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Form 990

AMENDED RETURN Return of Organization Exempt From Income Tax

OMB No 1545-0047

2012

Open to Public
InspectionDepartment of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2012 calendar year, or tax year beginning

, 2012, and ending

, 20

B Check if applicable

- ☐ Address change
☐ Name change
☐ Initial return
☐ Terminated
☒ Amended return
☐ Application pending

C Name of organization

CAPITAL HEALTH SYSTEM, INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

750 BRUNSWICK AVENUE

Room/suite

City, town or post office, state, and ZIP code

TRENTON, NJ 08638

F Name and address of principal officer

AL MAGHAZEHE PH.D., FACHE

750 BRUNSWICK AVENUE TRENTON, NJ 08638

D Employer identification number

22-3548695

E Telephone number

(609) 278-5415

G Gross receipts \$ 606,087,000.

H(a) Is this a group return for affiliates? ☐ Yes ☒ NoH(b) Are all affiliates included? ☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status

☒

501(c)(3)

501(c) ()

(insert no)

4947(a)(1) or

527

J Website. ▶ WWW.CAPITALHEALTH.ORG

K Form of organization

☒

Corporation

☐ Trust☐ Association☐ Other ▶

L Year of formation 1997

M State of legal domicile NJ

Part I Summary

1 Briefly describe the organization's mission or most significant activities

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.

2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)

3

20.

4 Number of independent voting members of the governing body (Part VI, line 1b)

4

14.

5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)

5

4,355.

6 Total number of volunteers (estimate if necessary)

6

307.

7a Total unrelated business revenue from Part VIII, column (C), line 12

7a

0

b Net unrelated business taxable income from Form 990-T, line 34

7b

0

Activities & Governance

Revenue

Expenses

Net Assets or Fund Balances

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)	4,266,045.	7,894,663.
9 Program service revenue (Part VIII, line 2g)	512,421,370.	516,041,705.
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	27,862,228.	10,350,624.
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,738,571.	4,523,278.
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	549,288,214.	538,810,270.
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	200,535.	0
14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-8)	290,464,889.	292,333,398.
16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ▶		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	254,680,768.	304,593,779.
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	545,346,192.	596,927,177.
19 Revenue less expenses Subtract line 18 from line 12	3,942,022.	-58,116,907.
20 Total assets (Part X, line 16)	Beginning of Current Year 1,193,667,615.	End of Year 1,125,132,304.
21 Total liabilities (Part X, line 26)	891,211,033.	884,201,694.
22 Net assets or fund balances Subtract line 21 from line 20	302,456,582.	240,930,610.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date

02/18/2015

Type or print name and title

Shane Fleming CFO

Paid

Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

SCOTT MARIANI

WITHUMSMITH+BROWN, PC

2/12/2015

P00642486

Firm's name ▶ WITHUMSMITH+BROWN, PC

Firm's EIN ▶ 22-2027092

Firm's address ▶ 465 SOUTH ST STE 200 MORRISTOWN, NJ 07960-6497

Phone no 973-898-9494

May the IRS discuss this return with the preparer shown above? (see instructions)

☒

Yes

☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2012)

JSA
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619

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response to any question in this Part III ☒ **X**

- 1 Briefly describe the organization's mission

ATTACHMENT 1

- 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 are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code) (Expenses \$ 84,761,769 including grants of \$ 0) (Revenue \$ 66,576,187)

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.

4b (Code) (Expenses \$ 46,956,313 including grants of \$ 0) (Revenue \$ 46,412,788)

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.

4c (Code) (Expenses \$ 42,466,860 including grants of \$ 0) (Revenue \$ 37,603,907)

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.

4d Other program services (Describe in Schedule O)

(Expenses \$ 363,049,689 including grants of \$ 0) (Revenue \$ 365,448,823)

4e Total program service expenses ▶ 537,234,631.

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	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Section 501(c)(3) organizations. 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, 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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12 a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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 and XII is optional	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14 a Did the organization maintain an office, employees, or agents outside of the United States?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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, Parts I and IV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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 United States? If "Yes," complete Schedule F, Parts II and IV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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 United States? If "Yes," complete Schedule F, Parts III and IV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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 (see instructions)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>
20 a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II.</i>		X
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>		X
23 Did the organization answer "Yes" to Part VII, Section A, line 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>	X	
24 a 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 lines 24b through 24d and complete Schedule K. If "No," go to line 25.</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25 a Section 501(c)(3) and 501(c)(4) organizations. 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>		X
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>		X
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>	X	
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III.</i>		X
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>		X
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV.</i>	X	
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 direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV.</i>	X	
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M.</i>		X
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>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I.</i>		X
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>		X
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>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1.</i>	X	
35 a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X	
b If "Yes" to line 35a, 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>	X	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2.</i>		X
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>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O.	X	

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Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response to any question in this Part V. ☐

	Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a 625	
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b 0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c X	
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a 4,355	
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b X	
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a X	
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b X	
4a 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, securities account, or other financial account)?	4a X	
b If "Yes," enter the name of the foreign country: <u>CAYMAN ISLANDS</u>		
See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	X
c If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a 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 as charitable contributions?	6a	X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).		
a 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?	7a X	
b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b X	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	X
d If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	X
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	X
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9 Sponsoring organizations maintaining donor advised funds.		
a Did the organization make any taxable distributions under section 4966?	9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter:		
a Initiation fees and capital contributions included on Part VIII, line 12	10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
11 Section 501(c)(12) organizations. Enter:		
a Gross income from members or shareholders	11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.		
a Is the organization licensed to issue qualified health plans in more than one state?	13a	
Note. See the instructions for additional information the organization must report on Schedule O		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b	
c Enter the amount of reserves on hand	13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a	X
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 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. ☒ X

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 1a 20		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
b Enter the number of voting members included in line 1a, above, who are independent 1b 14		
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?		X
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? . . .		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6 Did the organization have members or stockholders?		X
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?		X
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	X	
b Each committee with authority to act on behalf of the governing body?	X	
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		X

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?		X
b 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? . . .	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13 Did the organization have a written whistleblower policy?	X	
14 Did the organization have a written document retention and destruction policy?	X	
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?		
a The organization's CEO, Executive Director, or top management official	X	
b Other officers or key employees of the organization	X	
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?		X
b 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 Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)

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 during the tax year.

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

JSA

Form 990 (2012)

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response to any question in this Part VII ☒ X**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(1) SAMUEL J PLUMERI JR CHAIRMAN - TRUSTEE	5.00	X		X				0	0	0
(2) NANCY H BECKER VICE CHAIR - TRUSTEE	5.00	X		X				0	0	0
(3) GILBERT W LUGOSSY SECRETARY - TRUSTEE	3.00	X		X				0	0	0
(4) JOHN F RICCI TREASURER - TRUSTEE	3.00	X		X				0	0	0
(5) CARMEN M GARCIA ESQ ASSISTANT SECRETARY - TRUSTEE	3.00	X		X				0	0	0
(6) REVEREND DARRELL L ARMSTRONG TRUSTEE	1.00	X						0	0	0
(7) GIOVANNI CAFORIO MD TRUSTEE	1.00	X						0	0	0
(8) LOUIS F DAMELIO MD TRUSTEE	55.00	X						809,895.	0	28,929.
(9) MARTIN P JOHNSON TRUSTEE	1.00	X						0	0	0
(10) RAMAN KAPUR TRUSTEE	1.00	X						0	0	0
(11) DANIEL J LEE MD TRUSTEE	25.00	X						83,247.	0	0
(12) AL MAGHAZEHE PHD FACHE TRUSTEE - PRESIDENT/CEO	55.00	X		X				1,772,084.	0	494,527.
(13) SEAN S MURRAY TRUSTEE	1.00	X						0	0	0
(14) CLINTON H OGOLO MD TRUSTEE	1.00	X						0	0	0

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(15) MICHAEL L SOMERSTEIN MD TRUSTEE	1.00	X						0	0	0
(16) TELECHERY A SUDHAKAR MD TRUSTEE - VP, MEDICAL STAFF	1.00	X						0	0	0
(17) JOHN P THURBER TRUSTEE	1.00	X						0	0	0
(18) MILES W TRUESDELL JR TRUSTEE	1.00	X						0	0	0
(19) RONALD L WARREN MD TRUSTEE	1.00	X						0	0	0
(20) MARK S WHITMAN MD TRUSTEE - PRES, MEDICAL STAFF	25.00	X						85,444.	0	0
(21) SHANE F FLEMING CPA CHIEF FINANCIAL OFFICER	55.00			X				501,087.	0	72,863.
(22) EUGENE W GROCHALA CHIEF INFORMATION OFFICER	55.00			X				521,752.	0	83,127.
(23) STEPHEN A MILLER JD CHIEF COMPLIANCE OFFICER	55.00			X				311,383.	0	66,942.
(24) LARRY DISANTO EXECUTIVE VICE PRESIDENT/COO	55.00			X				1,022,103.	0	350,813.
(25) JAN GABIN ESQ (RET. 11/3/12) GENERAL COUNSEL	55.00			X				901,678.	0	91,689.
1b Sub-total								2,665,226.	0	523,456.
c Total from continuation sheets to Part VII, Section A								13,047,795.	0	1,536,474.
d Total (add lines 1b and 1c)								15,713,021.	0	2,059,930.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **486**

- 3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual
- 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? If "Yes," complete Schedule J for such individual
- 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

	Yes	No
3	X	--
4	X	--
5	--	X

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
ATTACHMENT 2		
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization 130		

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(26) ALEXANDER D GLADNEY ESQ INTERIM GENERAL COUNSEL	55.00			X				234,397.	0	11,430.
(27) LINDA DITE (RETIRED 11/3/12) VP, CLINICAL SERVICES	55.00			X				610,336.	0	56,045.
(28) ROBERT REMSTEIN DO VP, MEDICAL AFFAIRS	55.00			X				544,939.	0	79,162.
(29) PATRICIA V CAVANAUGH RN MSN VP, PAT SVCS/CNO (RET 2/29/12)	55.00			X				508,444.	0	13,132.
(30) NATHAN BOSK FACHE VP, AMBULATORY SERVICES	55.00			X				503,200.	0	84,568.
(31) GREGORY N DADAMO VP, SUPPORT SERVICES	55.00			X				444,120.	0	70,917.
(32) J SCOTT CLEMMENSEN VP, HUMAN RESOURCES	55.00			X				442,155.	0	89,376.
(33) EILEEN M HORTON (EFF. 3/1/12) VP, PATIENT SERVICES/CNO	55.00			X				430,408.	0	68,429.
(34) MARGARET SULLIVAN VP, QUALITY RESOURCE MGMT.	55.00			X				421,091.	0	83,223.
(35) DENNIS DOOLEY VP, PLANNING AND DEVELOPMENT	55.00			X				403,725.	0	74,637.
(36) ARLENE WALSH VP, NEUROSCIENCES	55.00			X				303,144.	0	68,665.

1b Sub-total**c Total from continuation sheets to Part VII, Section A****d Total (add lines 1b and 1c)**

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **486**

3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual

	Yes	No
3	X	
4	X	
5		X

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? If "Yes," complete Schedule J for such individual

5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

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

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

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(37) ARLINE M STEPHAN EXEC DIR, FDN (TERM 9/15/12)	55.00				X			230,513.	0	13,024.
(38) LEE M BUONO MD PHYSICIAN	55.00					X		1,081,825.	0	16,468
(39) JOSEPH SHERRILL II MD PHYSICIAN	55.00					X		733,338.	0	24,722.
(40) YOGANAND DEENDYAL MD PHYSICIAN	55.00					X		676,856.	0	33,146.
(41) STEVEN A JOHNSON MD PHYSICIAN	55.00					X		661,391.	0	34,414.
(42) GARY A TUMA MD PHYSICIAN	55.00					X		598,705.	0	32,234.
(43) RONALD J GUY (RET. 12/30/11) FORMER CFO	0						X	875,761.	0	17,448.
1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **486**

- 3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual
- 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? If "Yes," complete Schedule J for such individual
- 5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

	Yes	No
3	X	
4	X	
5		X

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
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization 4		

Part VIII Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII.

