS AND THE SELECTION OF AN INDEPENDENT AUDITOR.

Identifier	Return Reference	Explanation
FINANCIAL STATEMENTS AND REPORTING	CORE FORM, PART XII, QUESTION 3	THE ORGANIZATION IS THE PARENT ENTITY OF CAPITAL HEALTH SYSTEM AND AFFILIATES ("SYSTEM"), A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY SYSTEM. THE SYSTEM ENGAGED AN INDEPENDENT ACCOUNTING FIRM TO PREPARE AND ISSUE A SYSTEM WIDE CONSOLIDATED A-133 AUDIT. THIS ORGANIZATION WAS INCLUDED IN THE SYSTEM WIDE A-133 AUDIT.

Identifier	Return Reference	Explanation
CHS DEPARTMENTAL EIN LISTING		<p>THE ORGANIZATION'S FEDERAL FORM 990 INCLUDES CERTAIN REVENUE RECEIVED AND EXPENSES INCURRED BY VARIOUS CAPITAL HEALTH SYSTEM, INC. RELATED PROGRAMS, DEPARTMENTS, ACTIVITIES AND CAPITAL HEALTH SYSTEM, INC. EMPLOYEES. REVENUE EARNED FROM THESE PROGRAMS AND ACTIVITIES WAS RECEIVED BY CAPITAL HEALTH SYSTEM, INC. UTILIZING DIFFERENT FEDERAL IDENTIFICATION NUMBERS OTHER THAN 22-3548695. BELOW IS A LIST OUTLINING THE VARIOUS CAPITAL HEALTH SYSTEM, INC. PROGRAMS, DIVISIONS, DEPARTMENTS AND PHYSICIAN EMPLOYEES AND THEIR RESPECTIVE FEDERAL IDENTIFICATION NUMBERS.</p> <p>CAPITAL ENDOCRINOLOGY 20-1730017  CAPITAL HEALTH CLINICAL CARDIOLOGY 26-3519972  CAPITAL SURGICAL ASSOCIATES 22-3680051  CHS INSTITUTE FOR NEUROSCIENCES 26-0346624  EWING INTERNAL MED ASSOC 27-0192330  FAMILY HEALTH CENTER 22-3796256  HAMILTON PHYSICIANS GROUP 22-3502175  HPG AT BORDENTOWN FAMILY MEDICAL 22-3502175  HEART CARE SPECIALISTS AT CH 27-0309548  MERCER MATERNAL FETAL SPECIALTY GROUP 20-2886402  MULTISPECIALTY PROVIDER GROUP 22-3628075  STROKE &amp; CEREBROVASCULAR CENTER OF NEW JERSEY 26-3519824  TRENTON NEUROSURGEONS ASSOCIATES 22-2035924  WEST TRENTON MEDICAL ASSOCIATES 20-4643360  PEDIATRIC HOSPITALIST 27-2627834  EMERGENCY PHYSICIANS 27-2232524  REHABILITATION MEDICINE 27-3421189  SPINE CENTER 27-3421008  PLASTIC SURGERY 27-4510784  PRIMARY CARE PENNINGTON 27-3945093  RADIATION ONCOLOGY 27-1366819  OB-GYN PHYSICIANS AT HAMILTON 45-2635859  HOSPITALIST GROUP 45-1501476  ADVANCED SURGICAL ASSOCIATES 27-4742615  CENTER FOR DIGESTIVE HEALTH 45-2073374  COMPREHENSIVE SLEEP ASSOCIATES 45-2074032  CAPITAL WOMEN'S HEALTH CENTER 27-2715382</p>

Identifier	Return Reference	Explanation
DOCUMENT CORRECTION		<p>THE FOLLOWING INFORMATION IS PROVIDED IN ACCORDANCE WITH SECTION XII OF NOTICE 2010-6 NAME OF THE SERVICE PROVIDERS NAME ---- AL MAGHAZEHE, PH D , FACHE LARRY DISANTO J SCOTT CLEMMENSEN EUGENE W GROCHALA MARGARET SULLIVAN IDENTIFICATION OF PLAN OR AGREEMENT CAPITAL HEALTH SYSTEM NON-QUALIFIED 457(F) DEFERRED COMPENSATION PLAN (THE "PLAN") DOCUMENT FAILURE AND CORRECTION UNDER THE NOTICE THE DOCUMENT FAILURE IS ELIGIBLE FOR CORRECTION UNDER NOTICE 2010-6 AND WAS CORRECTED PURSUANT TO SECTIONS V B AND V C AND THE TRANSITION RELIEF IN SECTION XI A FOR CORRECTIONS COMPLETED PRIOR TO DECEMBER 31, 2010 THE DEFINITIONS OF CHANGE IN CONTROL AND DISABILITY WERE CORRECTED IN ACCORDANCE WITH SECTION V B AND V C RESPECTIVELY OF NOTICE 2010-6 DATE OF CORRECTION CAPITAL HEALTH SYSTEM HAS TAKEN ALL ACTIONS REQUIRED AND OTHERWISE MET ALL REQUIREMENTS FOR SUCH CORRECTION PRIOR TO DECEMBER 31, 2010, THE LAST DAY OF THE 2010 FISCAL YEAR OF CAPITAL HEALTH SYSTEM CORRECTION WAS ACCOMPLISHED PURSUANT TO AN AMENDMENT AND RESTATEMENT OF THE PLAN EXECUTED ON DECEMBER 15, 2010, EFFECTIVE AS OF THE DATE OF EXECUTION DATE OF EVENT CAUSING INCOME INCLUSION NOT APPLICABLE NO AMOUNTS ARE REQUIRED TO BE INCLUDED IN INCOME UNDER NOTICE 2010-6 FOR THIS DOCUMENT CORRECTION AMOUNT INVOLVED IN THE DOCUMENT FAILURE THE AMOUNT INVOLVED WITH RESPECT TO EACH FAILURE IS \$1,987,731.76 AMOUNT REPORTED AS INCLUDIBLE IN INCOME NOT APPLICABLE NO AMOUNTS ARE REQUIRED TO BE INCLUDED IN INCOME UNDER NOTICE 2010-6 FOR THIS DOCUMENT CORRECTION IN ACCORDANCE WITH THE TRANSITION RELIEF PROVIDED UNDER SECTION XI A OF NOTICE 2010-6</p>

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
CAPITAL HEALTH SYSTEM INC

Employer identification number  
22-3548695

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) CAPITAL HEALTH SYSTEM FOUNDATION  750 BRUNSWICK AVENUE  TRENTON, NJ 08638 22-2230681	SUPPORT CHS	NJ	501(C)(3)	509(A)(1)	CH SYSTEM	Yes	



Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) BELLEVUE AVENUE MANAGEMENT INC 446 BELLEVUE AVENUE TRENTON, NJ 08618 22-2775694	MANAGEMENT	NJ	N/A	C CORP			
(2) CAPITAL REGION INSURANCE COMPANY P O BOX 10073 APO GRAND CAYMAN CJ 98-0656385	FINANCIAL VEHICLE	CJ	CH SYSTEM	FOREIGN CORP	6,664,339	35,714,254	100 000 %
(3) MERCER HOLDING CORPORATION 446 BELLEVUE AVENUE TRENTON, NJ 08618 22-2778535	HOLDING CO	NJ	CH SYSTEM	C CORP	4,067,473	12,212,636	100 000 %
(4) STROKE & CEREBROVASCULAR CENTER OF NJ 750 BRUNSWICK AVENUE TRENTON, NJ 08638 27-4554661	HEALTHCARE SVCS	NJ	CH SYSTEM	C CORP	6,426,773	1,840,971	100 000 %
(5) TRENTON NEUROLOGICAL SURGEONS ASSOCIATES 3100 PRINCETON PIKE LAWRENCEVILLE, NJ 08648 22-2035924	HEALTHCARE SVCS	NJ	CH SYSTEM	C CORP	209,386	2,869	100 000 %

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1

During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

Yes

No

Yes

Yes

No

No

No

No

No

No

No

No

Yes

No

No

Yes

Yes

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) CAPITAL HEALTH SYSTEM FOUNDATION	N	494,239	COST
(2) MERCER HOLDING CORPORATION	E	456,804	COST
(3) CAPITAL HEALTH SYSTEM FOUNDATION	B	100,000	COST
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation	
------------	------------------	-------------	--

## TY 2011 Itemized Other Current Liabilities Schedule

**Name:** CAPITAL HEALTH SYSTEM INC

**EIN:** 22-3548695

Corporation Name	Corporation EIN	Description	Beginning Amount	Ending Amount
		UNEARNED PREMIUMS	2,118,793	2,203,685
		RESERVE FOR CLAIMS	19,060,000	18,580,000

**TY 2011 Itemized Other Current Assets  
Schedule****Name:** CAPITAL HEALTH SYSTEM INC**EIN:** 22-3548695

Corporation Name	Corporation EIN	Other Current Assets Description	Beginning Amount	Ending Amount
		PREPAYMENTS	394,357	472,977
		ACCRUED INTEREST	37,198	37,320
		REINSURANCE RECOVERABLE	5,060,000	5,908,000

**TY 2011 Other Deductions Schedule****Name:** CAPITAL HEALTH SYSTEM INC**EIN:** 22-3548695

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
CLAIMS INCURRED		2,387,668
LOSS CONTROL GRANT		75,000
GENERAL & ADMINISTRATIVE EXPENSES		213,741

**TY 2011 Itemized Other Investments Schedule****Name:** CAPITAL HEALTH SYSTEM INC**EIN:** 22-3548695

Corporation Name	Corporation EIN	Other Investments Description	Beginning Amount	Ending Amount
		DOMESTIC EQUITY FUNDS	9,149,695	9,423,852
		FIXED INCOME FUNDS	12,995,299	14,387,433
		INTERNATIONAL EQUITY FUND	2,455,424	2,680,420



**TY 2011 Other Income Statement****Name:** CAPITAL HEALTH SYSTEM INC**EIN:** 22-3548695

Description	Foreign Amount	Amount
RECLASSIFICATION ADJUSTMENT FOR		
REALIZED LOSSES INCLUDED IN NET		
INCOME		-470,183
UNREALIZED HOLDING GAIN ON		
AVAILABLE-FOR-SALE SECURITIES		
ARISING DURING THE YEAR		-313,461

**TY 2011 Paid-In or Capital Surplus Reconciliation Statement****Name:** CAPITAL HEALTH SYSTEM INC**EIN:** 22-3548695

Description	Beginning Amount	Ending Amount
ADDITIONAL PAID IN CAPITAL	1,580,000	1,580,000

# CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Capital Health System, Inc. and Subsidiaries  
Years Ended December 31, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP



Capital Health System, Inc. and Subsidiaries

Consolidated Financial Statements  
and Supplementary Information

Years Ended December 31, 2011 and 2010

**Contents**

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets .....	3
Consolidated Statements of Operations .....	4
Consolidated Statements of Changes in Net Assets .....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7
Supplementary Information	
Consolidating Balance Sheet .....	40
Consolidating Statement of Operations .....	42
Consolidating Statement of Changes in Net Assets.....	43

## Report of Independent Auditors

The Board of Directors  
Capital Health System, Inc.