☒ X

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) 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	4,902,810			
	e	Government grants (contributions)	1e	2,984,353			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	7,500			
	g	Noncash contributions included in lines 1a-1f: \$					
	h	Total. Add lines 1a-1f		7,894,663			
Program Service Revenue				Business Code			
	2a	NET PATIENT SERVICE REVENUE	541900	503,545,610	503,545,610		
	b	911 COUNTY SUPPORT & FIRE DISPATCH	541900	44,004	44,004		
	c	SCHOOL OF NURSING	541900	361,854	361,854		
	d	OTHER HEALTHCARE RELATED REVENUE	541900	11,793,614	11,793,614		
	e	AUXILIARY REVENUE	541900	296,623	296,623		
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		516,041,705			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts). ATTACHMENT 3		3,093,032			3,093,032
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real (ii) Personal				
	6a	Gross rents	2,319,289				
	b	Less rental expenses					
	c	Rental income or (loss)	2,319,289				
	d	Net rental income or (loss)		2,319,289			2,319,289
			(i) Securities (ii) Other				
	7a	Gross amount from sales of assets other than inventory	70,435,098	4,099,224			
	b	Less cost or other basis and sales expenses	61,103,636	6,173,094			
	c	Gain or (loss)	9,331,462	-2,073,870			
	d	Net gain or (loss)		7,257,592			7,257,592
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	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	b				
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	b					
c	Net income or (loss) from sales of inventory		0				
Miscellaneous Revenue			Business Code				
11a	CAFE/DIETARY	900099	2,203,989			2,203,989	
b							
c							
d	All other revenue						
e	Total. Add lines 11a-11d		2,203,989				
12	Total revenue. See instructions		538,810,270	516,041,705		14,873,902	

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).

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.	0			
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.	12,986,644.	11,687,978.	1,298,666.	
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.	239,546,794.	215,592,115.	23,954,679.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	698,238.	628,415.	69,823.	
9 Other employee benefits.	21,611,052.	19,449,947.	2,161,105.	
10 Payroll taxes.	17,490,670.	15,741,603.	1,749,067.	
11 Fees for services (non-employees)	0			
a Management.	309,364.	278,428.	30,936.	
b Legal.	367,587.	330,828.	36,759.	
c Accounting.	193,717.	174,345.	19,372.	
d Lobbying.	0			
e Professional fundraising services. See Part IV, line 17.	568,487.	511,638.	56,849.	
f Investment management fees.	60,966,942.	54,870,248.	6,096,694.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) ATCH 4.	1,505,177.	1,354,659.	150,518.	
12 Advertising and promotion.	14,638,913.	13,175,022.	1,463,891.	
13 Office expenses.	3,047,493.	2,742,744.	304,749.	
14 Information technology.	0			
15 Royalties.	2,015,846.	1,814,261.	201,585.	
16 Occupancy.	0			
17 Travel.	0			
18 Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19 Conferences, conventions, and meetings.	465,298.	418,768.	46,530.	
20 Interest.	56,510,531.	50,859,478.	5,651,053.	
21 Payments to affiliates.	0			
22 Depreciation, depletion, and amortization.	61,292,091.	55,162,882.	6,129,209.	
23 Insurance.	6,263,403.	5,637,063.	626,340.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a <u>MEDICAL SUPPLIES</u>	66,468,793.	59,821,914.	6,646,879.	
b <u>UTILITIES</u>	9,734,392.	8,760,953.	973,439.	
c <u>REPAIRS AND MAINTENANCE</u>	5,988,166.	5,389,349.	598,817.	
d <u>PROPERTY TAXES</u>	1,330,882.	1,197,794.	133,088.	
e All other expenses.	12,926,697.	11,634,199.	1,292,498.	
25 Total functional expenses. Add lines 1 through 24e.	596,927,177.	537,234,631.	59,692,546.	
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).	0			

Part X Balance Sheet

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

☒ X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	0	1	0
	2 Savings and temporary cash investments	12,291,531.	2	9,115,996.
	3 Pledges and grants receivable, net	0	3	0
	4 Accounts receivable, net	63,426,868.	4	74,582,682.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	142,500.
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L	0	6	0
	7 Notes and loans receivable, net	0	7	0
	8 Inventories for sale or use	3,505,491.	8	3,077,734.
	9 Prepaid expenses and deferred charges	20,323,451.	9	18,232,763.
	10a Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D	10a	1260121954.	
	b Less: accumulated depreciation	10b	459,437,528.	
	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	227,925,600.	13	181,843,460.
	14 Intangible assets	17,180,067.	14	13,433,796.
	15 Other assets See Part IV, line 11	31,491,086.	15	24,018,947.
16 Total assets. Add lines 1 through 15 (must equal line 34)	1,193,667,615.	16	1,125,132,304.	
Liabilities	17 Accounts payable and accrued expenses	85,089,815.	17	65,355,358.
	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 Loans and other 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	719,686,092.	23	755,969,345.
	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	86,435,126.	25	62,876,991.
	26 Total liabilities. Add lines 17 through 25	891,211,033.	26	884,201,694.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	302,456,582.	27	240,930,610.
	28 Temporarily restricted net assets	0	28	0
	29 Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), 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	302,456,582.	33	240,930,610.
34 Total liabilities and net assets/fund balances	1,193,667,615.	34	1,125,132,304.	

Form 990 (2012)

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response to any question in this Part XI ☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	538,810,270.
2	Total expenses (must equal Part IX, column (A), line 25)	2	596,927,177.
3	Revenue less expenses. Subtract line 2 from line 1	3	-58,116,907.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	302,456,582.
5	Net unrealized gains (losses) on investments	5	3,717,585.
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-7,126,650.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	240,930,610.

Part XII Financial Statements and ReportingCheck if Schedule O contains a response to any question in this Part XII ☒

	Yes	No
1 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		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	X
b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited 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 separate basis	2b	X
c If "Yes" to line 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.	2c	X
3a 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?	3a	X
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	3b	X

Form 990 (2012)

SCHEDULE A
(Form 990 or 990-EZ)

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

2012

**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 described in 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. See 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-Non-functionally integrated
- 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 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 monetary support
			Yes	No	Yes	No	Yes	No	
(A)									
(B)									
(C)									
(D)									
(E)									
Total									

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2012

Part II **Support Schedule for Organizations Described in Sections 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2011 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 33 1/3% support test - 2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
17a 10%-facts-and-circumstances test - 2012. 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 stop here. 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 10%-facts-and-circumstances test - 2011. 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 stop here. 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 Private foundation. 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 III Support Schedule for Organizations Described in Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 section 501(c)(3) organization, check this box and stop here ▶ <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2012. 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 stop here. The organization qualifies as a publicly supported organization ▶ ☐

b 33 1/3% support tests - 2011. 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 stop here. 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.** Complete this part to provide the explanations required by Part II, line 10, Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions)

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2012

Open to Public
Inspection

Department of the Treasury
Internal Revenue Service

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.

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, Part V, line 35c (Proxy Tax), then

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

Name of 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 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 function 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-
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2012

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												
1 a	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 border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is.</th> </tr> </thead> <tbody> <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> </tbody> </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?														

☐ Yes ☐ 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2 a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Schedule C (Form 990 or 990-EZ) 2012

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
For each "Yes," response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity			
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?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		193,717.
j Total Add lines 1c through 1i			193,717.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No," OR (b) Part III-A, line 3, is answered "Yes."

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a Current year	2a	
b Carryover from last year	2b	
c Total	2c	
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, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

SEE PAGE 4

Part IV Supplemental Information (continued)

LOBBYING ACTIVITIES

SCHEDULE C, PART II-B; LINE 1I

DURING 2012, THE ORGANIZATION PAID TWO OUTSIDE LOBBYING FIRMS A TOTAL OF \$145,620 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, THE AMERICAN HOSPITAL ASSOCIATION AND NEW JERSEY BUSINESS & INDUSTRY ASSOCIATION WHICH 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 \$48,097 IN 2012.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service
Name of the organization

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990,
Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public
Inspection

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?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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?		<input type="checkbox"/> Yes <input type="checkbox"/> No

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).

<input type="checkbox"/> Preservation of land for public use (e g , recreation or education)	<input type="checkbox"/> Preservation of an historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a through 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 Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

b Assets included in Form 990, Part X ▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2012

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

3 Using the organization's acquisition, 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

b ☐ Scholarly research

c ☐ Preservation for future generations

d ☐ Loan or exchange programs

e ☐ Other _____

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

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 XIII and complete the following table

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII. ☐ Yes ☐ No

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 Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

a Board designated or quasi-endowment %

b Permanent endowment %

c Temporarily restricted endowment %

The percentages in lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i) unrelated organizations ☐ Yes ☐ No

(ii) related organizations ☐ Yes ☐ No

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? ☐ Yes ☐ No

	Yes	No
3a(i)	<input type="checkbox"/>	<input type="checkbox"/>
3a(ii)	<input type="checkbox"/>	<input type="checkbox"/>
3b	<input type="checkbox"/>	<input type="checkbox"/>

4 Describe in Part XIII 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		518,059,559.	106,164,942.	411,894,617.
c Leasehold improvements				
d Equipment		650,282,414.	345,905,413.	304,377,001.
e Other		42,397,696.	7,367,173.	35,030,523.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c)).				800,684,426.

Schedule D (Form 990) 2012

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total (Column (b) must equal Form 990, Part X, col (B) line 12)		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type ATTACHMENT 1	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) MUTUAL FUNDS - FIXED INCOME		
(2) SECURITIES	65,161,350.	FMV
(3) MUTUAL FUNDS - EQUITY		
(4) SECURITIES	49,231,516.	FMV
(5) INVESTMENT IN SUBSIDIARIES	20,883,509.	FMV
(6) ACCRUED INTEREST	84,135.	FMV
(7) CERTIFICATES OF DEPOSIT		FMV
(8) CASH AND CASH EQUIVALENTS;		
(9) LIMITED USE	15,385,873.	FMV
(10) LIMITED USE ASSETS HELD UNDER		
Total (Column (b) must equal Form 990, Part X, col (B) line 13)		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15).	

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ACCRUED PENSION EXPENSE;	
(3) NON-CURRENT	3,336,370.
(4) OTHER LIABILITIES	59,110,635.
(5) CONSTRUCTION AND RETAINAGE PAYABLE	429,986.
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25)	

2. FIN 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII. ☒ X

Part XI Reconciliation 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 XIII)	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 XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)		5	

Part XII Reconciliation 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 XIII)	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 XIII.)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)		5	

Part XIII Supplemental 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

SEE PAGE 5

Part XIII Supplemental Information (continued)

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.

Part XIII Supplemental Information (continued)ATTACHMENT 1SCHEDULE D, PART VIII - INVESTMENTS - PROGRAM RELATED

<u>DESCRIPTION</u>	<u>BOOK VALUE</u>	<u>COST OR FMV</u>
SUPPLEMENTAL RETIREMENT PLAN	5,983,576.	FMV
ALTERNATIVE INVESTMENTS	25,113,501.	FMV
TOTALS	<u>181,843,460.</u>	

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No 1545-0047

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service
Name of the organization

- Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.