We have audited the accompanying consolidated balance sheets of Capital Health System, Inc. and Subsidiaries (Capital Health) as of December 31, 2011 and 2010 and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Capital Health's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Capital Region Insurance Company (CRIC), a wholly owned subsidiary, which statements reflect total assets of 3% as of December 31, 2011 and 2010 of the related consolidated total and total revenue of 1% of the related consolidated total for 2011 and 2010. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CRIC, is based solely on the report of other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Health System, Inc. and Subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the accompanying consolidated financial statements, in 2011 Capital Health adopted the provisions of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which resulted in a change to the presentation of the provisions for bad debts on the consolidated statements reported.

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

*Ernst & Young LLP*

April 30, 2012

# Capital Health System, Inc. and Subsidiaries

## Consolidated Balance Sheets

	December 31	
	2011	2010
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 18,243	\$ 30,748
Short-term investments	133,644	163,488
Construction receivable	6,461	12,519
Patient accounts receivable, net of allowance for uncollectibles of \$39,300 in 2011 and \$38,568 in 2010	66,565	50,834
Supplies	3,599	2,720
Prepaid expenses and other current assets	24,373	8,869
Total current assets	252,885	269,178
Investments	31,586	23,997
Assets whose use is limited	80,961	101,756
Investment in joint ventures	3,640	3,843
Deferred financing costs, net	17,284	16,081
Property, plant, and equipment, net	822,531	585,513
Other noncurrent assets	13,641	8,887
	<u>\$ 1,222,528</u>	<u>\$ 1,009,255</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 11,599	\$ 638
Accounts payable	37,623	23,932
Construction and retainage payable	32,275	12,519
Accrued expenses	52,266	45,288
Accrued interest	10	702
Total current liabilities	133,773	83,079
Long-term debt, excluding current portion	708,351	500,112
Accrued pension	1,406	2,464
Construction and retainage payable	—	21,258
Estimated third-party payer settlements and other long-term liabilities	53,688	53,085
Total liabilities	897,218	659,998
Commitments and contingencies		
Net assets		
Unrestricted	303,872	330,211
Temporarily restricted	13,461	11,316
Permanently restricted	5,069	5,065
Non-controlling interest	2,908	2,665
Total net assets	325,310	349,257
	<u>\$ 1,222,528</u>	<u>\$ 1,009,255</u>

See accompanying notes

# Capital Health System, Inc. and Subsidiaries

## Consolidated Statements of Operations

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Unrestricted net assets:	<i>(In Thousands)</i>	
Revenue:		
Net patient service revenue	\$ 517,646	\$ 496,691
Provision for bad debt	(32,228)	(32,433)
Net patient service revenue, less provision for bad debts	485,418	464,258
Other revenue	19,325	13,208
Unrestricted contributions	28	215
Total revenue	504,771	477,681
Expenses:		
Salaries and wages	254,351	223,565
Employee benefits	44,854	43,755
Supplies and other expenses	177,154	157,621
Interest	10,529	7,252
Depreciation and amortization	30,049	23,055
Total expenses prior to items below	516,937	455,248
(Loss) income from operations	(12,166)	22,433
Accelerated depreciation	(6,355)	(9,563)
Investment income and realized gains and losses, net	32,609	8,094
(Loss) gain on disposal of fixed assets	(3,304)	7
Other	(3,351)	—
Excess of revenue over expenses	7,433	20,971
Excess of revenue over expenses attributable to non-controlling interest	2,827	2,735
Excess of revenue over expenses excluding non-controlling interest	4,606	18,236
Net change in unrealized gains and losses on investments	(31,230)	18,391
Additional paid-in capital	37	29
Pension-related changes other than net periodic pension cost	248	6,977
(Decrease) increase in unrestricted net assets	\$ (26,339)	\$ 43,633

See accompanying notes



Capital Health System, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Non-controlling Interest	Total
	<i>(In Thousands)</i>				
Net assets at December 31, 2009	\$ 286,578	\$ 6,207	\$ 5,065	\$ —	\$ 297,850
Excess of revenue over expenses	18,236	—	—	2,735	20,971
Net change in unrealized gains and losses on investments	18,391	—	—	—	18,391
Additional paid-in capital	29	—	—	—	29
Pension-related changes other than net periodic pension cost	6,977	—	—	—	6,977
Increase in net assets related to change in control	—	—	—	1,820	1,820
Member distributions, net	—	—	—	(1,890)	(1,890)
Donor restricted contributions	—	6,127	—	—	6,127
Net assets released from restrictions for operations	—	(1,018)	—	—	(1,018)
Increase in net assets	43,633	5,109	—	2,665	51,407
Net assets at December 31, 2010	330,211	11,316	5,065	2,665	349,257
Excess of revenue over expenses	4,606	—	—	2,827	7,433
Net change in unrealized gains and losses on investments	(31,230)	—	—	—	(31,230)
Additional paid-in capital	37	—	—	—	37
Pension-related changes other than net periodic pension cost	248	—	—	—	248
Member distributions, net	—	—	—	(2,584)	(2,584)
Donor restricted contributions	—	2,683	4	—	2,687
Net assets released from restrictions for operations	—	(538)	—	—	(538)
(Decrease) increase in net assets	(26,339)	2,145	4	243	(23,947)
Net assets at December 31, 2011	\$ 303,872	\$ 13,461	\$ 5,069	\$ 2,908	\$ 325,310

*See accompanying notes*

# Capital Health System, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets	\$ (23,947)	\$ 51,407
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	36,404	32,618
Amortization of deferred financing fees	1,020	893
Net change in unrealized gains and losses on investments	31,230	(18,391)
Loss (gain) on disposal of fixed assets	3,304	(7)
Pension-related changes other than net periodic pension cost	(248)	(6,976)
Member distributions related to non-controlling interest	2,584	1,890
Changes in operating assets and liabilities		
Patient accounts receivable	(15,731)	(1,485)
Supplies	(879)	(567)
Prepaid expenses and other current assets	(15,504)	(757)
Other noncurrent assets	(4,754)	(2,895)
Accounts payable	13,691	(2,348)
Accrued expenses	6,978	10,388
Accrued pension expense	(810)	(5,999)
Accrued interest	(692)	702
Estimated third-party payer settlements and other long-term liabilities	603	(1,172)
Net cash provided by operating activities	33,249	57,301
<b>Cash flows from investing activities</b>		
Net use of (cash invested in) assets whose use is limited	14,719	(8,101)
Net (cash invested in) use of investments	(2,899)	4,391
Investment in joint ventures	(2,381)	351
Cash proceeds from sale of property and equipment	4,073	12
Purchases of property and equipment, net	(268,007)	(210,340)
Net cash used in investing activities	(254,495)	(213,687)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	211,904	172,556
Payments of capital leases	(940)	(604)
Payments for deferred financing fees	(2,223)	(3,868)
Net cash provided by financing activities	208,741	168,084
Net (decrease) increase in cash and cash equivalents	(12,505)	11,698
Cash and cash equivalents at beginning of year	30,748	19,050
Cash and cash equivalents at end of year	\$ 18,243	\$ 30,748
<b>Noncash investing and financing transactions</b>		
Assets acquired under capitalized lease obligations	\$ 8,236	\$ —
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest expense	\$ 47,465	\$ 31,270

See accompanying notes

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2011  
(Dollars In Thousands)

### 1. Organization and Summary of Significant Accounting Policies

Capital Health System, Inc. (Capital Health), a New Jersey nonprofit corporation, consists of four operating divisions: Capital Health Regional Medical Center (Regional), Capital Health at Mercer (Mercer), Capital Health – Hamilton (Hamilton), and Capital Health Medical Center – Hopewell (Hopewell) (see Note 8). Regional is a separately licensed acute care hospital with 271 licensed beds, located in Trenton, New Jersey. Mercer ceased operations as a separately licensed acute care hospital on November 6, 2011 but remains open as a satellite emergency department licensed under Regional. Also on November 6, 2011, Hopewell commenced operations as a separately licensed acute care hospital with 223 licensed beds, located in Hopewell Township, New Jersey. Hamilton is a licensed ambulatory care facility located in Hamilton, New Jersey. Capital Health is the sole member of Capital Health Foundation (the Foundation), a nonprofit corporation. Capital Health is also the sole shareholder of two for-profit corporations: Mercer Holding Corporation (Mercer Holding) and Capital Region Insurance Company (CRIC). Mercer Holding owns 100% of the capital stock of Bellevue Avenue Management, Inc. (Bellevue), a for-profit company which provides management services, 100% of the capital stock of Oasis Spa at Hopewell, LLC (Oasis Spa), a for-profit company which provides spa services at Hopewell; and 70% of the capital stock of Capital Imaging Ventures, LLC (Capital Imaging Ventures), a for-profit company which has a 50% ownership in a radiology joint venture. Mercer Holding has a 43.48% ownership interest in Hamilton Surgery Center, LLC (Hamilton Surgery Center). Mercer Holding accounts for its investment in Capital Imaging Ventures using the equity method.