Employer identification number
22-3548695

CAPITAL HEALTH SYSTEM, INC

Part I **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 14b

1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No

2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e.g., fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) CENTRAL AMERICA/CARIBBEAN	1	1	PROGRAM SERVICES	FINANCIAL VEHICLE	3,700,308
(2) CENTRAL AMERICA/CARIBBEAN	1	1	INVESTMENTS		14,779,888
(3)					
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total	2	2			18,480,196
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)	2	2			18,480,196

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule F (Form 990) 2012

Part II Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

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 Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Schedule F (Form 990) 2012

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, Return by a U.S. Transferor of Property to a Foreign Corporation (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, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (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, Information 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

Schedule F (Form 990) 2012

Part V**Supplemental Information**

Complete this part to provide the information required by Part I, line 2 (monitoring of funds), Part I, line 3, column (f) (accounting method, amounts of investments vs expenditures per region), Part II, line 1 (accounting method), Part III (accounting method), and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions)

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization

Employer identification number

CAPITAL HEALTH SYSTEM, INC

22-3548695

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			57,617,304.	28,864,208.	28,753,096.	4.82
b Medicaid (from Worksheet 3, column a)			23,725,039.	13,933,268.	9,791,771.	1.64
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			81,342,343.	42,797,476.	38,544,867.	6.46
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	263	38657	151,900.	2,158.	149,742.	.03
f Health professions education (from Worksheet 5)			8,918,816.	7,162,797.	1,756,019.	.29
g Subsidized health services (from Worksheet 6)			86,111.		86,111.	.01
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			171,395.		171,395.	.03
j Total Other Benefits	263	38657	9,328,222.	7,164,955.	2,163,267.	.36
k Total. Add lines 7d and 7j.	263	38657	90,670,565.	49,962,431.	40,708,134.	6.82

For Paperwork Reduction Act Notice, see the Instructions for Form 990

Schedule H (Form 990) 2012

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Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(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
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	X	
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	2		
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.	3		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	98,308,547.
6 Enter Medicare allowable costs of care relating to payments on line 5	6	130,417,232.
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-32,108,685.
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?	9a	X	
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	9b	X	

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians-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				

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Section A. Hospital Facilities

Part V Facility Information (continued)**Section B. Facility Policies and Practices**

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

Name of hospital facility or facility reporting group CAPITAL HEALTH MEDICAL CENTERFor single facility filers only: line number of hospital facility (from Schedule H, Part V, Section A) 1-3

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1	
If "Yes," indicate what the CHNA report 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 the community health 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA <u>20</u> <u> </u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 CHNA 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 CHNA report widely available to the public?	5	
If "Yes," indicate how the CHNA report 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)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . .	7	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ <u> </u>		

Part V Facility Information (continued)

Financial Assistance Policy		CAPITAL HEALTH MEDICAL CENTER		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	X		
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	10			X
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.					
11	Used FPG to determine eligibility for providing discounted care?	11			X
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.					
12	Explained the basis for calculating amounts charged to patients?	12	X		
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)				
13	Explained the method for applying for financial assistance?	13	X		
14	Included measures to publicize the policy within the community served by the hospital facility?	14	X		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)					
a	<input type="checkbox"/> The policy was posted on the hospital facility's website				
b	<input type="checkbox"/> The policy was attached to 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 on admission to the hospital facility				
f	<input checked="" type="checkbox"/> The policy was available on request				
g	<input checked="" type="checkbox"/> Other (describe in Part VI)				
Billing and Collections					
15	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?	15	X		
16	Check all of the following 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 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)				
17	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?	17			X
If "Yes," check all actions in which the hospital facility or a third party engaged					
a	<input 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)				

Schedule H (Form 990) 2012

Part V Facility Information (continued) CAPITAL HEALTH MEDICAL CENTER**18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- a ☐ Notified individuals of the financial assistance policy on admission
- b ☐ Notified individuals of the financial assistance policy prior to discharge
- c ☒ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care**19** 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?

	Yes	No
19	X	

If "No," indicate why

- a ☐ The hospital facility did not provide care for any emergency medical conditions
- b ☐ The hospital facility's policy was not in writing
- c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d ☐ Other (describe in Part VI)

Changes to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)**20** 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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d ☒ Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any of its FAP-eligible individuals, 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?

	Yes	No
20		X
21		X

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

Part V Facility Information (continued)**Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? 22

Name and address	Type of Facility (describe)
1 CAPITAL HEALTH SYSTEM IN HAMILTON 1401-1445 WHITEHORSE-MERCERVILLE ROAD HAMILTON NJ 08619	OUTPATIENT FACILITY
2 CAPITAL HEALTH - MEDICAL OFFICE BUILDING 2 CAPITAL WAY PENNINGTON NJ 08534	GENERAL MEDICINE
3 MICU 65 PROSPECT STREET TRENTON NJ 08618	MICU
4 CHS REHABILITATION SERVICES 832 BRUNSWICK AVENUE TRENTON NJ 08618	REHABILITATION SERVICES
5 FAMILY HEALTH CENTER 433 BELLEVUE AVENUE TRENTON NJ 08618	FAMILY HEALTH AND ADULT DAY CARE CENTER
6 CHS PARTIAL HOSPITALIZATION SERVICES 832 BRUNSWICK AVENUE TRENTON NJ 08618	MENTAL HEALTH
7 WEST TRENTON MEDICAL ASSOCIATES 1230 PARKWAY AVENUE EWING NJ 08628	GENERAL MEDICINE
8 CORPORATE HEALTH CENTER 832 BRUNSWICK AVENUE TRENTON NJ 08618	HEALTH CENTER
9 BORDENTOWN FAMILY MEDICAL 1 THIRD STREET BORDENTOWN NJ 08505	FAMILY MEDICINE
10 EARLY INTERVENTION 413 HILLCREST AVENUE EWING NJ 08618	EARLY INTERVENTION

Schedule H (Form 990) 2012

Part V Facility Information (continued)**Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (describe)
1 CAPITAL HEALTH PRIMARY CARE - PENNINGTON 2480 PENNINGTON ROAD PENNINGTON NJ 08534	GENERAL MEDICINE
2 CAPITAL SURGICAL ASSOCIATES 40 FULD STREET TRENTON NJ 08638	GENERAL MEDICINE
3 CAPITAL ENDOCRINOLOGY 1235 WHITEHORSE-MERCERVILLE ROAD HAMILTON NJ 08619	ENDOCRINOLOGY
4 HEARTCARE SPECIALISTS AT CAPITAL HEALTH 625 FARNSWORTH AVENUE BORDENTOWN NJ 08505	CARDIOLOGY
5 CHS SCHOOL OF NURSING 542 BELLEVUE AVENUE TRENTON NJ 08618	NURSING
6 CHS - ONCOLOGY STUDY 416 BELLEVUE AVENUE TRENTON NJ 08618	ONCOLOGY
7 PLASTIC SURGERY ASSOCIATES OF NEW JERSEY 850 BEAR TAVERN ROAD EWING NJ 08628	PLASTIC SURGERY
8 CHS LABORATORY SERVICES 2480 PENNINGTON ROAD PENNINGTON NJ 08534	LABORATORY SERVICES
9 CAPITAL HEALTH CLINICAL CARDIOLOGY 2480 PENNINGTON ROAD PENNINGTON NJ 08534	CARDIOLOGY
10 CAPITAL HLTH PRIMARY CARE - QUAKERBRIDGE 4056 QUAKERBRIDGE ROAD LAWRENCEVILLE NJ 08648	GENERAL MEDICINE

Schedule H (Form 990) 2012

Part V Facility Information (continued)**Section C. Other Health Care 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 health care facilities did the organization operate during the tax year? _____

Name and address	Type of Facility (describe)
1 OB/GYN AT HAMILTON 3444 QUAKERBRIDGE ROAD HAMILTON NJ 08619	OBSTETRICS AND GYNECOLOGY
2 CENTER FOR DIGESTIVE HEALTH 850 BEAR TAVERN ROAD EWING NJ 08628	GASTROENTEROLOGY
3	
4	
5	
6	
7	
8	
9	
10	

Schedule H (Form 990) 2012

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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ELIGIBILITY FOR DISCOUNTED CARE

SCHEDULE H, PART I, LINE 3C

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 ELIGIBILITY 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.

Part VI Supplemental Information

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- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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COMMUNITY BENEFIT REPORT

SCHEDULE H, PART I, LINE 6A

NOT APPLICABLE.

SUBSIDIZED HEALTH SERVICES

SCHEDULE H, PART I; QUESTION 7G

NO COSTS RELATING TO SUBSIDIZED HEALTHCARE SERVICES ARE ATTRIBUTABLE TO
ANY PHYSICIAN CLINICS.

CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFIT COST

SCHEDULE H, PART I, QUESTION 7

WORKSHEET 2 WAS USED FOR THE COST TO CHARGE RATIO.

Part VI Supplemental Information

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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

Part VI Supplemental Information

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RATHER THAN BAD DEBT EXPENSE AND THIS IS THE RATIONALE FOR OUR RESPONSE:

"NO".

BAD DEBT EXPENSE

SCHEDULE H, PART III, SECTION A; QUESTION 4

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.

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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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

Part VI Supplemental Information

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UNCOMPENSATED CHARGES ASSOCIATED WITH PROVIDING CARE TO CHARITY PATIENTS.

CHARITY CARE PROVIDED, AT COST, DURING 2012 AND 2011 TOTALED

APPROXIMATELY \$57,617,000 AND \$ 48,608,000, RESPECTIVELY.

CAPITAL HEALTH RECEIVES PAYMENTS FROM THE NEW JERSEY HEALTH CARE SUBSIDY

FUNDS FOR CHARITY CARE AND SUCH AMOUNTS TOTALED APPROXIMATELY \$28,864,000

AND \$28,585,000 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011,

RESPECTIVELY.

COMMUNITY BENEFIT

SCHEDULE H, PART III, SECTION B; QUESTION 8

MEDICARE COSTS WERE DERIVED FROM THE 2012 MEDICARE COST REPORT.

MEDICARE UNDERPAYMENTS AND BAD DEBT ARE COMMUNITY BENEFIT AND ASSOCIATED

COSTS ARE INCLUDABLE ON THE FORM 990, SCHEDULE H, PART I.

Part VI Supplemental Information

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THE ORGANIZATION BELIEVES THAT MEDICARE UNDERPAYMENTS (SHORTFALL) AND BAD DEBT ARE COMMUNITY BENEFIT AND ASSOCIATED COSTS ARE INCLUDABLE ON THE FORM 990, SCHEDULE H, PART I. AS OUTLINED MORE FULLY BELOW THE ORGANIZATION BELIEVES THAT THESE SERVICES AND RELATED 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 REGARD TO RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY AND CONSISTENT WITH THE COMMUNITY BENEFIT STANDARD PROMULGATED BY THE IRS. THE COMMUNITY BENEFIT STANDARD 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 THERE IS NO DEFINITION IN THE TAX CODE FOR THE TERM "CHARITABLE" A REGULATION PROMULGATED BY THE

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DEPARTMENT OF THE TREASURY PROVIDES SOME GUIDANCE AND STATES THAT "[T]HE TERM CHARITABLE IS USED IN SECTION 501(C)(3) IN ITS GENERALLY ACCEPTED LEGAL SENSE," AND PROVIDES EXAMPLES OF CHARITABLE PURPOSES, INCLUDING THE RELIEF OF THE POOR OR UNPRIVILEGED; THE PROMOTION OF SOCIAL WELFARE; AND THE ADVANCEMENT OF EDUCATION, RELIGION, AND SCIENCE. NOTE IT DOES NOT EXPLICITLY ADDRESS THE ACTIVITIES OF HOSPITALS. IN THE ABSENCE OF EXPLICIT STATUTORY 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) CHARITABLE ORGANIZATIONS. THE ORIGINAL STANDARD WAS KNOWN AS THE CHARITY CARE STANDARD. THIS STANDARD WAS REPLACED BY THE IRS WITH THE COMMUNITY BENEFIT STANDARD WHICH IS THE CURRENT STANDARD.

CHARITY CARE STANDARD

IN 1956, THE IRS ISSUED REVENUE RULING 56-185, WHICH ADDRESSED THE REQUIREMENTS HOSPITALS NEEDED TO MEET IN ORDER TO QUALIFY FOR IRC

Part VI Supplemental Information

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\$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 CARE TO PATIENTS UNABLE TO PAY FOR IT. A HOSPITAL THAT EXPECTED FULL PAYMENT DID NOT, ACCORDING TO THE RULING, PROVIDE CHARITY CARE BASED ON THE FACT THAT SOME PATIENTS ULTIMATELY FAILED TO PAY. THE RULING EMPHASIZED THAT A LOW LEVEL OF CHARITY CARE DID NOT NECESSARILY MEAN THAT A HOSPITAL HAD FAILED TO MEET THE REQUIREMENT SINCE THAT LEVEL COULD REFLECT ITS FINANCIAL ABILITY TO PROVIDE SUCH CARE. THE RULING ALSO NOTED THAT PUBLICLY SUPPORTED COMMUNITY HOSPITALS WOULD NORMALLY QUALIFY AS CHARITABLE ORGANIZATIONS BECAUSE THEY SERVE THE ENTIRE COMMUNITY, AND A LOW LEVEL OF CHARITY CARE WOULD NOT AFFECT A HOSPITAL'S EXEMPT STATUS IF IT WAS DUE TO THE SURROUNDING COMMUNITY'S LACK OF CHARITABLE DEMANDS.

COMMUNITY BENEFIT STANDARD

IN 1969, THE IRS ISSUED REVENUE RULING 69-545, WHICH "REMOVE[D]" FROM

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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 ADMITTED INDIVIDUALS WHO COULD PAY FOR THE SERVICES (BY THEMSELVES, PRIVATE INSURANCE, OR PUBLIC 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 IT PROMOTED THE HEALTH OF PEOPLE IN ITS COMMUNITY. THE IRS REASONED THAT BECAUSE THE PROMOTION OF HEALTH WAS A CHARITABLE PURPOSE ACCORDING TO THE GENERAL LAW OF CHARITY, IT FELL WITHIN 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 THE GENERAL LAW OF

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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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, PROVIDED 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 BROAD ENOUGH TO BENEFIT THE COMMUNITY" BECAUSE ITS EMERGENCY ROOM WAS OPEN TO ALL AND IT PROVIDED CARE TO EVERYONE WHO COULD PAY, WHETHER DIRECTLY OR THROUGH THIRD-PARTY REIMBURSEMENT. OTHER CHARACTERISTICS OF THE HOSPITAL THAT THE 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.

Part VI Supplemental Information

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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

Part VI Supplemental Information

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UNDERPAYMENT WILL GET EVEN WORSE, WITH MARGINS REACHING A 10-YEAR LOW AT
NEGATIVE 5.4 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.

Part VI Supplemental Information

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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

Part VI Supplemental Information

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- 1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22.
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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 HOSPITALS' BEST EFFORTS AND DUE DILIGENCE, PATIENT BAD DEBT IS A PART OF THE HOSPITAL'S MISSION AND CHARITABLE PURPOSES. BAD DEBT REPRESENTS PART OF THE BURDEN HOSPITALS

Part VI Supplemental Information

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SHOULDER IN SERVING ALL PATIENTS REGARDLESS OF RACE, COLOR, CREED, SEX, NATIONAL ORIGIN, RELIGION OR ABILITY TO PAY. IN ADDITION, THE HOSPITAL INVESTS SIGNIFICANT RESOURCES IN SYSTEMS AND STAFF TRAINING TO ASSIST PATIENTS THAT ARE IN NEED OF FINANCIAL ASSISTANCE.

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

Part VI Supplemental Information

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- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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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:

Part VI. Supplemental Information

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- 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.

Part VI Supplemental Information

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FACILITY INFORMATION

SCHEDULE H, PART V, SECTION B, QUESTIONS 1J, 3, 4, 5C, 6I & 7

NOT APPLICABLE.

FACILITY INFORMATION

SCHEDULE H, PART V, SECTION B, QUESTIONS 10 AND 11

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 ELIGIBILITY 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

Part VI Supplemental Information

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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.

FACILITY INFORMATION

SCHEDULE H, PART V, SECTION B, QUESTIONS 9,12H,16E,17E,18E,19C,19D,21&22

NOT APPLICABLE.

FACILITY INFORMATION

SCHEDULE H, PART V, SECTION B, QUESTION 14G

BILLING STATEMENTS PROVIDED TO PATIENTS INDICATE THAT THE ORGANIZATION'S
FINANCIAL ASSISTANCE POLICY IS AVAILABLE UPON REQUEST.

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals 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.
- 8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 20d, 21, and 22

FACILITY INFORMATION

SCHEDULE H, PART V, SECTION B, QUESTION 20D

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.

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

Part VI Supplemental Information

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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 REGULARLY INTERACT WITH COMMUNITY LEADERS AND RECEIVE 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.

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.

Part VI Supplemental Information

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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

Part VI Supplemental Information

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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:

Part VI Supplemental Information

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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

Part VI Supplemental Information

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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.

Part VI Supplemental Information

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COMMUNITY INFORMATION

SCHEDULE H, PART VI; QUESTION 4

CAPITAL HEALTH PRIMARILY SERVES THE COMMUNITIES IN MERCER AND BURLINGTON COUNTIES IN NEW JERSEY AND BUCKS 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

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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.

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,

Part VI Supplemental Information

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SELF-PAY, MEDICARE AND MEDICAID PATIENTS;

2. THE ORGANIZATION OPERATES AN ACTIVE EMERGENCY DEPARTMENT 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

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STATEMENT FOR ADDITIONAL INFORMATION ON HOW THE ORGANIZATION PROMOTES
COMMUNITY HEALTH.

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

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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

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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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 DEPARTMENT 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.

Part VI Supplemental Information

Complete this part to provide the following information

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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, INC.

CAPITAL HEALTH SYSTEM FOUNDATION, INC. 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.

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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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

Part VI Supplemental Information

Complete this part to provide the following information

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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.

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
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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.

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.

FACILITY REPORTING GROUP(S)

SCHEDULE H, PART VI; QUESTION 8

THE ORGANIZATION HAS THREE HOSPITAL FACILITIES INCLUDED IN ONE FACILITY
REPORTING GROUP. THESE INCLUDE CAPITAL HEALTH MEDICAL CENTER - HOPEWELL,

Part VI Supplemental Information

Complete this part to provide the following information

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CAPITAL HEALTH REGIONAL MEDICAL CENTER AND CAPITAL HEALTH AT MERCER AS

REFLECTED IN SCHEDULE H, PART V, SECTION A. PLEASE REFER TO OUR RESPONSES

IN SCHEDULE H, PART VI, QUESTION 1 ABOVE.

**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, line 23.

▶ Attach to Form 990 ▶ See separate instructions.

OMB No 1545-0047

2012

**Open to Public
Inspection**

Name of the organization

CAPITAL HEALTH SYSTEM, INC

Employer identification number

22-3548695

Part I Questions Regarding Compensation

	Yes	No								
<p>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.</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax indemnification and gross-up payments</td> <td><input type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)									
1b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.										
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?										
<p>3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Compensation committee</td> <td><input type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input checked="" type="checkbox"/> Independent compensation consultant</td> <td><input checked="" type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input checked="" type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract	<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study	<input checked="" type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract									
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<input checked="" type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
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?	4a	X								
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X								
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	X								
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.										
Only section 501(c)(3) and 501(c)(4) organizations 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?	5a	X								
b Any related organization?	5b	X								
If "Yes" to line 5a or 5b, describe in Part III.										
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?	6a	X								
b Any related organization?	6b	X								
If "Yes" to line 6a or 6b, describe in Part III.										
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	X								
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 Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8	X								
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9									

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2012

Schedule J (Form 990) 2012

Page 2

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual

(A) Name and Title	(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 as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	(iv) Other reportable compensation				
1 LOUIS F DAMELIO MD TRUSTEE	(i) 682,195. (ii) 0 (iii) 0	12,500. 0 0	115,200. 0 0	0 0 0	11,972. 0 0	16,957. 0 0	838,824. 0 0	0 0 0
2 AL MAGHAZEHE PHD FACHE TRUSTEE - PRESIDENT/CEO	(i) 830,877. (ii) 0 (iii) 0	441,827. 0 0	499,380. 0 0	0 0 0	473,968. 0 0	20,559. 0 0	2,266,611. 0 0	331,593. 0 0
3 SHANE F FLEMING CPA CHIEF FINANCIAL OFFICER	(i) 252,245. (ii) 0 (iii) 0	75,048. 0 0	173,794. 0 0	0 0 0	51,189. 0 0	21,674. 0 0	573,950. 0 0	137,192. 0 0
4 EUGENE W GROCHALA CHIEF INFORMATION OFFICER	(i) 247,862. (ii) 0 (iii) 0	97,317. 0 0	176,573. 0 0	0 0 0	79,573. 0 0	3,554. 0 0	604,879. 0 0	109,420. 0 0
5 STEPHEN A MILLER JD CHIEF COMPLIANCE OFFICER	(i) 164,563. (ii) 0 (iii) 0	62,324. 0 0	84,496. 0 0	0 0 0	43,228. 0 0	23,714. 0 0	378,325. 0 0	54,062. 0 0
6 LARRY DISANTO EXECUTIVE VICE PRESIDENT/COO	(i) 453,651. (ii) 0 (iii) 0	217,060. 0 0	351,392. 0 0	0 0 0	329,254. 0 0	21,559. 0 0	1,372,916. 0 0	248,278. 0 0
7 JAN GABIN ESQ (RET. 11/ GENERAL COUNSEL	(i) 544,315. (ii) 0 (iii) 0	104,725. 0 0	252,638. 0 0	0 0 0	67,368. 0 0	24,321. 0 0	993,367. 0 0	137,192. 0 0
8 ALEXANDER D GLADNEY ESQ INTERIM GENERAL COUNSEL	(i) 187,141. (ii) 0 (iii) 0	24,295. 0 0	22,961. 0 0	0 0 0	2,943. 0 0	8,487. 0 0	245,827. 0 0	0 0 0
9 LINDA DITE (RETIRED 11/ VP, CLINICAL SERVICES	(i) 369,406. (ii) 0 (iii) 0	72,696. 0 0	168,234. 0 0	0 0 0	50,530. 0 0	5,515. 0 0	666,381. 0 0	109,420. 0 0
10 ROBERT REMSTEIN DO VP, MEDICAL AFFAIRS	(i) 315,323. (ii) 0 (iii) 0	117,043. 0 0	112,573. 0 0	0 0 0	71,063. 0 0	8,099. 0 0	624,101. 0 0	54,062. 0 0
11 PATRICIA V CAVANAUGH RN VP, PAT SVCS/CNO (RET 2/29/12)	(i) 38,784. (ii) 0 (iii) 0	127,043. 0 0	342,617. 0 0	0 0 0	11,852. 0 0	1,280. 0 0	521,576. 0 0	109,420. 0 0
12 NATHAN BOSK FACHE VP, AMBULATORY SERVICES	(i) 237,315. (ii) 0 (iii) 0	93,289. 0 0	172,596. 0 0	0 0 0	60,945. 0 0	23,623. 0 0	587,768. 0 0	109,420. 0 0
13 GREGORY N DADAMO VP, SUPPORT SERVICES	(i) 215,161. (ii) 0 (iii) 0	79,502. 0 0	149,457. 0 0	0 0 0	67,844. 0 0	3,073. 0 0	515,037. 0 0	109,420. 0 0
14 J SCOTT CLEMMENSEN VP, HUMAN RESOURCES	(i) 195,464. (ii) 0 (iii) 0	79,950. 0 0	166,741. 0 0	0 0 0	68,625. 0 0	20,751. 0 0	531,531. 0 0	109,420. 0 0
15 EILEEN M HORTON (EFF. 3 VP, PATIENT SERVICES/CNO	(i) 221,754. (ii) 0 (iii) 0	64,508. 0 0	144,146. 0 0	0 0 0	47,800. 0 0	20,629. 0 0	498,837. 0 0	109,420. 0 0
16 MARGARET SULLIVAN VP, QUALITY RESOURCE MGMT	(i) 183,147. (ii) 0 (iii) 0	73,800. 0 0	164,144. 0 0	0 0 0	64,109. 0 0	19,114. 0 0	504,314. 0 0	109,420. 0 0

Schedule J (Form 990) 2012

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 DENNIS DOOLEY VP, PLANNING AND DEVELOPMENT	(i) 188,100. (ii) 0 (iii) 0	70,033. 0 0	145,592. 0 0	61,950. 0 0	12,687. 0 0	478,362. 0 0	109,420. 0 0
2 ARLENE WALSH VP, NEUROSCIENCES	(i) 159,151. (ii) 0 (iii) 0	60,306. 0 0	83,687. 0 0	44,351. 0 0	24,314. 0 0	371,809. 0 0	54,062. 0 0
3 ARLINE M STEPHAN EXEC DIR, FDN (TERM 9/15/12)	(i) 118,529. (ii) 0 (iii) 0	95,060. 0 0	16,924. 0 0	5,906. 0 0	7,118. 0 0	243,537. 0 0	0 0 0
4 LEE M BUONO MD PHYSICIAN	(i) 777,580. (ii) 0 (iii) 0	182,819. 0 0	121,426. 0 0	7,231. 0 0	9,237. 0 0	1,098,293. 0 0	0 0 0
5 JOSEPH SHERRILL II MD PHYSICIAN	(i) 633,709. (ii) 0 (iii) 0	0 0 0	99,629. 0 0	6,250. 0 0	18,472. 0 0	758,060. 0 0	0 0 0
6 YOGANAND DEENDYAL MD PHYSICIAN	(i) 627,022. (ii) 0 (iii) 0	35,043. 0 0	14,791. 0 0	7,600. 0 0	25,546. 0 0	710,002. 0 0	0 0 0
7 STEVEN A JOHNSON MD PHYSICIAN	(i) 569,567. (ii) 0 (iii) 0	9,167. 0 0	82,657. 0 0	6,718. 0 0	27,696. 0 0	695,805. 0 0	0 0 0
8 GARY A TUMA MD PHYSICIAN	(i) 528,255. (ii) 0 (iii) 0	0 0 0	70,450. 0 0	6,594. 0 0	25,640. 0 0	630,939. 0 0	0 0 0
9 RONALD J GUY (RET. 12/3) FORMER CFO	(i) 7,204. (ii) 0 (iii) 0	0 0 0	868,557. 0 0	2,695. 0 0	14,753. 0 0	893,209. 0 0	248,278. 0 0
10	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
11	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
12	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
13	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
14	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
15	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
16	(i) 0 (ii) 0 (iii) 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0

Schedule J (Form 990) 2012

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

COMPENSATION INFORMATION

SCHEDULE J, PART I; QUESTION 4A

THE FOLLOWING INDIVIDUALS RECEIVED A SEVERANCE PAYMENT DURING CALENDAR YEAR 2012 WHICH WAS INCLUDED IN EACH INDIVIDUAL'S 2012 FORM W-2, BOX 5 AS TAXABLE MEDICARE WAGES: JAN GABIN, ESQ., \$36,251; LINDA DITE, \$24,331; PATRICIA V. CAVANAUGH, RN, MSN, \$209,260 AND RONALD J. GUY, \$580,111.