During 2010, Mercer Holding gained control of Hamilton Surgery Center through majority control of the Board of Directors. Additionally, during 2010, in connection with the construction of Hopewell (see Note 8), the Hopewell Surgery Center, LLC (Hopewell Surgery Center) was formed. At December 31, 2011, Mercer Holding has an 82.5% ownership interest and majority control of the Board of Directors of Hopewell Surgery Center. As such, both Hamilton Surgery Center and Hopewell Surgery Center (collectively, the Surgery Centers) are consolidated in the accompanying consolidated financial statements. Mercer Holding accounts for the non-controlling interests in the Surgery Centers in accordance with Accounting Standards Codification (ASC) 810, *Consolidation*.

CRIC is a captive insurance company formed under the laws of the Cayman Islands, which provides professional and general liability coverage for Capital Health and its employees.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **1. Organization and Summary of Significant Accounting Policies (continued)**

Capital Health System Condominium Association, Inc. (the Association) is a nonprofit corporation that provides maintenance, preservation and control of the common areas within Hopewell. Capital Health is grantor of the Association and has majority control of its Board of Trustees. As such, the Association is consolidated in the accompanying consolidated financial statements.

Stroke and Cerebrovascular Center of New Jersey, P.C. (SCNJ) is a professional service corporation which operates a medical practice specializing in cerebrovascular and neurosurgical services at Capital Health. An employed physician of Capital Health is currently the sole shareholder of SCNJ. Capital Health has control over the appointment of shareholders and directors in SCNJ, and as such, SCNJ is consolidated in the accompanying consolidated financial statements.

A summary of significant accounting policies of Capital Health follows:

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Capital Health, the Foundation, Mercer Holding, the Association, SCNJ, and CRIC. All intercompany balances and transactions have been eliminated in consolidation.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, such as estimated uncollectibles for accounts receivable for services to patients, estimated settlements with third party payors, malpractice insurance liabilities and pension benefit liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates and assumptions.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly-liquid instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation or other arrangements under debt and trust agreements and those held in the investment portfolio.

#### **Accounts Receivable for Services to Patients and Net Patient Service Revenue**

Patient accounts receivable results from the health care services provided by Capital Health. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods, as adjustments become known, or as years are no longer subject to such audits, reviews and investigations (see Note 3).

#### **Investments**

Short-term investments are readily marketable and not subject to donor restriction. Investments includes amounts under donor restrictions.

Investments in equity securities (including mutual funds) with readily determinable fair values and all investments in debt securities (including mutual funds) are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, other than temporary impairments of investments, and interest and dividends) is included in the excess of revenue over expenses, unless the income or loss is restricted by donor or law. Unrealized gains and losses on the investment portfolio classified as other than trading are excluded from the excess of revenue over expenses. The fair value of marketable investments is determined by reference to quoted market prices.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

Nonmarketable investments are defined as nontraditional, not readily marketable asset classes. Nonmarketable investment holdings consist of private mutual funds of funds (the Funds). The valuation of the Funds is determined by the investment managers or general partners (see below). Individual investment holdings within the private mutual funds primarily include investments in market-traded securities. However, values for nonmarketable securities held by the private mutual funds, where readily available fair values do not exist, may be based on estimates determined by the fund managers based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Capital Health's units of account are valued based on monthly net asset values (NAV) as published and reported to qualified investors and used for the basis for trades. NAV approximates fair value. The investments may indirectly expose Capital Health to securities lending, short sales of securities, and trading in futures and forwards contracts, options and other derivative products. While these financial instruments may contain varying degrees of risk, Capital Health's risk with respect to such transactions is limited to its capital balance in the investment. Funds are available and can be divested within 65 days from the tender deadline. The financial statements of the Funds are audited annually by independent auditors. At December 31, 2011, Capital Health has no future commitments to invest in nonmarketable investments. Unrealized gains and losses on the Funds are excluded from the excess of revenue over expenses.

#### **Construction Receivable and Construction and Retainage Payable**

Capital Health reports construction receivable and construction and retainage payable for amounts related to its construction projects based on the timing of expenditures incurred for the project and receipt of draws on construction funds. Capital Health reports construction receivable for draws submitted and approved but not yet received. Construction and retainage payable are for construction expenditures incurred but not yet paid.

#### **Assets Whose Use is Limited**

Assets whose use is limited includes investments held by CRIC (see Note 4), restricted investments for collateral, restricted cash for guarantees, and investments held under a supplemental retirement plan. Assets whose use is limited are recorded at fair value determined by reference to quoted market prices.

Capital Health System, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Supplies**

Supplies are carried at the lower of cost, determined on the first-in, first-out method, or market.

**Deferred Financing Costs**

Deferred financing costs include the costs of obtaining financing and are amortized over the period the obligation is outstanding using the effective interest method. Accumulated amortization was \$2,417 and \$1,397 at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, deferred financing costs associated with the April 7, 2009 financing (see Note 9) of \$19,594 and \$17,389, respectively, have been incurred.

At December 31, 2011 and 2010, Capital Health also incurred \$107 and \$89, respectively, of deferred financing costs associated with private offering statements in connection with the Hopewell Surgery Center. Accumulated amortization was \$3 at December 31, 2011. There was no amortization recorded in 2010.

**Property, Plant, and Equipment**

Property, plant, and equipment are recorded at cost, except those acquired by gift or bequest which are recorded at their fair value established at date of contribution.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The estimated lives range from two to forty years.

Capital Health continually evaluates whether later events and circumstances have occurred that indicate that the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, Capital Health uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset, or determines the fair value of the long-lived asset in measuring whether the long-lived asset is recoverable.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Guarantees**

Capital Health provides guarantees in relation to certain joint ventures and other agreements (see Note 9) and accounts for such guarantees under the provisions of ASC 460, *Guarantees*.

#### **Estimated Professional Liabilities**

Insurance reserves represent estimated unpaid losses and loss adjustment expenses. Such amounts are established using management's estimates on the basis of claims records and an independent actuarial review and include an amount for the adverse development of reported claims. Adjustments to the estimate of the liability for losses are reflected in earnings in the period in which the adjustment is determined. The insurance reserves are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may vary significantly from the amount provided.

#### **Temporarily and Permanently Restricted Net Assets**

Capital Health separately accounts for and reports upon donor restricted and unrestricted net assets. Temporarily restricted net assets are those whose use is temporarily limited by the donor. Permanently restricted net assets have been restricted by donors to be maintained by Capital Health in perpetuity.

Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as other revenue, if intended for operations, or after excess of revenue over expense, if intended for capital purposes. Income earned from temporarily restricted net assets is included in investment income and realized gains and losses, net, unless the income is restricted by the donor, in which case it is added to temporarily restricted net assets. Income earned from permanently restricted net assets is not subject to donor restriction and is, therefore, included in the consolidated statements of operations as investment income and realized gains and losses, net.



## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

Capital Health follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanently restricted contributions and net assets, as enacted by the State of New Jersey in 2009. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Capital Health expends the income distributed from the related assets according to donor stipulations.

##### **Advertising Costs**

Capital Health expenses advertising costs as incurred. Total amounts charged to advertising expense during the years ended December 31, 2011 and 2010 were approximately \$6,035 and \$4,280, respectively.

##### **Excess of Revenue Over Expenses**

The consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include the net change in unrealized gains and losses on investments (excluding those considered to be other than temporary), pension-related changes other than net periodic pension cost and additional paid in capital.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported within income from operations.

##### **Functional Expenses**

All operating expenses incurred by Capital Health were related to the provision of health care services.

##### **Income Taxes**

Capital Health and the Foundation are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation is classified with public charity status of 170(b)(1)(A)(vi) under Section 501(c)(3) of the Code. These entities are also exempt from state income taxes. Mercer Holding and SCNJ are taxable entities;

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

amounts provided for federal and state income taxes are included in the accompanying consolidated financial statements. However, such amounts are not material for disclosure. The Association is a New Jersey not-for-profit association, with no taxable income recorded during 2011. CRIC is not subject to taxes on income or gains under Section 6 of the Cayman Islands tax concessions law (revised). Therefore, no provision for taxes has been made in the accompanying consolidated financial statements.

##### **Pension Plan**

Capital Health's policy is to fund amounts as necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Capital Health recognizes in its consolidated balance sheets an asset for its defined benefit postretirement plan's overfunded status or a liability for the plan's underfunded status, measures the defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of its fiscal year, and recognizes changes in the funded status of the defined benefit postretirement plan in changes in unrestricted net assets in the year in which the changes occur (see Note 10).

##### **Recent Accounting Pronouncements**

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*. ASU No. 2010-23 requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. ASU No. 2010-23 also requires separate disclosure of the amount of any cash reimbursements received for providing charity care. ASU No. 2010-23 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Capital Health adopted the provisions of ASU No. 2010-23 in 2011 (see Note 2).

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Recoveries*. Under ASU No. 2010-24, anticipated

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 1. Organization and Summary of Significant Accounting Policies (continued)

insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities are to be presented separately on the balance sheet. ASU No. 2010-24 is effective for fiscal years beginning after December 15, 2010 and was adopted by Capital Health in 2011. As a result of the adoption of this standard, Capital Health increased other noncurrent assets and other noncurrent liabilities by \$18,580 on a consolidated basis as of December 31, 2011. Such amounts eliminate in consolidation.

In July 2011, the FASB issued ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The provisions of ASU No. 2011-07 require certain health care entities that recognize significant amounts of patient service revenue at the time the services are rendered without assessing the patient's ability to pay to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue in the statement of operations rather than as an operating expense. Additional disclosures relating to sources of patient service revenue and the allowance for uncollectible accounts will also be required. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. Capital Health adopted the provisions of ASU No. 2011-07 in the fourth quarter of 2011 and retrospectively applied the presentation requirements. See Note 3 for the additional disclosures required by ASU No. 2011-07.

### 2. Charity Care

Capital Health provides care to patients who meet certain criteria defined by the New Jersey Department of Health and Senior Services ("DOHSS") without charge or at amounts less than established rates. Because Capital Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Capital Health's records identify and monitor the level of charity care it provides and include the amount of charges forgone for services and supplies furnished. DOHSS allows retroactive application for charity care up to two years from the date of service.