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 2012 FORM W-2, BOX 5

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

AS TAXABLE MEDICARE WAGES: AL MAGHAZEHE, PH.D., FACHE, \$331,593; SHANE F. FLEMING, CPA, \$137,192; EUGENE W. GROCHALA, \$109,420; STEPHEN A. MILLER, J.D., \$54,062; LARRY DISANTO, \$248,278; JAN GABIN, ESQ., \$137,192; LINDA DITE, \$109,420; ROBERT REMSTEIN, D.O., \$54,062; PATRICIA V. CAVANAUGH, RN, MSN, \$109,420; NATHAN BOSK, FACHE, \$109,420; GREGORY N. D'ADAMO, \$109,420; J. SCOTT CLEMMENSEN, \$109,420; EILEEN M. HORTON, \$109,420; MARGARET SULLIVAN, \$109,420; DENNIS DOOLEY, \$109,420; ARLENE WALSH, \$54,062 AND RONALD J. GUY, \$248,278.

THE HOTUB PLAN WAS CREATED AND APPROVED BY THE BOARD COMPENSATION COMMITTEE FOR THE EXPRESS PURPOSE OF MAINTAINING FOCUSED ATTENTION AND MANAGING THE CONSISTENT EFFORT REQUIRED TO KEEP THE EIGHT (8) YEAR PROJECT ON SCHEDULE, WHILE CONTROLLING COSTS. AT THE TIME THIS PLAN WAS INSTITUTED, IT WAS THE LARGEST U.S. GOVERNMENT HUD PROJECT EVER UNDERWRITTEN. THE COST OF THE PLAN, WHICH AMOUNTED TO APPROXIMATELY .05% OF THE BUDGET, RESULTED IN THE CONSTRUCTION BEING COMPLETED ON SCHEDULE AND AT A \$49 MILLION COST SAVINGS.

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

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 2012 FORM W-2, BOX 5 AS TAXABLE MEDICARE WAGES: AL MAGHAZEHE, PH.D., FACHE, \$456,551; SHANE F. FLEMING, CPA, \$40,026; EUGENE W. GROCHALA, \$64,878; STEPHEN A. MILLER, J.D., \$33,330; LARRY DISANTO, \$312,286; JAN GABIN, ESQ., \$55,853; LINDA DITE, \$37,489; ROBERT REMSTEIN, D.O., \$62,423; NATHAN BOSK, FACHE, \$49,754; GREGORY N. D'ADAMO, \$53,001, J. SCOTT CLEMMENSEN, \$53,300; EILEEN M. HORTON, \$34,404; MARGARET SULLIVAN, \$49,200; DENNIS DOOLEY, \$46,689 AND ARLENE WALSH, \$32,163.

COMPENSATION INFORMATION

SCHEDULE J, PART I; QUESTION 5A

CERTAIN INDIVIDUALS INCLUDED IN SCHEDULE J, PART II RECEIVED INCENTIVE

COMPENSATION PAYMENTS DURING CALENDAR YEAR 2012 WHICH INCENTIVE

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

COMPENSATION PAYMENTS WERE INCLUDED IN COLUMN B (II) HEREIN AND IN EACH INDIVIDUAL'S 2012 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 2012 WHICH INCENTIVE AWARDS WERE INCLUDED IN COLUMN B (II) HEREIN AND IN EACH INDIVIDUAL'S 2012 FORM W-2, BOX 5, AS TAXABLE MEDICARE WAGES. THESE INCENTIVE AWARDS WERE GIVEN PURSUANT TO THE ORGANIZATION'S 2012 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".

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

THE ICP IS AN EXTREMELY ROBUST INCENTIVE PLAN AND IS AN INTEGRAL COMPONENT OF CAPITAL'S EXECUTIVE COMPENSATION PACKAGE. THE BOARD COMPENSATION COMMITTEE USES THE ICP AS A MECHANISM TO REWARD PERFORMANCE AGAINST ESTABLISHED KEY PERFORMANCE REQUIREMENTS, WHILE MAINTAINING APPROPRIATE SAFEGUARDS. THE GOALS COVER FINANCIAL AND OPERATIONAL METRICS AND ARE DEFINED EACH YEAR, BASED ON THE DESIRED CONCENTRATION REQUIRED BY THE COMMITTEE. THE COMMITTEE UNDERTAKES A QUARTERLY REVIEW OF PERFORMANCE TOWARDS ACHIEVEMENT OF EACH GOAL, WHICH ALLOWS THE BOARD TO MAINTAIN COMPLETE KNOWLEDGE OF HOW KEY PROJECTS ARE BEING HANDLED AND TO MAKE ADJUSTMENTS, IF NECESSARY.

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

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information

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 ARE WERE NO LONGER SUBJECT TO A SUBSTANTIAL RISK OF COMPLETE FORFEITURE DUE TO THE SPECIFIC CRITERIA BEING SATISFIED AND WERE REPORTED AS RETIREMENT AND OTHER DEFERRED COMPENSATION ON PRIOR YEAR'S FORMS 990. THESE AMOUNTS WERE TREATED AS TAXABLE INCOME AND REPORTED ON EACH INDIVIDUAL'S 2012 FORM W-2, BOX 5 MEDICARE WAGES AS FOLLOWS: AL MAGHAZEHE, PH.D., FACHE, \$331,593; SHANE F. FLEMING, CPA, \$137,192; EUGENE W. GROCHALA, \$109,420; STEPHEN A. MILLER, J.D., \$54,062; LARRY DISANTO, \$248,278; JAN GABIN, ESQ., \$137,192; LINDA DITE, \$109,420; ROBERT REMSTEIN, D.O., \$54,062; PATRICIA V. CAVANAUGH, RN, MSN, \$109,420; NATHAN BOSK, FACHE, \$109,420; GREGORY N D'ADAMO, \$109,420; J. SCOTT CLEMMENSEN, \$109,420; EILEEN M. HORTON, \$109,420; MARGARET SULLIVAN, \$109,420; DENNIS DOOLEY, \$109,420; ARLENE WALSH, \$54,062 AND RONALD J. GUY, \$248,278.

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

THE HOTUB PLAN WAS CREATED AND APPROVED BY THE BOARD COMPENSATION COMMITTEE FOR THE EXPRESS PURPOSE OF MAINTAINING FOCUSED ATTENTION AND MANAGING THE CONSISTENT EFFORT REQUIRED TO KEEP THE EIGHT (8) YEAR PROJECT ON SCHEDULE, WHILE CONTROLLING COSTS. AT THE TIME THIS PLAN WAS INSTITUTED, IT WAS THE LARGEST U.S. GOVERNMENT HUD PROJECT EVER UNDERWRITTEN. THE COST OF THE PLAN, WHICH AMOUNTED TO APPROXIMATELY .05% OF THE BUDGET, RESULTED IN THE CONSTRUCTION BEING COMPLETED ON SCHEDULE AND AT A \$49 MILLION COST SAVINGS.

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, line 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2012

**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) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					

2 Enter the amount of tax incurred by 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-EZ, Part V, line 38a or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) ALEXANDER GLADNEY ESQ	OFFICER	RETENTION		X	190,000.	142,500.		X		X	X	
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												
(8)												
(9)												
(10)												
Total ▶ \$						142,500.						

Part III Grants or Assistance Benefiting 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 assistance	(d) Type of assistance	(e) Purpose of assistance
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule L (Form 990 or 990-EZ) 2012

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) MERCER MEDICAL ASSOCIATES, P A	TRUSTEE, SUDHAKAR	191,131	MEDICAL SERVICES		X
(2) WILLIS OF NEW YORK, INC	TRUSTEE, FAM MEMBER CO	1,444,812	INSURANCE SERVICES		X
(3) RONA H REMSTEIN	SPOUSE OF OFFICER	127,002	EMPLOYEE		X
(4) BAHRAM MAGHAZEHE	BROTHER OF OFFICER	84,925	EMPLOYEE		X
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					

Part V Supplemental Information

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

BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS

SCHEDULE L, PART IV

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 2012. TOTAL FEES PAID TO WILLIS OF NEW YORK, INC. IN 2012 WERE \$1,444,812. 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 2012. TOTAL FEES PAID TO MERCER MEDICAL ASSOCIATES, P.A. IN 2012 WERE \$191,131. 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
Name of the organization

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

CAPITAL HEALTH SYSTEM, INC

Employer identification number

22-3548695

AMENDED RETURN

FORM 990, PART X; BALANCE SHEET

THIS FORM 990 IS BEING AMENDED TO REFLECT CERTAIN BALANCE SHEET
RECLASSIFICATIONS AND A CHANGE IN A RELATED SCHEDULE O ATTACHMENT.

COMMUNITY BENEFIT STATEMENT

CORE FORM, PART III; STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

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
INDIVIDUAL'S REGARDLESS OF ABILITY TO PAY;

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2) CAPITAL HEALTH OPERATES EMERGENCY DEPARTMENTS 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 4,000 INDIVIDUALS, AND GENERATES OVER 543 MILLION DOLLARS IN ANNUAL NET PATIENT SERVICE REVENUE. CAPITAL HEALTH REGIONAL MEDICAL CENTER AND CAPITAL HEALTH MEDICAL CENTER - HOPEWELL ARE SEPARATELY LICENSED ACUTE CARE HOSPITALS WITH 271 AND 223 BEDS; RESPECTIVELY.

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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.

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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.

AWARDS AND RECOGNITION

=====

CAPITAL HEALTH HAS RECENTLY RECEIVED THE FOLLOWING AWARDS AND RECOGNITIONS:

- JOINT COMMISSION ADVANCED CERTIFICATION FOR COMPREHENSIVE STROKE CENTER
- JOINT COMMISSION DISEASE SPECIFIC CERTIFICATION FOR HIV/AIDS

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- 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 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 HEALTH

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IMPROVED THE ACCURACY OF PATIENT IDENTIFICATION, IMPROVED THE EFFECTIVENESS OF COMMUNICATION AMONG CAREGIVERS, AND IMPROVED THE SAFETY OF USING MEDICATIONS. IN ADDITION, THE JOINT COMMISSION CONFIRMED THAT CAPITAL HEALTH REDUCED THE RISK OF HEALTHCARE-ASSOCIATED INFECTIONS, ACCURATELY AND COMPLETELY RECONCILE MEDICATIONS ACROSS THE CONTINUUM OF CARE, REDUCED 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 RISKS INHERENT IN THE PATIENT POPULATION.

STATEMENT FOR COMMUNITY HEALTH IMPROVEMENT & BENEFITS

=====

TO PROMOTE WELLNESS, PREVENT ILLNESS, AND REMOVE BARRIERS THAT HINDER ACCESS TO HEALTHCARE BY WORKING HAND-IN-HAND WITH THE COMMUNITIES SERVED.

PRINCIPLES

- CAPITAL HEALTH BELIEVES THAT COMMUNITY HEALTH IMPROVEMENT IS ESSENTIAL TO THE CAPITAL HEALTH MISSION.

- CAPITAL HEALTH BELIEVES COMMUNITY-BASED COALITIONS ARE UNIQUELY QUALIFIED TO ACHIEVE COMMUNITY HEALTH GOALS, AND CAPITAL HEALTH VALUES

Name of the organization

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PARTNERSHIPS WITH THEM.

- CAPITAL HEALTH VALUES EVIDENCE-BASED PRACTICES AND SEEKS TO MODEL EXCELLENCE IN COMMUNITY HEALTH PRACTICE BASED ON EVIDENCE.

- CAPITAL HEALTH BELIEVES IN APPLYING CONTINUOUS QUALITY IMPROVEMENT TO COMMUNITY HEALTH: MEASURING NEED, MATCHING RESOURCES TO NEED, MEASURING OUTCOMES, AND MAKING ADJUSTMENTS IN PROCESSES.

OPERATIONAL VALUES

- INTEGRITY: ADHERES TO AN APPROPRIATE AND EFFECTIVE SET OF CORE BELIEFS INCLUDING HONESTY AND SERVING THE GREATER GOOD. DOES NOT BLAME OTHERS FOR HIS OR HER OWN MISTAKES OR MISREPRESENT HIM OR HER FOR PERSONAL GAIN OR PROTECTION. PERCEIVED 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 AND PROBLEMS.

Name of the organization

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- COMPASSION: DEMONSTRATES CARING AND CONCERN FOR THE WELFARE OF OTHERS, ASSISTING WHEREVER NECESSARY. USES UNDERSTANDING AND INSIGHT WHEN DEALING WITH PATIENTS OR OTHER CUSTOMERS IN ALL ASPECTS OF CARE OR SERVICE DELIVERY.

- TEAMWORK: DISPLAYS A PROFESSIONAL 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 THROUGH PROBLEMS. FOSTERS OPEN DIALOGUE, AND WORKS TOWARDS CREATING AN ATMOSPHERE WHERE OUTCOMES 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. CAPITAL HEALTH WILL CONSTANTLY STRIVE TO SUSTAIN THE HIGHEST PROFESSIONAL QUALITY STANDARDS, TO EXCEED EXPECTATIONS OF THOSE SERVED AND TO PROMOTE A POSITIVE WORK ENVIRONMENT. CAPITAL HEALTH'S SUCCESS WILL BE BUILT UPON CARING, COMPASSION, CREATIVITY, INTEGRITY, RESPECT, SERVICE, AND TEAMWORK.

COMMUNITY BENEFIT STATEMENT (CONTINUED)

CORE FORM, PART III; STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

SERVICE CULTURE INITIATIVE

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CAPITAL HEALTH IS DEDICATED TO HIGH QUALITY PERFORMANCE AND TO EXCEEDING CUSTOMER EXPECTATIONS WITHIN A SUPPORTIVE AND FRIENDLY ENVIRONMENT. EACH EMPLOYEE HAS A RESPONSIBILITY AND IS ACCOUNTABLE FOR PROVIDING OPTIMUM SATISFACTION TO THE PATIENTS AND THEIR FAMILIES, PHYSICIANS AND COWORKERS.

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 COMMUNICATION, PROFESSIONAL APPEARANCE AND THE REALIZATION THAT THEY ARE DEALING WITH PEOPLE'S LIVES.
- CAPITAL HEALTH CREATES AN ENVIRONMENT CONDUCIVE 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

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A BUSINESS 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 PERFORMANCE.

FEATURED SERVICES

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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. CAPITAL HEALTH'S
EDUCATION MODEL, WHERE THE PATIENT IS THE CENTRAL PLAYER, IS WIDELY
RECOGNIZED AS THE BEST MODEL TO USE TO HELP THE PATIENT ACHIEVE OPTIMAL
HEALTH RELATED OUTCOMES. CAPITAL HEALTH WORKS CLOSELY WITH PRIMARY CARE
PHYSICIANS WHO CONTINUE TO MONITOR EACH INDIVIDUAL'S MEDICAL PROBLEMS.

EMERGENCY SERVICES

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 COMPREHENSIVE CARE

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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 CENTER IS A NEW JERSEY STATE DESIGNATED TRAUMA CENTER. THE DESIGNATION PROCESS INVOLVES DETAILED REGULAR INSPECTIONS BY NATIONAL AND STATE ORGANIZATIONS TO ASSURE HIGH STANDARDS OF CARE. 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 NEARBY 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. TRAUMA 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, TRAUMA CENTERS ARE ALSO ACTIVE PARTNERS WITH THE COMMUNITY IN INJURY PREVENTION AND PUBLIC EDUCATION.

MATERNITY

FROM ROUTINE DELIVERIES TO HIGH-RISK NEEDS, CAPITAL HEALTH'S GREAT EXPECTATIONS PROGRAM PROVIDES A FULL RANGE OF PRENATAL, OBSTETRICAL, POSTPARTUM, AND 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 PERINATAL CENTER AND THE

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ONLY LEVEL III NEONATAL INTENSIVE CARE UNIT.

CAPITAL HEALTH IS THE ONLY 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 HEALTH WAS CHOSEN AS NEW JERSEY'S FIRST SITE TO HOUSE A NEW PROGRAM CALLED MARCH OF DIMES FAMILY SUPPORT. THE PROGRAM PROVIDES INFORMATION AND EMOTIONAL SUPPORT TO FAMILIES OF CRITICALLY ILL NEWBORNS BEING CARED FOR IN THE NEONATAL INTENSIVE CARE UNIT.

ALSO, THE COMPREHENSIVE CHILDBIRTH AND PARENT EDUCATION SERVICES HELPS PREPARE INDIVIDUALS TO BE THE BEST PARENT POSSIBLE BY TEACHING ABOUT THE PROCESS OF BIRTH AND HOW TO CARE FOR YOUR INFANT.

INSTITUTE FOR NEUROSCIENCES

THE CAPITAL INSTITUTE FOR NEUROSCIENCES, SUPPORTED BY CAPITAL HEALTH'S HOSPITALS IN BOTH TRENTON AND HOPEWELL, AND WITH OUTPATIENT OFFICES IN THE MEDICAL OFFICE BUILDING ATTACHED TO CAPITAL HEALTH MEDICAL CENTER - HOPEWELL, HAS ADVANCED THE LEVEL OF CARE AVAILABLE TO PATIENTS IN THE REGION. PROVIDING COMPREHENSIVE, 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 PHYSICIANS INCLUDE BOARD-CERTIFIED AND FELLOWSHIP-TRAINED SPECIALISTS, AND AMONG

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THEM ARE THREE OF ONLY A VERY SELECT NUMBER OF DUAL-TRAINED NEUROSURGEONS IN THE NATION. AT THE INSTITUTE, PART OF CAPITAL HEALTH, PATIENTS BENEFIT FROM A MULTI-DISCIPLINARY TEAM OF SPECIALISTS WHICH CAN INCLUDE NEUROLOGISTS, NEUROSURGEONS, AND OTHER SPECIALIZED PHYSICIANS, AS WELL AS ANESTHESIOLOGISTS, PHYSICIAN ASSISTANTS, CRITICAL CARE NURSES, NURSE ANESTHETISTS, SPEECH PATHOLOGISTS, TECHNICIANS, PHYSICAL AND OCCUPATIONAL THERAPISTS, SOCIAL WORKERS, AND OTHER CRITICAL TEAM MEMBERS WHO PROVIDE AN OUTSTANDING CONTINUUM OF CARE FROM DIAGNOSIS TO TREATMENT AND RECOVERY AT CAPITAL HEALTH. THE INSTITUTE, LED BY NEUROSURGEON DR. EROL VEZNEDAROGLU, INCLUDES MANY SPECIALIZED CENTERS OF CARE INCLUDING THE STROKE AND CEREBROVASCULAR CENTER OF NJ, KNOWN AS A CENTER OF EXCELLENCE TO REFERRING PHYSICIANS AS WELL AS PATIENTS AND THEIR FAMILIES.

AMONG THE CONDITIONS TREATED:

- STROKE AND TRANSIENT ISCHEMIC ATTACKS
- CAROTID STENOSIS
- ANEURYSM
- ARTERIOVENOUS MALFORMATIONS (AVMS)
- CHIARI MALFORMATIONS
- TRAUMATIC BRAIN INJURY
- TUMORS OF THE BRAIN AND SPINE - BOTH MALIGNANT AND BENIGN AND INCLUDING SCHWANNOMAS, MENINGIOMAS, NEUROFIBROMAS, PITUITARY, PINEAL, SKULL BASE, GLIOMAS AND OTHERS
- SPINAL DISEASES AND INJURIES - SUCH AS HERNIATED DISCS,

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SPONDYLOLISTHESIS, SPINAL COMPRESSION FRACTURES AND SPINAL VASCULAR
MALFORMATIONS

- DEGENERATIVE DISEASES AND SPINAL TRAUMA
- NEUROLOGIC CONDITIONS INCLUDING DEMENTIA, MUSCLE AND MOVEMENT
DISORDERS, NERVE DISORDERS AND HEADACHES
- MOVEMENT DISORDERS, PARKINSON'S, ESSENTIAL TREMOR, ATYPICAL PARKINSON'S
(MULTISYSTEM ATROHY, PROGRESSIVE SUPRANUCLEAR PALSY, AND CORTICOBASILAR
DEGENERATION), DYSTONIA, ATAXIA AND SPASTICITY
- PEDIATRIC NEUROLOGY, INCLUDING DEVELOPMENTAL DELAYS, AUTISM,
NEUROMETABOLIC AND GENETIC DISORDERS, AND ATTENTION DEFICIT DISORDERS
- ACUTE AND CHRONIC PAIN, INCLUDING PAIN FROM SPINAL STENOSIS, NERVE
DISORDERS, CANCER, FIBROMYALGIA, SCIATICA, MIGRAINES, TRIGEMINAL
MEURALGIA, MYOFACIAL, SHINGLES AND OTHER CONDITIONS
- EPILEPSY
- MOVEMENT LIMITATIONS DUE TO STROKE, ARTHRITIS, INJURY, AMPUTATION, OR
OTHER CONDITIONS

CENTER FOR DIGESTIVE HEALTH

THE CAPITAL HEALTH CENTER FOR DIGESTIVE HEALTH IS ADVANCING THE LEVEL OF
CARE AVAILABLE 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 SYSTEM ALL IN ONE LOCATION. THE
CENTER'S HIGHLY TRAINED AND SPECIALIZED PHYSICIANS UTILIZE CUTTING-EDGE

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TECHNOLOGY TO DELIVER OUTSTANDING CARE.

THE CENTER'S MEDICAL DIRECTOR IS A BOARD-CERTIFIED GASTROENTEROLOGIST WITH YEARS OF EXPERIENCE WHO HELPS PATIENTS AND THEIR REFERRING DOCTORS NAVIGATE THE CENTER AND ACCESS THE APPROPRIATE SPECIALIST OR SURGEON FOR THE ADVANCED TESTING OR CARE REQUIRED. THE CENTER'S MEDICAL STAFF INCLUDES THE REGION'S PRE-EMINENT MEDICAL EXPERT IN INTERVENTIONAL GASTROENTEROLOGY AND THERAPEUTIC ENDOSCOPY, WHO HAS UNMATCHED EXPERIENCE USING ADVANCED DIAGNOSTIC TECHNIQUES SUCH AS ENDOSCOPIC ULTRASOUND (EUS) AND NON-SURGICAL TREATMENTS SUCH AS ENDOSCOPIC RETROGRADE CHOLANGIOPANCREATOGRAPHY (ERCP), RADIOFREQUENCY ABLATION (BARRX), ENDOSCOPIC MUCOSAL RESECTION (EMR), AND ENTERAL STENT PLACEMENT. THE CENTER FOR LIVER DISEASE IS LED BY A LEADING GASTROENTEROLOGIST BOARD CERTIFIED IN TRANSPLANT HEPATOLOGY. THIS IS THE STATE'S ONLY LIVER FAILURE PROGRAM. IF SURGERY IS AN OPTION, THE CENTER HAS DIRECT ACCESS TO A ROSTER OF HIGHLY TRAINED LAPAROSCOPIC (MINIMALLY INVASIVE) SURGEONS, INCLUDING THE AREA'S ONLY HEPATOBILIARY SURGEON WHO SPECIALIZES IN ADVANCED LAPAROSCOPIC PROCEDURES OF THE LIVER, PANCREAS, AND BILE DUCTS.

COMMUNITY BENEFIT STATEMENT (CONTINUED)

CORE FORM, PART III; STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

CENTER FOR ONCOLOGY

CAPITAL HEALTH HAS CONSISTENTLY OFFERED PATIENTS A CLOSELY INTEGRATED

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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.

PEDIATRICS

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CAPITAL HEALTH MEDICAL CENTER - HOPEWELL IS HOME TO THE ONLY IN-PATIENT PEDIATRIC UNIT IN MERCER COUNTY. CAPITAL HEALTH'S PEDIATRIC EMERGENCY SERVICE 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.

SLEEP CENTER

CAPITAL HEALTH HAS BEEN PROVIDING COMPREHENSIVE EVALUATION AND TREATMENT FOR SLEEP RELATED PROBLEMS FOR MORE THAN 20 YEARS AND CAPITAL HEALTH WAS

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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.