The costs of charity care is derived from both estimated and actual data. The estimated cost of charity care includes the direct and indirect cost of providing such services and is estimated utilizing Capital Health's ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients. Charity care provided, at cost, during 2011 and 2010 totaled approximately \$12,907 and \$14,151, respectively.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **2. Charity Care (continued)**

Capital Health receives payments from the New Jersey Health Care Subsidy Funds for charity care and such amounts totaled approximately \$28,585 and \$25,746 for the years ended December 31, 2011 and 2010, respectively.

#### **3. Net Patient Service Revenue**

##### *Accounts Receivable and Net Patient Service Revenue*

Capital Health recognizes accounts receivable and patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered (see description of third-party payor payment programs below). For uninsured patients that do not qualify for charity care, Capital Health recognizes revenue on the basis of discounted rates under Capital Health's self pay patient policy which went into effect in 2010. Under the policy for self pay patients beginning in 2010, a patient who has no insurance and is ineligible for any government assistance program has his or her bill reduced to the amount which would be billed to a commercially insured patient. Previously, uncollectible amounts for such patients were recorded as bad debt expense. The impact of this change on the financial statements is lower net patient service revenue, as the discount is considered a revenue allowance, and a lower provision for bad debt.

Patient service revenue for the year ended December 31, 2011, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<b>Third Party Payors</b>	<b>Self-Pay</b>	<b>Total All Payors</b>
Patient service revenue (net of contractual allowances and discounts)	\$ 496,940	\$ 20,706	\$ 517,646

Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, Capital Health analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **3. Net Patient Service Revenue (continued)**

For receivables associated with services provided to patients who have third-party coverage, Capital Health analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, Capital Health records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Capital Health's allowance for doubtful accounts totaled \$39,300 and \$38,568 at December 31, 2011 and 2010, respectively. The allowance for doubtful accounts for self-pay patients was approximately 54% of self-pay accounts receivable as of December 31, 2011 and 2010. Overall, the total of self-pay discounts and write-offs has not changed significantly for the year ended December 31, 2011. Capital Health has not experienced significant changes in write-off trends and has not changed its charity care policy for the year ended December 31, 2011.

#### *Third Party Payment Programs*

Capital Health has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

*Medicare:* Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data. Medicare cost reports of Capital Health have been audited and settled for years through 2004 at December 31, 2011.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **3. Net Patient Service Revenue (continued)**

*Medicaid:* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost-based and fee schedule methodologies. Capital Health is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Medicaid cost reports of Capital Health for years through 2004 have been audited and settled.

*Other third party payors:* Capital Health also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to Capital Health under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Net patient service revenue was decreased by approximately \$389 and increased by approximately \$3,593 for the years ended December 31, 2011 and 2010, respectively, for net adjustments and settlements related to prior years.

Capital Health has appealed certain items in audited cost reports. The outcome of these appeals is uncertain and, therefore, potential revenue associated with these appeals is not included within the accompanying consolidated statements of operations and changes in net assets. During 2006, the Medicare fiscal intermediary sent notices of intent to re-open previously settled cost report years (2000 through 2004) for potential repayment of Medicare disproportionate share payments made to Capital Health. During 2009, Capital Health received notification from the Medicare fiscal intermediary that cost report re-openings for previously settled cost report years (2000 through 2004) for potential repayment of Medicare disproportionate share payments made to Capital Health have been finalized. However, cost report years of 2005 through 2011 may be subject to a similar action. In the opinion of management, adequate provision has been made for any adjustment which may result from final settlement of these reports or appeal items.

Revenue from the Medicare and Medicaid programs accounted for approximately 28% and 26% of Capital Health's net patient service revenue for the years ended December 31, 2011 and 2010, respectively.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### 3. Net Patient Service Revenue (continued)

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on Capital Health.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Capital Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

#### State Subsidy Funds

The New Jersey Health Care Subsidy Fund (HCSF) was established for various purposes, including the distribution of charity care payments to hospitals statewide. The HCSF also provides funds for other uncompensated care for hospitals whose actual costs for health care services are significantly greater than the rates paid by the Medicare program for those services.

The following is a summary of subsidy revenue included in net patient service revenue:

	<b>2011</b>	<b>2010</b>
Charity care	<b>\$ 28,585</b>	\$ 25,746
Hospital relief	<b>6,223</b>	5,905
Mental health	<b>957</b>	912
	<b><u>\$ 35,765</u></b>	<b><u>\$ 32,563</u></b>

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### 4. Assets Whose Use is Limited

Assets whose use is limited consist of the following:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Restricted investments for collateral:		
Mutual funds – fixed income securities	\$ 16,196	\$ 40,414
Mutual funds – equity securities	31,585	30,766
Total restricted investments for collateral	47,781	71,180
Restricted cash for guarantees (see Note 9)	2,252	2,709
Assets held under supplemental retirement plan:		
Mutual funds – fixed income securities	1,983	1,336
Mutual funds – equity securities	2,453	1,930
Total assets held under supplemental retirement plan	4,436	3,266
Assets held by CRIC (see Note 15):		
Equity securities	12,104	11,605
Fixed income securities	14,388	12,996
Total assets held by CRIC	26,492	24,601
Total assets whose use is limited	\$ 80,961	\$ 101,756



# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 4. Assets Whose Use is Limited (continued)

Capital Health's gross unrealized losses and fair value of individual securities, held by CRIC and classified as assets whose use is limited, aggregated by investment category, which have been in a continuous unrealized loss position less than 12 months and greater than 12 months at December 31, 2011 and 2010 are as follows:

December 31, 2011						
Less than Twelve Months			Twelve Months or Longer		Total	
Unrealized		Fair Value	Unrealized		Fair Value	Unrealized
Fair Value	Losses		Fair Value	Losses		
Fixed income securities	\$ 1,315	\$ (16)	\$ 2,611	\$ (58)	\$ 3,926	\$ (74)
Equity securities	2,680	(285)	—	—	2,680	(285)
Total	\$ 3,995	\$ (301)	\$ 2,611	\$ (58)	\$ 6,606	\$ (359)

  

December 31, 2010						
Less than Twelve Months			Twelve Months or Longer		Total	
Unrealized		Fair Value	Unrealized		Fair Value	Unrealized
Fair Value	Losses		Fair Value	Losses		
Fixed income securities	\$ —	\$ —	\$ 2,391	\$ (47)	\$ 2,391	\$ (47)
Total	\$ —	\$ —	\$ 2,391	\$ (47)	\$ 2,391	\$ (47)

At December 31, 2011 and 2010, the unrealized losses of approximately \$359 and \$47, respectively, were not deemed to be other than temporary based on CRIC's ability and intent to hold the funds until recovery.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### 4. Assets Whose Use is Limited (continued)

Capital Health's gross unrealized losses and fair value of individual securities, held under a supplemental retirement plan and classified as assets whose use is limited, aggregated by investment category, which have been in a continuous unrealized loss position less than 12 months and greater than 12 months at December 31, 2011 are as follows:

	December 31, 2011					
	Less than Twelve Months Fair Value	Unrealized Losses	Twelve Months or Longer Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
Mutual funds – fixed income securities (4 funds)	\$ 1.002	\$ (65)	\$ –	\$ –	\$ 1.002	\$ (65)
Mutual funds – equity securities (11 funds)	2.032	(113)	–	–	2.032	(113)
Total	<u>\$ 3.034</u>	<u>\$ (178)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 3.034</u>	<u>\$ (178)</u>

At December 31, 2011, the unrealized losses of approximately \$178 were not deemed to be other than temporary based on Capital Health's ability and intent to hold the funds until recovery. At December 31, 2010, no investments were in a loss position.

#### 5. Investments

Investments consist of the following:

	December 31	
	2011	2010
Cash and cash equivalents	\$ 8,295	\$ –
Certificate of deposit	1,098	54
Mutual funds – fixed income securities	68,446	90,982
Mutual funds – equity securities	61,317	77,797
Private mutual funds	25,919	18,407
Accrued interest	155	245
Total investments	<u>165,230</u>	187,485
Less short-term investments	<u>133,644</u>	163,488
	<u>\$ 31,586</u>	<u>\$ 23,997</u>

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 5. Investments (continued)

Investment income, included within investment income and realized gains and losses, net, consists of the following:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Interest and dividend income	\$ 5,494	\$ 5,868
Net realized gains	27,115	2,226
Total investment income	<u>\$ 32,609</u>	<u>\$ 8,094</u>

Included in investment income is income related to current and noncurrent marketable securities, \$1,364 and \$966 for the years ended December 31, 2011 and 2010, respectively, related to CRIC investments, and \$1,029 and \$1,285 for the years ended December 31, 2011 and 2010, respectively, related to investments restricted for collateral, which are classified in the accompanying consolidated balance sheets as assets whose use is limited – noncurrent portion.

At December 31, 2011 and 2010, unrealized losses of approximately \$4,481 and \$2,759, detailed below, were not deemed to be other than temporary based on Capital Health's ability and intent to hold the funds until recovery.