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

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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.

COMMUNITY BENEFITS PROGRAMS

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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.

CAPITAL HEALTH CHILDBIRTH AND PARENT EDUCATION PROGRAM

BENEFIT ACTIVITY: PREPARED CHILDBIRTH CLASSES IN SPANISH LANGUAGE

THE CHILDBIRTH AND PARENT EDUCATION PROGRAM PROVIDES, FREE OF CHARGE, A FULL-DAY PREPARED CHILDBIRTH CLASS TO SPANISH-SPEAKING EXPECTANT PARENTS FROM THEIR COMMUNITY. THE CLASS IS HELD EVERY OTHER MONTH AND IS TAUGHT BY A CAPITAL HEALTH CERTIFIED CHILDBIRTH AND PARENT EDUCATOR WHO IS FLUENT IN SPANISH. CULTURALLY APPROPRIATE METHODS AND AUDIO-VISUAL MATERIALS ARE UTILIZED IN THE TEACHING OF THIS CLASS. PARTICIPANTS RECEIVE FREE BREAKFAST AND LUNCH. PARTICIPANTS RECEIVE SPANISH LANGUAGE

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REFERENCE MATERIALS AND AN EXTENSIVE HANDBOOK. REFERRALS TO THIS CLASS
COME FROM THE CAPITAL HEALTH, HEALTH START PRENATAL CLINIC, A COMMUNITY
PARTNERSHIP WITH CUNA, AND BY WORD-OF-MOUTH.

LACTATION SERVICES

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 HEALTH, 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 POPULATION 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 PROGRAMS TO MEMBERS OF THE COMMUNITY THAT INCLUDE
PEDESTRIAN SAFETY, BICYCLE SAFETY, SEAT BELT SAFETY, PROPER USE OF CHILD
SAFETY SEATS, AND HOME SAFETY.

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CONNECTING WITH THE LATINO COMMUNITY

ENLACE ("LINK" IN SPANISH) IS A NAME FOR AN INNOVATIVE CAPITAL HEALTH PROGRAM DESIGNED TO CREATE CONTACTS AND CONNECTIONS WITHIN THE LATINO COMMUNITY. THROUGH ENLACE, CAPITAL HEALTH PROVIDES MEDICAL INTERPRETING AND HAS TRANSLATED 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 PRACTICES AND PROVIDES CAPITAL HEALTH STAFF WITH INFORMATION ABOUT LATINO CULTURES. ANOTHER PROGRAM, 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 BABYSITTING FOR OLDER CHILDREN.

COMMUNITY HEALTH EDUCATION

CAPITAL HEALTH'S COMMUNITY HEALTH 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 COMMUNITY. THESE GOALS ARE ACCOMPLISHED BY PROVIDING HEALTH EDUCATION AND OTHER RELATED SERVICES TO THE GENERAL PUBLIC, AS WELL AS TO BUSINESS ORGANIZATIONS. THESE SERVICES CONSIST OF THE SPEAKER'S BUREAU, HEALTH

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FAIRS/HEALTH SCREENINGS, HEALTH EDUCATION LECTURE SERIES AND 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 THROUGHOUT MERCER AND BUCKS COUNTIES, WITH TOPICS INCLUDING DIABETES EDUCATION, PERIPHERAL VASCULAR DISEASE AWARENESS, HEALTHY EATING, CANCER GENETICS, AND WOMEN'S HEALTH ISSUES.

THE COMMUNITY HEALTH EDUCATION PROGRAM PROVIDES A SERIES OF DIVERSE HEALTH EDUCATION PROGRAMS, RELATED TO HEALTH MAINTENANCE, DISEASE PREVENTION, EARLY DETECTION, GENERAL WELLNESS AND PERSONAL DEVELOPMENT. A SCHEDULE OF THE PROGRAMS, SCREENINGS AND SUPPORT GROUPS MAY BE VIEWED ONLINE AT: WWW.CAPITALHEALTH.ORG.

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 WELLBEING OF THE COMMUNITY.

CONCLUSION

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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 HEALTH 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.

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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.

DISCLOSURE INFORMATION

CORE FORM, PART VI, SECTION B; QUESTION 11B

THE ORGANIZATION IS THE TAX-EXEMPT 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 ITS GOVERNING BODY (ITS BOARD OF TRUSTEES) PRIOR TO FILING WITH THE INTERNAL REVENUE SERVICE ("IRS"). IN ADDITION THE CAPITAL HEALTH SYSTEM, INC. COMPENSATION COMMITTEE PERFORMED A DETAILED REVIEW OF THE FEDERAL FORM 990 PRIOR TO PROVIDING IT TO EACH VOTING MEMBER OF ITS BOARD OF TRUSTEES. 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, REVIEW 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

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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, CHIEF FINANCIAL OFFICER, 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.

DISCLOSURE INFORMATION

CORE FORM, PART VI, SECTION B; QUESTION 12

THE ORGANIZATION IS THE PARENT ENTITY OF CAPITAL HEALTH SYSTEM AND AFFILIATES ("SYSTEM"); A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY

Name of the organization

CAPITAL HEALTH SYSTEM, INC

Employer identification number

22-3548695

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 SYSTEM'S 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.

DISCLOSURE INFORMATION

CORE FORM, PART VI, SECTION B; QUESTION 15

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

Name of the organization

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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.

Name of the organization

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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

Name of the organization

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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 ECONOMICAL 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

Name of the organization

CAPITAL HEALTH SYSTEM, INC

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TIME IN ITS DEVELOPMENT AND ENGAGED BOTH AN EXTERNAL COMPENSATION CONSULTANT TO DEVELOP THE PLAN, AS WELL AS A NOT-FOR-PROFIT LEGAL COMPENSATION AUTHORITY TO REVIEW THE PLAN.

THE HOTUB PLAN WAS CREATED AND APPROVED BY THE BOARD COMPENSATION COMMITTEE FOR THE EXPRESS PURPOSE OF MAINTAINING FOCUSED ATTENTION AND MANAGING THE CONSISTENT EFFORT REQUIRED TO KEEP THE EIGHT (8) YEAR PROJECT ON SCHEDULE, WHILE CONTROLLING COSTS. AT THE TIME THIS PLAN WAS INSTITUTED, IT WAS THE LARGEST U.S. GOVERNMENT HUD PROJECT EVER UNDERWRITTEN. THE COST OF THE PLAN, WHICH AMOUNTED TO APPROXIMATELY .05% OF THE BUDGET, RESULTED IN THE CONSTRUCTION BEING COMPLETED ON SCHEDULE AND AT A \$49 MILLION COST SAVINGS.

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.

DISCLOSURE INFORMATION

CORE FORM, PART VI, SECTION C; QUESTION 19

Name of the organization

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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.

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.

RELATED HOURS DISCLOSURE

CORE FORM, PART VII, SECTION A, COLUMN B

THIS ORGANIZATION IS THE TAX-EXEMPT 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

Name of the organization

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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.

INDEPENDENT CONTRACTORS

CORE FORM, PART VII; SECTION B

THE AMOUNTS REPORTED FOR SERVICES PROVIDED BY SKANSKA USA BUILDING, INC., TARGET BUILDING CONSTRUCTION AND BARR & BARR BUILDERS, INC. INCLUDE BOTH SERVICES AND CONSTRUCTION GOODS AND SUPPLIES.

OTHER CHANGES IN NET ASSETS

CORE FORM, PART XI; QUESTION 9

OTHER CHANGES IN NET ASSETS OR FUND BALANCES INCLUDE:

- OTHER THAN TEMPORARY IMPAIRMENT OF INVESTMENTS; (\$2,311,499);
- RESTRUCTURING COSTS; (\$3,168,151); AND
- PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST;
(\$1,647,000).

Name of the organization

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AUDITED FINANCIAL STATEMENTS

CORE FORM, PART XII; QUESTION 2

THE TAXPAYER IS THE TAX-EXEMPT PARENT ENTITY OF 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, 2012 AND DECEMBER 31, 2011; 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.

FINANCIAL STATEMENTS AND REPORTING

CORE FORM, PART XII; QUESTION 3

THE ORGANIZATION IS THE TAX-EXEMPT 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.

CHS DEPARTMENTAL EIN LISTING

THE ORGANIZATION'S FEDERAL FORM 990 INCLUDES CERTAIN REVENUE RECEIVED AND EXPENSES INCURRED BY VARIOUS CAPITAL HEALTH SYSTEM, INC. RELATED

Name of the organization

CAPITAL HEALTH SYSTEM, INC

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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:

CAPITAL ENDOCRINOLOGY	20-1730017
CAPITAL HEALTH CLINICAL CARDIOLOGY	26-3519972
CAPITAL SURGICAL ASSOCIATES	22-3680051
CHS - DR. SCHELL	22-2234088
CHS INSTITUTE FOR NEUROSCIENCES	26-0346624
CHS INSTITUTE FOR NEUROSCIENCES ONCOLOGY	46-0622985
CHS PATHOLOGY	45-4742151
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 & CEREBROVASCULAR CENTER OF NEW JERSEY	26-3519824
TRENTON NEUROSURGEONS ASSOCIATES	22-2035924
WEST TRENTON MEDICAL ASSOCIATES	20-4643360

Name of the organization CAPITAL HEALTH SYSTEM, INC	Employer identification number 22-3548695
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PEDIATRIC HOSPITALIST	27-2627834
EMERGENCY PHYSICIANS	27-2232524
REHABILITATION MEDICINE	27-3421189
SPINE CENTER	27-3421008
PLASTIC SURGERY	27-4510784
PRIMARY CARE MOUNTAINVIEW	27-3945093
PRIMARY CARE PENNINGTON	27-3945093
PRIMARY CARE QUAKERBRIDGE	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

ATTACHMENT 1FORM 990, PART III, LINE 1 - 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

Name of the organization

CAPITAL HEALTH SYSTEM, INC

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ATTACHMENT 1 (CONT'D)FORM 990, PART III, LINE 1 - ORGANIZATION'S MISSION

AND RESTORATIVE PROGRAMS. PLEASE REFER TO THE ORGANIZATION'S

COMMUNITY BENEFIT STATEMENT INCLUDED IN SCHEDULE O.

ATTACHMENT 2990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
SKANSKA USA BUILDING INC 516 EAST TOWNSHIP LINE ROAD BLUE BELL, PA 19422	CONSTRUCTION	15,522,508.
TARGET BUILDING CONSTRUCTION 1124 CHESTER PIKE CRUM LYNNE, PA 19022	CONSTRUCTION	11,149,594.
TRENTON ANESTHESIOLOGY ASSOC P.O. BOX 15321 NEWARK, NJ 07192	PHYSICIAN	9,198,508.
BARR AND BARR BUILDERS INC 460 WEST 34TH STREET, 16TH FLOOR NEW YORK, NY 10001	CONSTRUCTION	7,317,713.
SODEXHO MANAGEMENT INC P.O. BOX 360170 PITTSBURGH, PA 15251-6170	MANAGEMENT	5,335,885.

ATTACHMENT 3FORM 990, PART VIII - INVESTMENT INCOME

<u>DESCRIPTION</u>	(A) <u>TOTAL</u> <u>REVENUE</u>	(B) <u>RELATED OR</u> <u>EXEMPT REVENUE</u>	(C) <u>UNRELATED</u> <u>BUSINESS REV.</u>	(D) <u>EXCLUDED</u> <u>REVENUE</u>
INTEREST AND DIVIDEND INCOME	3,093,032.			3,093,032.
TOTALS	<u>3,093,032.</u>			<u>3,093,032.</u>

Name of the organization

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ATTACHMENT 4FORM 990, PART IX - OTHER FEES

DESCRIPTION	(A) TOTAL FEES	(B) PROGRAM SERVICE EXP.	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING EXPENSES
PROFESSIONAL FEES	60,966,942.	54,870,248.	6,096,694.	0
TOTALS	<u>60,966,942.</u>	<u>54,870,248.</u>	<u>6,096,694.</u>	<u>0</u>

ATTACHMENT 5FORM 990, PART X - PREPAID EXPENSES AND DEFERRED CHARGES

DESCRIPTION	BEGINNING BOOK VALUE	ENDING BOOK VALUE
PREPAID INSURANCE	20,323,451.	18,232,763.
TOTALS	<u>20,323,451.</u>	<u>18,232,763.</u>

ATTACHMENT 6FORM 990, PART X - SECURED MORTGAGES AND NOTES PAYABLE

LENDER: FHA/GNMA MORTGAGE LOAN

ORIGINAL AMOUNT: 755,874,500.