	<b>December 31, 2011</b>					
	<b>Less than Twelve Months</b>		<b>Twelve Months or Longer</b>		<b>Total</b>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
Private mutual funds (5 funds)	\$ –	\$ –	\$ 25,919	\$ (3,222)	\$ 25,919	\$ (3,222)
Mutual funds- fixed income securities (27 funds)	17,129	(526)	–	–	17,129	(526)
Mutual funds- equity securities (15 funds)	20,004	(733)	–	–	20,004	(733)
Total	<u>\$ 37,133</u>	<u>\$ (1,259)</u>	<u>\$ 25,919</u>	<u>\$ (3,222)</u>	<u>\$ 63,052</u>	<u>\$ (4,481)</u>

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### 5. Investments (continued)

	December 31, 2010					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Private mutual funds (2 funds)	\$ —	\$ —	\$ 17.984	\$ (2.759)	\$ 17.984	\$ (2.759)
Total	\$ —	\$ —	\$ 17.984	\$ (2.759)	\$ 17.984	\$ (2.759)

#### 6. Fair Value Measurements

Fair value is defined 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. A three-level hierarchy for fair value measurements exists based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 6. Fair Value Measurements (continued)

The following tables present the financial instruments carried at fair value by caption on the consolidated balance sheet based on the valuation hierarchy defined above (excludes accrued interest):

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 18,243	\$ —	\$ —	\$ 18,243
Assets whose use is limited				
Cash and cash equivalents	2,252	—	—	2,252
Equity securities	—	12,104	—	12,104
Fixed income	—	14,388	—	14,388
Investments restricted for collateral				
Mutual funds – fixed income securities	16,196	—	—	16,196
Mutual funds – equity securities	31,585	—	—	31,585
Assets held under supplemental retirement plan				
Mutual funds – fixed income securities	1,983	—	—	1,983
Mutual funds – equity securities	2,453	—	—	2,453
Total assets whose use is limited	54,469	26,492	—	80,961
Investments				
Cash and cash equivalents	8,295	—	—	8,295
Certificate of deposit	1,098	—	—	1,098
Mutual funds – fixed income securities	68,446	—	—	68,446
Mutual funds – equity securities	61,317	—	—	61,317
Private mutual funds	—	25,919	—	25,919
Total investments	139,156	25,919	—	165,075
Total assets at fair value	\$ 211,868	\$ 52,411	\$ —	\$ 264,279
<b>Pension assets</b>				
Mutual funds – fixed income securities	\$ 48,786	\$ —	\$ —	\$ 48,786
Mutual funds – equity securities	17,525	—	—	17,525
U S government securities	—	13,877	—	13,877
Private mutual funds	—	3,857	—	3,857
Total pension assets at fair value	\$ 66,311	\$ 17,734	\$ —	\$ 84,045

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 6. Fair Value Measurements (continued)

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 30,748	\$ –	\$ –	\$ 30,748
Assets whose use is limited				
Cash and cash equivalents	2,709	–	–	2,709
Equity securities	–	11,605	–	11,605
Fixed income	–	12,996	–	12,996
Investments restricted for collateral				
Mutual funds – fixed income securities	40,414	–	–	40,414
Mutual funds – equity securities	30,766	–	–	30,766
Assets held under supplemental retirement plan				
Mutual funds – fixed income securities	1,336	–	–	1,336
Mutual funds – equity securities	1,930	–	–	1,930
Total assets whose use is limited	77,155	24,601	–	101,756
Investments				
Certificate of deposit	54	–	–	54
Mutual funds – fixed income securities	90,982	–	–	90,982
Mutual funds – equity securities	77,797	–	–	77,797
Private mutual funds	–	18,407	–	18,407
Total investments	168,833	18,407	–	187,240
Total assets at fair value	\$ 276,736	\$ 43,008	\$ –	\$ 319,744
<b>Pension assets</b>				
Mutual funds – fixed income securities	\$ 47,031	\$ –	\$ –	\$ 47,031
Mutual funds – equity securities	26,097	–	–	26,097
Private mutual funds	–	6,060	–	6,060
Total pension assets at fair value	\$ 73,128	\$ 6,060	\$ –	\$ 79,188

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### 7. Pledges Receivable

Pledges receivable, which are due from individuals, businesses and civic organizations and are uncollateralized, consist of the following:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Pledges receivable within one year	\$ 1,705	\$ 2,059
Pledges receivable in one to five years	4,496	4,855
Pledges receivable, gross	6,201	6,914
Allowance for uncollectible pledges	(570)	(634)
Discount on pledges	(497)	(570)
Total pledges receivable, net	5,134	5,710
Less pledges receivable, net – current portion (included in prepaid expenses and other current assets)	1,705	2,059
Pledges receivable, net – noncurrent (included in other noncurrent assets)	\$ 3,429	\$ 3,651

#### 8. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Land	\$ 49,382	\$ 49,382
Land improvements	32,836	5,239
Buildings, leasehold improvements and fixed equipment	812,080	289,183
Major movable equipment	293,550	191,843
Total	1,187,848	535,647
Accumulated depreciation	(400,786)	(364,584)
Construction in progress	35,469	414,450
Property, plant, and equipment, net	\$ 822,531	\$ 585,513

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **8. Property, Plant and Equipment (continued)**

Depreciation expense for the years ended December 31, 2011 and 2010 was \$36,404 and \$32,618, respectively.

In April 2005, Capital Health submitted a certificate of need for the relocation of Mercer. In December 2006, Capital Health received an approval of its certificate of need application from the Commissioner of Health of the State of New Jersey for the relocation of Mercer. The approval of the certificate of need application contains certain conditions that management has agreed to, one of which is the construction of a Regional Perinatal Center (RPC) at Regional. During 2007, Capital Health purchased 170 acres of land in Hopewell Township for the construction of the new hospital facility at Hopewell.

In December 2008, Capital Health received a commitment letter from the U.S. Department of Housing and Urban Development (HUD) for financing for the construction of Hopewell. The receipt of the commitment letter and subsequent plan to abandon Mercer represents an indicator of possible impairment of Mercer and related assets. Management, in accordance with ASC 360-10 Sections 45-2 to 45-15, *Impairment or Disposal of Long-Lived Assets*, has determined through a recoverability test that the carrying value of the long-lived assets is recoverable. As such, no impairment charge was recognized. However, Capital Health has revised the original estimated useful lives of the long-lived assets, effective January 1, 2009, based on the expected period of use of such assets prior to abandonment. The revision of the estimated useful lives is recorded as a change in estimate. As a result of this change in estimate, Capital Health recorded accelerated depreciation (the excess of depreciation expense based on the revised economic life as compared to the original estimate of the economic life) of approximately \$6,355 and \$9,563 in the consolidated statements of operations for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011, Mercer and the related assets are fully depreciated.

The estimated project cost for the RPC project at Regional and Hopewell (collectively the Project) is \$601,843 of construction and equipment. As of December 31, 2011 and 2010, Capital Health has entered into commitments totaling \$34,030 and \$521,069, respectively, for the construction of Hopewell and the construction and renovation for the RPC at Regional. A portion of the project relates to the construction of a Medical Office Building which houses the Hopewell Surgery Center, as well as units for both employed physicians and physicians not employed by Capital Health. The units available for physicians not employed by Capital Health will be leased to or purchased by interested physicians.



## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### 8. Property, Plant, and Equipment (continued)

On November 6, 2011, Hopewell began operating as a separately licensed acute care hospital. As of the same date, Mercer ceased operations as a separately licensed acute care hospital, but remains open as a satellite emergency department. Included in construction in progress at December 31, 2010 is approximately \$408,395 of capitalized costs relating to the costs incurred for architecture, engineering, consultation and fees of constructing Hopewell and the construction and renovation for the RPC at Regional.

Major moveable equipment includes assets held under capital lease obligations of \$6,962 and \$2,923 at December 31, 2011 and 2010, respectively, net of accumulated amortization of \$2,541 and \$1,672, respectively, as of those dates.

During 2011 and 2010, Capital Health capitalized \$37,264 and \$25,614, respectively, of interest expense related to the construction projects. Since inception of the Project, a total of \$75,591 of capitalized interest has been incurred and included in property, plant and equipment, net.

#### 9. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2011	2010
FHA/GNMA Taxable Insured Mortgage Loan. \$755.875 mortgage note with an interest rate of 7.83% maturing January 1, 2037. Under the terms of the mortgage note, interest only is due and payable on the first day of each month on the outstanding balance of principal up to and including January 1, 2012. Commencing on February 1, 2012, installments of principal and interest of \$5.749 are due the first day of each month through January 1, 2037. The mortgage note is collateralized by a security interest and a mortgage on substantially all of the property, plant, and equipment at the Regional. Hopewell and Hamilton campuses	\$ 711,527	\$ 499,623
Capital lease obligations with interest rates ranging from 3.95% to 9.08%, payable monthly and quarterly	8,423	1,127
Total long-term debt	719,950	500,750
Less current portion	(11,599)	(638)
Long-term portion	\$ 708,351	\$ 500,112

On April 7, 2009, Capital Health closed on a \$755,875 mortgage insured by HUD through the Federal Housing Administration's (FHA's) Section 242 Hospital Mortgage Insurance Program. The proceeds of this financing are to be used or were used to: 1) fund the construction of a 223-

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **9. Long-Term Debt (continued)**

bed hospital in Hopewell Township, New Jersey that will replace Mercer; 2) fund the construction of the RPC at Regional; 3) defease Capital Health's NJHCFFA Series 1997, Series 2003A and Series 2003B bonds; 4) repay the \$45,000 line of credit with a bank; and 5) pay financing costs related to the transaction.

Escrow accounts were established with the bond trustee and escrow agent for all three series of bonds. From the proceeds in the escrow accounts, the escrow agent: 1) redeemed the Series 1997 bonds on July 1, 2009; 2) will redeem the Series 2003A bonds on July 1, 2013; and 3) redeemed the Series 2003B bonds on May 7, 2009. The total par value of these bonds outstanding at April 7, 2009 was \$157,195. The total amount placed in escrow to defease the Series 1997, 2003A and 2003B bonds was \$172,314. At December 31, 2011 and 2010, amounts outstanding and held in escrow related to the Series 2003A Bonds are \$90,687 and \$91,060, respectively.

Financing from the FHA Section 242 Hospital Mortgage Insurance Program will provide \$755,875. Capital Health is required to provide an equity contribution of \$124,506. At the time of closing, Capital Health provided \$76,477 of its equity contribution. As of December 31, 2011, an additional \$39,676 was paid. The remainder, or \$8,353, will be paid by final endorsement of the mortgage loan, which is estimated to be completed by June 2012. The debt has a fixed interest rate of 7.83%. No principal is due on the loan until February 2012. Interest costs resulting from the portion of debt related to construction was capitalized accordingly.

A requirement of the Building Loan Agreement and Initial Endorsement required Capital Health to secure various letters of credit for equity that Capital Health would be required to put into the Project and fund certain escrows in connection with the Project. As of December 31, 2011 and 2010, Capital Health had outstanding letters of credit totaling \$19,015 and \$30,067, respectively, related to various aspects of the Project as well as Capital Health's equity contribution. No amounts have been drawn at December 31, 2011 and 2010. The letters of credit expire on October 1, 2012. The letters of credit will decline on a quarterly basis and collateral will be released as Capital Health meets its equity requirement for the Project.

Capital Health was required to provide a security interest in and lien on certain of its investments as collateral. As of December 31, 2011 and 2010, \$47,781 and \$71,180 of investments have been pledged as collateral for the outstanding letters of credit. These investments are included in assets whose use is limited as of December 31, 2011 and 2010.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### 9. Long-Term Debt (continued)

In addition, Capital Health had outstanding letters of credit totaling \$5,406 related to vendor arrangements. No amounts have been drawn on the letters of credit at December 31, 2011 and 2010. The letters of credit expire throughout 2012 and automatically renew for a term of one year.

Under the terms of the above agreements, Capital Health is required to maintain certain financial ratios and comply with other restrictive covenants as described in the respective agreements. At December 31, 2011 and 2010, Capital Health was in compliance with the financial ratio requirements described in the agreements, with the exception of the average payment period ratio, of which Capital Health was not in compliance at December 31, 2011.

During 2011, Capital Health entered into two capital lease obligations of \$7,910 for medical and surgical equipment with amounts payable monthly and quarterly.

Scheduled payments on long-term debt at December 31, 2011, reflecting the full balance of the mortgage assumed to be outstanding, are as follows:

	<b>FHA/GNMA</b>	<b>Capital Lease</b>	<b>Total</b>
2012	\$ 63,240	\$ 2,584	\$ 65,824
2013	68,989	1,753	70,742
2014	68,989	1,662	70,651
2015	68,989	1,609	70,598
2016	68,989	1,535	70,524
Thereafter	1,385,533	—	1,385,533
Total payments	1,724,729	9,143	1,733,872
Less amounts representing interest	968,854	720	969,574
Total long-term debt	<u>\$ 755,875</u>	<u>\$ 8,423</u>	<u>\$ 764,298</u>

The carrying value of the long-term debt approximated fair value at December 31, 2011 and 2010.

As of December 31, 2011 and 2010, the radiology joint venture has a line of credit with a bank of \$1,500 which bears interest at LIBOR plus 2.06% and is due on demand. Capital Health has guaranteed this line of credit. In addition, Capital Health has guaranteed a \$2,000 loan of the

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **9. Long-Term Debt (continued)**

radiology joint venture, of which \$493 and \$914 is outstanding at December 31, 2011 and 2010, respectively, and has guaranteed \$259 and \$295 or 50% of two equipment leases totaling \$518 and \$590 at December 31, 2011 and 2010, respectively.

These guarantees, which total approximately \$2,252 and \$2,709 at December 31, 2011 and 2010, respectively, are included in estimated third-party payer settlements and other long-term liabilities and investment in joint ventures in the consolidated balance sheets.

#### **10. Pension Plan**

Capital Health has a non-contributory defined benefit cash balance plan and a defined contribution plan that operates under Section 403(b) of the Internal Revenue Code and both plans cover substantially all of its employees. The benefits are based on years of service and compensation. Capital Health's funding policy provides that payments to the defined benefit pension plan shall be equal to the minimum funding requirement of ERISA plus additional amounts, which may be approved by Capital Health. In 2011 and 2010, Capital Health incurred \$8,749 and \$7,973, respectively, in pension expense for employer contributions to the defined contribution plan, which is included in employee benefits expense.

Capital Health uses a December 31 measurement date for its plan.

As noted in Note 1, Capital Health recognizes in its consolidated balance sheet an asset, for the defined benefit postretirement plan's overfunded status, or a liability, for the plan's underfunded status; measures the defined benefit postretirement plan's assets and obligations that determine funded status as of the end of the its fiscal year; and recognizes the periodic change in the funded status of the defined benefit postretirement plan as a component of changes in unrestricted net assets in the year in which the change occurs.

Actuarial gains and losses that are not recognized as net periodic pension and postretirement cost in the periods in which they arise will be recognized as a component of other changes in unrestricted net assets. Such amounts will be subsequently recognized as a component of net periodic pension and postretirement cost through amortization.

Capital Health froze its defined benefit pension plan as of December 31, 2007.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 10. Pension Plan (continued)

Included in unrestricted net assets is unrecognized actuarial loss at December 31, 2011 and 2010 of \$17,916 and \$18,164, respectively, which has not yet been recognized in net periodic pension cost.

The unrecognized actuarial loss included in unrestricted net assets at December 31, 2011 and expected to be recognized in net periodic pension cost during the year ending December 31, 2012 is approximately \$941.

The following table sets forth the funded status of the plan at December 31, 2011 and 2010 and the amounts recognized in the consolidated financial statements:

	2011	2010
<b>Change in benefit obligation</b>		
Benefit obligation, beginning of year	\$ 81,652	\$ 83,398
Interest cost	3,823	4,358
Actuarial loss (gain)	3,841	(2,617)
Benefits paid	(3,865)	(3,487)
Benefit obligation, end of year	85,451	81,652
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of year	79,188	67,959
Actual return on plan assets	8,722	7,716
Employer contribution	–	7,000
Benefits paid	(3,865)	(3,487)
Fair value of plan assets, end of year	84,045	79,188
Funded status	\$ (1,406)	\$ (2,464)

The net periodic pension (benefit) cost includes the following components:

	2011	2010
Interest cost	\$ 3,823	\$ 4,358
Expected return on plan assets	(5,574)	(4,910)
Recognized actuarial loss	941	1,553
Periodic pension cost	\$ (810)	\$ 1,001

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

(In Thousands)

#### 10. Pension Plan (continued)

The benefit obligations represent the projected and accumulated benefit obligation.

The following assumptions were used in determining the benefit obligations and net periodic benefit cost:

	<b>2011</b>	<b>2010</b>
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	<b>4.28%</b>	5.03%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	<b>5.03%</b>	5.63%
Expected long-term return on plan assets	<b>7.50%</b>	7.50%

Expected long-term rate of return on plan assets assumption:

The expected long-term rate of return on plan assets assumption of 7.50% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – *Selecting Economic Assumptions for Measuring Pension Obligations*. Based on Capital Health’s investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 4.0% was selected and added to the real rate of return range to arrive at a best estimate.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### 10. Pension Plan (continued)

Capital Health's pension plan weighted-average asset allocations at December 31, 2011 and 2010 by asset category are as follows:

	<b>Plan Assets at December 31</b>	
	<b>2011</b>	<b>2010</b>
Equity securities	<b>21%</b>	33%
Fixed income securities	<b>58</b>	59
U.S. government securities	<b>17</b>	—
Other	<b>4</b>	8
	<b>100%</b>	100%

Capital Health expects to pay future benefits as follows:

2012	\$	7,042
2013		6,450
2014		5,959
2015		5,974
2016		6,237
2017 to 2021		29,384

Capital Health's investment policies and strategies for plan assets include allocations of a diversified portfolio of equity investments, fixed income securities and cash equivalents. Though these assets are long-term in nature, a reasonable amount of liquidity should be maintained.

Capital Health does not expect to contribute to its defined benefit pension plan in 2012.

# Capital Health System, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### 11. Concentration of Credit Risk

Capital Health grants credit without collateral to its patients, most of whom are local residents of the greater Trenton metropolitan area and are insured under third-party payer agreements. Concentrations of net accounts receivable from patients and third-party payers were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Medicare	<b>22%</b>	29%
Medicaid	<b>5</b>	3
Commercial and managed care	<b>64</b>	59
Blue Cross	<b>6</b>	7
Self-pay	<b>3</b>	2
	<b>100%</b>	100%

### 12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Health care services	\$ <b>4,717</b>	\$ 4,583
Education	<b>202</b>	283
Equipment	<b>8,237</b>	6,031
Charity care	<b>93</b>	109
Other	<b>212</b>	310
	<b>\$ 13,461</b>	\$ 11,316



Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

**12. Temporarily and Permanently Restricted Net Assets (continued)**

Net assets were released from restrictions for the following purposes:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Health care services	\$ 72	\$ 290
Education	127	184
Charity care	45	87
Other	294	457
	<u>\$ 538</u>	<u>\$ 1,018</u>

For the years ended December 31, 2011 and 2010, Capital Health had the following endowment-related activities:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Endowment balance, beginning of year	\$ 6,249	\$ 5,679
Investment return:		
Investment income	456	190
Net (depreciation) appreciation	(392)	391
Total investment return	64	581
Contributions, net	4	—
Transfers	—	(9)
Amounts appropriated for expenditure	—	(2)
Total change in endowment funds	68	570
Endowment balance, end of year	<u>\$ 6,317</u>	<u>\$ 6,249</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Capital Health to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. Individual donor-restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets. There were no such deficiencies as of December 31, 2011 and 2010.

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### 13. School of Nursing

In accordance with the U.S. Department of Education accounting requirements, disclosure of the school of nursing individual revenue and expenses follows:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Total revenue	\$ 524	\$ 488
Total expenses	1,114	1,267
Expenses over revenues	<u>\$ (590)</u>	<u>\$ (779)</u>

#### 14. Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in appeal against Capital Health. Such lawsuits and claims are either specifically covered by insurance or are not material. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from Capital Health's actions will not have a material adverse effect on the consolidated financial position or consolidated results of operations.

#### 15. Professional Liability Insurance

Capital Health purchased first dollar claims made insurance coverage prior to April 5, 2003 through a commercial carrier. Under this program, the professional and general liabilities were insured under two policies. A "package policy" covered those risks related to Capital Health's general and professional liability as well as certain employed physicians. A "master physician policy" covered all other physicians for whom Capital Health provided coverage. The master physician policy also included an automatic tail provision. In addition to the two primary policies mentioned above, Capital Health purchased umbrella and excess insurance on a claims-made basis.

As of April 5, 2003, Capital Health purchased coverage for its professional and general liability exposures through CRIC. The reinsurance purchased by CRIC covers, on a claims-made basis, both new occurrences and any incident that occurred prior to April 5, 2003 that was unknown to Capital Health as of that date. At December 31, 2011 and 2010, CRIC has recorded an estimated

## Capital Health System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

#### **15. Professional Liability Insurance (continued)**

reserve for claims of \$18,580 and \$19,060, respectively, included in other long-term liabilities, within the accompanying consolidated balance sheets, which includes an estimate for claims incurred but not reported. These amounts are offset by insurance receivables of \$5,908 and \$5,060 at December 31, 2011 and 2010, respectively, included in other noncurrent assets, within the accompanying consolidated balance sheets. For the insurance coverage year May 1, 2010 to April 30, 2011 CRIC insures Capital Health for its professional liability in the amount of \$32,000 per claim and \$36,000 in the annual aggregate, of which \$30,000 per claim and \$30,000 in the annual aggregate is ceded to “A” rated reinsurers. CRIC, therefore, retains losses of \$2,000 per claim and \$6,000 in the annual aggregate. During the same insurance coverage year, CRIC has an additional \$25,000 per claim and in the aggregate ceded to an “A” rated reinsurer so that total general liability coverage is \$57,000 per claim and \$561,000 in the aggregate.

Liabilities arising from incidents which occurred prior to April 5, 2003 which were known to Capital Health are the responsibility of Capital Health. At December 31, 2011 and 2010, Capital Health has calculated estimates of approximately \$4,614 and \$4,670, respectively, which have been discounted at 3% based upon an actuarial valuation, for these incidents and has recorded them in other liabilities in the accompanying consolidated balance sheets.

#### **16. Subsequent Events**

Capital Health’s management has evaluated subsequent events from December 31, 2011 through April 30, 2012, which is the date the financial statements were available to be issued. There was no material event during this period that would impact the results reflected in these consolidated financial statements.

## Supplementary Information

Capital Health System, Inc. and Subsidiaries

Consolidating Balance Sheet

December 31, 2011  
(In Thousands)

	Capital Health Regional Medical Center	Capital Health at Mercer	Capital Health Medical Center – Hopewell	Capital Health – Hamilton	Eliminations	Subtotal	Capital Region Insurance Company	Mercer Holding Corporation	Capital Health Foundation	Capital Health System Condominium Association, Inc.	Stroke & Cerebrovascular Center of NJ, PC	Total Before Eliminations	Eliminations	Capital Health System, Inc.
<b>Assets</b>														
Current assets														
Cash and cash equivalents	\$ 12.169	\$ –	\$ 121	\$ 1	\$ –	\$ 12.291	\$ 570	\$ 4.814	\$ 342	\$ 37	\$ 189	\$ 18.243	\$ –	\$ 18.243
Short-term investments	126.315	–	–	–	–	126.315	–	–	7.329	–	–	133.644	–	133.644
Construction receivable	966	–	5.495	–	–	6.461	–	–	–	–	–	6.461	–	6.461
Patient accounts receivable, net	37.383	–	24.571	1.474	–	63.428	–	1.688	–	–	1.449	66.565	–	66.565
Supplies	1.227	–	2.279	–	–	3.506	–	93	–	–	–	3.599	–	3.599
Prepaid expenses and other current assets	10.916	–	9.292	115	–	20.323	2.744	1.507	1.718	–	203	26.495	(2.122)	24.373
Total current assets	188.976	–	41.758	1.590	–	232.324	3.314	8.102	9.389	37	1.841	255.007	(2.122)	252.885
Investments	24.338	–	–	–	–	24.338	–	–	7.248	–	–	31.586	–	31.586
Assets whose use is limited	54.469	–	–	–	–	54.469	26.492	–	–	–	–	80.961	–	80.961
Investment in subsidiaries	14.356	–	8.447	–	–	22.803	–	–	–	–	–	22.803	(22.803)	–
Investment in joint ventures	–	–	–	–	–	–	–	3.640	–	–	–	3.640	–	3.640
Deferred financing costs, net	3.974	–	13.206	–	–	17.180	–	104	–	–	–	17.284	–	17.284
Due from affiliated organizations	111.449	–	–	41.099	(152.548)	–	–	–	–	–	–	–	–	–
Property, plant, and equipment, net	139.757	–	652.743	25.023	–	817.523	–	5.008	–	–	–	822.531	–	822.531
Other noncurrent assets	25.030	–	–	–	–	25.030	5.908	107	3.429	–	–	34.474	(20.833)	13.641
	\$ 562.349	\$ –	\$ 716.154	\$ 67.712	\$ (152.548)	\$ 1,193.667	\$ 35.714	\$ 16.961	\$ 20.066	\$ 37	\$ 1.841	\$ 1,268.286	\$ (45.758)	\$ 1,222.528

Capital Health System, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

December 31, 2011  
(In Thousands)

	Capital Health Regional Medical Center	Capital Health at Mercer	Capital Health Medical Center– Hopewell	Capital Health – Hamilton	Eliminations	Subtotal	Capital Region Insurance Company	Mercer Holding Corporation	Capital Health Foundation	Capital Health System Condominium Association, Inc.	Stroke & Cerebrovascular Center of NJ, PC	Total Before Eliminations	Eliminations	Capital Health System, Inc.
<b>Liabilities and net assets</b>														
Current liabilities														
Current portion of long-term debt	\$ 3.124	\$ –	\$ 8.393	\$ –	\$ –	\$ 11.517	\$ –	\$ 332	\$ –	\$ –	\$ –	\$ 11.849	\$ (250)	\$ 11.599
Accounts payable	16.914	–	19.934	217	–	37.065	–	558	–	–	–	37.623	–	37.623
Construction and retainage payable	2.076	–	30.199	–	–	32.275	–	–	–	–	–	32.275	–	32.275
Accrued expenses	23.848	–	24.156	12	–	48.016	2.778	1,345	119	37	1,843	54,138	(1,872)	52,266
Accrued interest	–	–	10	–	–	10	–	–	–	–	–	10	–	10
Total current liabilities	45.962	–	82.692	229	–	128.883	2.778	2,235	119	37	1,843	135.895	(2,122)	133.773
Due to affiliated organizations	–	–	152.548	–	(152.548)	–	–	–	–	–	–	–	–	–
Long-term debt, excluding current portion	150.753	–	557.415	–	–	708.168	–	183	–	–	–	708.351	–	708.351
Accrued pension	582	–	824	–	–	1,406	–	–	–	–	–	1,406	–	1,406
Estimated third-party payer settlements and other long-term liabilities	38.303	–	14.450	–	–	52.753	18.580	3,188	–	–	–	74,521	(20,833)	53,688
Total liabilities	235.600	–	807.929	229	(152.548)	891.210	21.358	5,606	119	37	1,843	920.173	(22,955)	897.218
Net assets														
Unrestricted	326.749	–	(91.775)	67.483	–	302.457	14.356	8,447	1,417	–	(2)	326.675	(22,803)	303.872
Temporarily restricted	–	–	–	–	–	–	–	–	13,461	–	–	13,461	–	13,461
Permanently restricted	–	–	–	–	–	–	–	–	5,069	–	–	5,069	–	5,069
Non-controlling interest	–	–	–	–	–	–	–	2,908	–	–	–	2,908	–	2,908
Total net assets	326.749	–	(91.775)	67.483	–	302.457	14.356	11,355	19,947	–	(2)	348,113	(22,803)	325,310
	\$ 562.349	\$ –	\$ 716.154	\$ 67.712	\$ (152.548)	\$ 1,193.667	\$ 35.714	\$ 16,961	\$ 20,066	\$ 37	\$ 1,841	\$ 1,268,286	\$ (45,758)	\$ 1,222,528

Capital Health System, Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended December 31, 2011  
(In Thousands)

	Capital Health Regional Medical Center	Capital Health at Mercer	Capital Health Medical Center – Hopewell	Capital Health – Hamilton	Subtotal	Capital Region Insurance Company	Mercer Holding Corporation	Capital Health Foundation	Capital Health System Condominium Association, Inc.	Stroke & Cerebrovascular Center of NJ, PC	Total Before Eliminations	Eliminations	Capital Health System, Inc.
Unrestricted net assets													
Revenue													
Net patient service revenue	\$ 275.888	\$ 173.475	\$ 20.733	\$ 29.755	\$ 499.851	\$ –	\$ 14.110	\$ –	\$ –	\$ 3.685	\$ 517.646	\$ –	\$ 517.646
Provision for bad debt	(16.446)	(11.190)	(2.947)	(426)	(31.009)	–	(1.143)	–	–	(76)	(32.228)	–	(32.228)
Net patient service revenue, less provision for bad debts	259.442	162.285	17.786	29.329	468.842	–	12.967	–	–	3.609	485.418	–	485.418
Other revenue	12.705	4.947	2.657	1.297	21.606	5.301	1.425	–	–	2.818	31.150	(11.825)	19.325
Unrestricted contributions	–	–	–	–	–	–	–	28	–	–	28	–	28
Total revenue	272.147	167.232	20.443	30.626	490.448	5.301	14.392	28	–	6.427	516.596	(11.825)	504.771
Expenses													
Salaries and wages	134.844	85.835	16.687	8.824	246.190	–	2.436	424	–	5.301	254.351	–	254.351
Employee benefits	20.332	19.509	2.669	1.764	44.274	–	413	–	–	167	44.854	–	44.854
Supplies and other expenses	92.638	59.514	17.695	2.872	172.719	2.677	7.795	799	–	961	184.951	(7.797)	177.154
Interest	7.393	13	3.099	–	10.505	–	53	–	–	–	10.558	(29)	10.529
Depreciation and amortization	13.081	7.638	6.909	2.289	29.917	–	132	–	–	–	30.049	–	30.049
Total expenses prior to items below	268.288	172.509	47.059	15.749	503.605	2.677	10.829	1,223	–	6,429	524,763	(7,826)	516,937
Income (loss) from operations	3.859	(5.277)	(26.616)	14.877	(13.157)	2.624	3.563	(1.195)	–	(2)	(8.167)	(3.999)	(12.166)
Accelerated depreciation	–	(6.355)	–	–	(6.355)	–	–	–	–	–	(6.355)	–	(6.355)
Investment income and realized gains and losses, net	30.200	4	4	1	30.209	1.364	22	1,014	–	–	32.609	–	32.609
Gain (loss) on disposal of fixed assets	15	54	(3.373)	–	(3.304)	–	–	–	–	–	(3.304)	–	(3.304)
Other	–	–	(3.351)	–	(3.351)	–	–	–	–	–	(3.351)	–	(3.351)
Excess (deficiency) of revenue over expenses	34.074	(11.574)	(33.336)	14.878	4.042	3.988	3.585	(181)	–	(2)	11.432	(3.999)	7.433
Excess of revenue over expenses attributable to non-controlling interest	–	–	–	–	–	–	2,827	–	–	–	2,827	–	2,827
Excess (deficiency) of revenue over expenses attributable to controlling interest	34.074	(11.574)	(33.336)	14.878	4.042	3.988	758	(181)	–	(2)	8.605	(3.999)	4.606
Net change in unrealized loss on investments	(29.519)	–	–	–	(29.519)	(784)	–	(927)	–	–	(31.230)	–	(31.230)
Capital infusion from affiliate	–	–	–	–	–	–	2,790	–	–	–	2,790	(2,790)	–
Transfers	–	46.736	(46.836)	–	(100)	–	–	100	–	–	–	–	–
Additional paid-in capital	–	–	–	–	–	–	37	–	–	–	37	–	37
Pension-related changes other than net periodic pension cost	114	9.809	(9.675)	–	248	–	–	–	–	–	248	–	248
Increase (decrease) in unrestricted net assets	\$ 4.669	\$ 44.971	\$ (89.847)	\$ 14.878	\$ (25.329)	\$ 3.204	\$ 3.585	\$ (1,008)	\$ –	\$ (2)	\$ (19.550)	\$ (6.789)	\$ (26.339)

Capital Health System, Inc. and Subsidiaries

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2011  
(In Thousands)

	Capital Health Regional Medical Center	Capital Health at Mercer	Capital Health Medical Center – Hopewell	Capital Health – Hamilton	Subtotal	Capital Region Insurance Company	Mercer Holding Corporation	Capital Health Foundation	Capital Health System Condominium Association, Inc.	Stroke & Cerebrovascular Center of NJ, PC	Total Before Eliminations	Eliminations	Capital Health System, Inc.
Increase (decrease) in unrestricted net assets	\$ 4.669	\$ 44.971	\$ (89.847)	\$ 14.878	\$ (25.329)	\$ 3.204	\$ 3.585	\$ (1.008)	\$	\$ (2)	\$ (19.550)	\$ (6.789)	\$ (26.339)
Temporarily restricted net assets													–
Restricted contributions	–	–	–	–	–	–	–	2.683	–	–	2.683	–	2.683
Net assets released from restrictions for operations	–	–	–	–	–	–	–	(538)	–	–	(538)	–	(538)
Increase in temporarily restricted net assets	–	–	–	–	–	–	–	2.145	–	–	2.145	–	2.145
Permanently restricted net assets													–
Restricted contributions	–	–	–	–	–	–	–	4	–	–	4	–	4
Increase in permanently restricted net assets	–	–	–	–	–	–	–	4	–	–	4	–	4
Non-controlling interest													
Excess of revenue over expenses	–	–	–	–	–	–	2.827	–	–	–	2.827	–	2.827
Member distributions, net	–	–	–	–	–	–	(2.584)	–	–	–	(2.584)	–	(2.584)
Increase in non-controlling interest	–	–	–	–	–	–	243	–	–	–	243	–	243
Increase (decrease) in net assets	4.669	44.971	(89.847)	14.878	(25.329)	3.204	3.828	1.141	–	(2)	(17.158)	(6.789)	(23.947)
Net assets at beginning of year	322.080	(44.971)	(1.928)	52.605	327.786	11.152	7.527	18.806	–	–	365.271	(16.014)	349.257
Net assets at end of year	\$ 326.749	\$ –	\$ (91.775)	\$ 67.483	\$ 302.457	\$ 14.356	\$ 11.355	\$ 19.947	\$ –	\$ (2)	\$ 348.113	\$ (22.803)	\$ 325.310



Dear Mr. Chen,

Thank you for your letter of 12/15/2018 regarding the proposed transaction between your company and the Company. We have reviewed the information provided and are pleased to inform you that we have agreed to the proposed transaction on the following terms:

1. The Company will acquire all of the outstanding shares of your company for a total cash consideration of \$10,000,000.

2. The acquisition will be completed by January 1, 2019.

3. The Company will assume all of the liabilities of your company as of the date of the acquisition.

4. The Company will retain all of the assets of your company as of the date of the acquisition.

5. The Company will retain all of the intellectual property rights of your company as of the date of the acquisition.

6. The Company will retain all of the contracts and agreements of your company as of the date of the acquisition.

7. The Company will retain all of the customer relationships of your company as of the date of the acquisition.

8. The Company will retain all of the employee relationships of your company as of the date of the acquisition.

9. The Company will retain all of the vendor relationships of your company as of the date of the acquisition.

10. The Company will retain all of the other relationships of your company as of the date of the acquisition.

We believe that this transaction is in the best interests of both parties and we are confident that it will be a successful one. We look forward to working with you on the details of the transaction.

Sincerely,

Chen & Company

1. The Company will acquire all of the outstanding shares of your company for a total cash consideration of \$10,000,000.

2. The acquisition will be completed by January 1, 2019.

3. The Company will assume all of the liabilities of your company as of the date of the acquisition.

4. The Company will retain all of the assets of your company as of the date of the acquisition.

5. The Company will retain all of the intellectual property rights of your company as of the date of the acquisition.

6. The Company will retain all of the contracts and agreements of your company as of the date of the acquisition.

7. The Company will retain all of the customer relationships of your company as of the date of the acquisition.

8. The Company will retain all of the employee relationships of your company as of the date of the acquisition.

9. The Company will retain all of the vendor relationships of your company as of the date of the acquisition.

10. The Company will retain all of the other relationships of your company as of the date of the acquisition.

We believe that this transaction is in the best interests of both parties and we are confident that it will be a successful one. We look forward to working with you on the details of the transaction.

Sincerely,

Chen & Company

Additional Data

Software ID:

Software Version:

EIN: 22-3548695

Name: CAPITAL HEALTH SYSTEM INC

Form 990, Special Condition Description:

Special Condition Description
-------------------------------

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SAMUEL J PLUMERI JR CHAIRMAN - TRUSTEE	1 0	X		X				0	0	0
NANCY H BECKER VICE CHAIR - TRUSTEE	1 0	X		X				0	0	0
GILBERT W LUGOSSY SECRETARY - TRUSTEE	1 0	X		X				0	0	0
MILES W TRUESDELL JR TREASURER - TRUSTEE	1 0	X		X				0	0	0
CARMEN M GARCIA ESQ ASSISTANT SECRETARY - TRUSTEE	1 0	X		X				0	0	0
REVEREND DARRELL L ARMSTRONG TRUSTEE	1 0	X						0	0	0
JUDGE GERALD J COUNCIL JSC TRUSTEE	1 0	X						0	0	0
LOUIS DAMELIO MD TRUSTEE	55 0	X						778,936	0	16,831
ANTHONY C HOOPER TRUSTEE	1 0	X						0	0	0
JOSEPH R JINGOLI TRUSTEE	1 0	X						0	0	0
MARTIN P JOHNSON TRUSTEE	1 0	X						0	0	0
RAMAN KAPUR TRUSTEE	1 0	X						0	0	0
DANIEL J LEE MD TRUSTEE	25 0	X						105,596	0	0
AL MAGHAZEHE PHD FACHE TRUSTEE - PRESIDENT/CEO	55 0	X		X				1,734,066	0	494,595
SEAN S MURRAY TRUSTEE	1 0	X						0	0	0
CLINTON H OGOLO MD TRUSTEE - VP, MEDICAL STAFF	1 0	X						0	0	0
JOHN F RICCI TRUSTEE	1 0	X						0	0	0
MICHAEL L SOMERSTEIN MD TRUSTEE	1 0	X						0	0	0
TELECHERY SUDHAKAR MD TRUSTEE	1 0	X						0	0	0
JOHN P THURBER TRUSTEE	1 0	X						0	0	0
RONALD L WARREN MD TRUSTEE	1 0	X						0	0	0
MARK S WHITMAN MD TRUSTEE - PRES, MEDICAL STAFF	25 0	X						123,907	0	0
RONALD J GUY CHIEF FINANCIAL OFFICER	55 0			X				1,787,348	0	36,353
SHANE F FLEMING CPA VP FINANCE	55 0			X				394,768	0	30,573
EUGENE W GROCHALA CHIEF INFORMATION OFFICER	55 0			X				516,775	0	85,070

**Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
STEPHEN A MILLER JD CHIEF COMPLIANCE OFFICER	55 0			X				309,215	0	59,613
LARRY DISANTO EXECUTIVE VICE PRESIDENT	55 0			X				1,021,075	0	351,757
JAN GABIN ESQ GENERAL COUNSEL	55 0			X				569,131	0	70,246
ROBERT REMSTEIN DO VP, MEDICAL AFFAIRS	55 0			X				547,547	0	86,835
PATRICIA V CAVANAUGH RN MSN VP, PATIENT SERVICES/CNO	55 0			X				503,968	0	16,206
NATHAN BOSK FACHE VP, AMBULATORY SERVICES	55 0			X				499,331	0	75,211
J SCOTT CLEMMENSEN VP, HUMAN RESOURCES	55 0			X				437,373	0	89,359
GREGORY N DADAMO VP, SUPPORT SERVICES	55 0			X				423,796	0	67,117
MARGARET SULLIVAN VP, QUALITY RESOURCE MGMT	55 0			X				414,328	0	83,016
DENNIS DOOLEY VP, PLANNING AND DEVELOPMENT	55 0			X				397,484	0	84,967
LINDA DITE VP, CLINICAL SERVICES	55 0			X				391,144	0	52,503
EILEEN M HORTON VP, STRATEGIC TRANSFORMATION	55 0			X				353,193	0	61,669
ARLENE WALSH VP, NEUROSCIENCES	55 0			X				279,841	0	44,000
ARLINE M STEPHAN EXECUTIVE DIRECTOR, FOUNDATION	55 0				X			186,650	0	15,387
EROL VEZNEDAROGLU MD PHYSICIAN	55 0					X		1,939,997	0	9,727
KENNETH M LIEBMAN MD PHYSICIAN	55 0					X		1,937,401	0	20,175
LEE M BUONO MD PHYSICIAN	55 0					X		970,972	0	16,395
ARIEL F ABUD MD PHYSICIAN	55 0					X		892,323	0	22,730
JOHN D LIPANI MD PHYSICIAN	55 0					X		868,930	0	18,144