INTEREST RATE: 7.830000

DATE OF NOTE: 01/01/2009

MATURITY DATE: 01/01/2037

BEGINNING BALANCE DUE 711,527,300.

ENDING BALANCE DUE 750,042,224.

LENDER: PANTHEON CAPITAL, LLC

INTEREST RATE: 3.949000

DATE OF NOTE: 12/01/2011

MATURITY DATE: 12/01/2016

SECURITY PROVIDED: LEASED EQUIPMENT

PURPOSE OF LOAN: MRI EQUIPMENT & RELATED CONSTRUCTION

BEGINNING BALANCE DUE 4,112,402.

ENDING BALANCE DUE 2,966,226.

Name of the organization

CAPITAL HEALTH SYSTEM, INC

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ATTACHMENT 6 (CONT'D)

LENDER: KEY EQUIPMENT FINANCE, INC.

INTEREST RATE: 3.080000

DATE OF NOTE: 10/11/2011

MATURITY DATE: 10/11/2016

SECURITY PROVIDED: LEASED EQUIPMENT

PURPOSE OF LOAN: CYBERKNIFE ROBOTIC RADIOSURGERY SYSTEM

BEGINNING BALANCE DUE 3,556,850.

ENDING BALANCE DUE 2,960,895.

LENDER: PANTHEON CAPITAL, LLC

INTEREST RATE: 6.322000

DATE OF NOTE: 07/01/2007

MATURITY DATE: 07/01/2012

SECURITY PROVIDED: LEASED EQUIPMENT

PURPOSE OF LOAN: VARIOUS EQUIPMENT INCLUDING PAC SYSTEM

BEGINNING BALANCE DUE 127,641.

ENDING BALANCE DUE

Name of the organization

CAPITAL HEALTH SYSTEM, INC

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ATTACHMENT 6 (CONT'D)

LENDER: BANK OF AMERICA LEASING & CAPITAL, LLC

INTEREST RATE: 4.837000

DATE OF NOTE: 02/01/2008

MATURITY DATE: 02/01/2013

SECURITY PROVIDED: LEASED EQUIPMENT

PURPOSE OF LOAN: IS2000 DA VINCI S SURGICAL SYSTEM

BEGINNING BALANCE DUE 361,899.

ENDING BALANCE DUE

TOTAL BEGINNING MORTGAGES AND OTHER NOTES PAYABLE 719,686,092.TOTAL ENDING MORTGAGES AND OTHER NOTES PAYABLE 755,969,345.

f

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

2012**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" to Form 990, Part IV, line 33.)

	(a) Name, address, and EIN (if applicable) 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
(1)						
(2)						
(3)						
(4)						
(5)						
(6)						

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity?	
							Yes	No
(1)	CAPITAL HEALTH SYSTEM FOUNDATION, INC 750 BRUNSWICK AVENUE TRENTON, NJ 08638 22-2230681	SUPPORT CHS	NJ	501(C)(3)	509(A)(1)	CH SYSTEM		X
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								

For Paperwork Reduction Act Notice, see the Instructions for Form 990

Schedule R (Form 990) 2012

JSA

2E1307 1 000

868811 U600

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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	
(1) _____												
(2) _____												
(3) _____												
(4) _____												
(5) _____												
(6) _____												
(7) _____												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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) Percen- tage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) BELLEVUE AVENUE MANAGEMENT, INC 446 BELLEVUE AVENUE TRENTON, NJ 08618 22-2775694	MANAGEMENT	NJ	N/A	C CORP					X
(2) CAPITAL REGION INSURANCE COMPANY P O BOX 1085 KY1-1108 GRAND CAYMAN, CJ 98-0656385	FINANCIAL VEHICLE	CJ	CH SYSTEM	FOREIGN CORP	2,955,249	37,865,798	100.0000	X	
(3) MERCER HOLDING CORPORATION 446 BELLEVUE AVENUE TRENTON, NJ 08618 22-2778535	HOLDING CO	NJ	CH SYSTEM	C CORP	5,543,684	10,229,473	100.0000	X	
(4) STROKE & CEREBROVASCULAR CENTER OF NJ 750 BRUNSWICK AVENUE TRENTON, NJ 08638 27-4554561	HEALTHCARE SVCS	NJ	CH SYSTEM	C CORP	12,101,675	3,548,103	100.0000	X	
(5) TRENTON NEUROLOGICAL SURGEONS ASSOCIATES 3100 PRINCETON PIKE LAWRENCEVILLE, NJ 08648 22-2035924	HEALTHCARE SVCS	NJ	CH SYSTEM	C CORP	0	0	100.0000	X	
(6) _____									
(7) _____									

Schedule R (Form 990) 2012

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

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

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?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a	X
b Gift, grant, or capital contribution to related organization(s)	1b	X
c Gift, grant, or capital contribution from related organization(s)	1c	X
d Loans or loan guarantees to or for related organization(s)	1d	X
e Loans or loan guarantees by related organization(s)	1e	X
f Dividends from related organization(s)	1f	
g Sale of assets to related organization(s)	1g	X
h Purchase of assets from related organization(s)	1h	X
i Exchange of assets with related organization(s)	1i	X
j Lease of facilities, equipment, or other assets to related organization(s)	1j	X
k Lease of facilities, equipment, or other assets from related organization(s)	1k	X
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	X
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	X
o Sharing of paid employees with related organization(s)	1o	X
p Reimbursement paid to related organization(s) for expenses	1p	X
q Reimbursement paid by related organization(s) for expenses	1q	X
r Other transfer of cash or property to related organization(s)	1r	X
s Other transfer of cash or property from related organization(s)	1s	X

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-s)	(c) Amount involved	(d) Method of determining amount involved
(1) CAPITAL HEALTH SYSTEM FOUNDATION, INC.	N		COST
(2) MERCER HOLDING CORPORATION	E		COST
(3) CAPITAL HEALTH SYSTEM FOUNDATION, INC.	B		COST
(4)			
(5)			
(6)			

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Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

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.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(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		Yes	No	
(1) _____													
(2) _____													
(3) _____													
(4) _____													
(5) _____													
(6) _____													
(7) _____													
(8) _____													
(9) _____													
(10) _____													
(11) _____													
(12) _____													
(13) _____													
(14) _____													
(15) _____													
(16) _____													

Part VII Supplemental Information

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

TRANSACTIONS WITH RELATED ORGANIZATIONS

SCHEDULE R, PART V

THE ORGANIZATION IS THE TAX-EXEMPT PARENT ENTITY OF CAPITAL HEALTH SYSTEM AND AFFILIATES ("SYSTEM"); A TAX-EXEMPT INTEGRATED HEALTHCARE DELIVERY SYSTEM. THE ORGANIZATION ROUTINELY PAYS EXPENSES FOR VARIOUS RELATED AFFILIATES IN THE ORDINARY COURSE OF BUSINESS. THESE RELATED PARTY TRANSACTIONS ARE RECORDED ON THE REVENUE/EXPENSE AND BALANCE SHEET STATEMENTS OF THIS ORGANIZATION AND ITS AFFILIATES. THESE ENTITIES WORK TOGETHER TO DELIVER HIGH QUALITY HEALTHCARE AND WELLNESS SERVICES TO THE COMMUNITIES IN WHICH THEY ARE SITUATED.

● ●

[illegible]TYPE OF PROPERTY:

OTHER INCOME:	
---------------	--

OTHER EXPENSES.		
-----------------	--	--

[illegible]

--	--

[illegible][illegible][illegible]

LESS: Beneficiary's Portion		
-----------------------------	--	--

LESS: Beneficiary's Portion		
-----------------------------	--	--

LESS: Beneficiary's Portion		
-----------------------------	--	--

TOTAL RENT OR ROYALTY INCOME (LOSS)	2,319,289
-------------------------------------	-----------

Rent or Royalty

Depletion

Investment Interest Expense	_____
Other Expenses	_____

Net Rent or Royalty Income (Loss)	2 319 289
-----------------------------------	-----------

SCHEDULE FOR DEPRECIATION CLAIMED

			(d)	(e)		(g) Depreciation		(i) Life	
--	--	--	-----	-----	--	------------------	--	----------	--

[illegible]

SUPPLEMENT TO RENT AND ROYALTY SCHEDULE

OTHER INCOME

RENTAL INCOME

2,319,289.
2,319,289.

RENT AND ROYALTY SUMMARY

<u>PROPERTY</u>	<u>TOTAL INCOME</u>	<u>DEPLETION/ DEPRECIATION</u>	<u>OTHER EXPENSES</u>	<u>ALLOWABLE NET INCOME</u>
RENTAL INCOME	2,319,289.			2,319,289.
TOTALS	<u>2,319,289.</u>			<u>2,319,289.</u>

**SCHEDULE D
(Form 1041)**

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

► Attach to Form 1041, Form 5227, or Form 990-T.
► Information about Schedule D (Form 1041) and its separate instructions is at
www.irs.gov/form1041.

OMB No 1545-0092

2012

Name of estate or trust

CAPITAL HEALTH SYSTEM, INC

Employer identification number

22-3548695

Note: Form 5227 filers need to complete *only* Parts I and II

Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
1a					

b Enter the short-term gain or (loss), if any, from Schedule D-1, line 1b	1b	
2 Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824	2	
3 Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts	3	
4 Short-term capital loss carryover Enter the amount, if any, from line 9 of the 2011 Capital Loss Carryover Worksheet	4	()
5 Net short-term gain or (loss). Combine lines 1a through 4 in column (f) Enter here and on line 13, column (3) on the back	5	

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
6a					

b Enter the long-term gain or (loss), if any, from Schedule D-1, line 6b	6b	9,331,462.
7 Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824	7	
8 Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts	8	
9 Capital gain distributions	9	
10 Gain from Form 4797, Part I	10	
11 Long-term capital loss carryover Enter the amount, if any, from line 14 of the 2011 Capital Loss Carryover Worksheet	11	()
12 Net long-term gain or (loss). Combine lines 6a through 11 in column (f) Enter here and on line 14a, column (3) on the back	12	9,331,462.

For Paperwork Reduction Act Notice, see the Instructions for Form 1041

Schedule D (Form 1041) 2012

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Part III Summary of Parts I and II		(1) Beneficiaries' (see instr)	(2) Estate's or trust's	(3) Total
Caution: Read the instructions before completing this part				
13	Net short-term gain or (loss)	13		
14	Net long-term gain or (loss):			
a	Total for year	14a		9,331,462.
b	Unrecaptured section 1250 gain (see line 18 of the wrkst)	14b		
c	28% rate gain	14c		
15	Total net gain or (loss). Combine lines 13 and 14a	15		9,331,462.

Note: If line 15, column (3), is a net gain, enter the gain on Form 1041, line 4 (or Form 990-T, Part I, line 4a). If lines 14a and 15, column (2), are net gains, go to Part V, and do not complete Part IV. If line 15, column (3), is a net loss, complete Part IV and the **Capital Loss Carryover Worksheet**, as necessary.

Part IV Capital Loss Limitation

16	Enter here and enter as a (loss) on Form 1041, line 4 (or Form 990-T, Part I, line 4c, if a trust), the smaller of	16	()
a	The loss on line 15, column (3) or		
b	\$3,000		

Note: If the loss on line 15, column (3), is more than \$3,000, or if Form 1041, page 1, line 22 (or Form 990-T, line 34), is a loss, complete the **Capital Loss Carryover Worksheet** in the instructions to figure your capital loss carryover.

Part V Tax Computation Using Maximum Capital Gains Rates

Form 1041 filers. Complete this part only if both lines 14a and 15 in column (2) are gains, or an amount is entered in Part I or Part II and there is an entry on Form 1041, line 2b(2), and Form 1041, line 22, is more than zero.

Caution: Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if

- Either line 14b, col (2) or line 14c, col (2) is more than zero, or
- Both Form 1041, line 2b(1), and Form 4952, line 4g are more than zero

Form 990-T trusts. Complete this part only if both lines 14a and 15 are gains, or qualified dividends are included in income in Part I of Form 990-T, and Form 990-T, line 34, is more than zero. Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if either line 14b, col (2) or line 14c, col (2) is more than zero.

17	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34)	17	
18	Enter the smaller of line 14a or 15 in column (2) but not less than zero	18	
19	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T)	19	
20	Add lines 18 and 19	20	
21	If the estate or trust is filing Form 4952, enter the amount from line 4g, otherwise, enter -0-	21	
22	Subtract line 21 from line 20. If zero or less, enter -0-	22	
23	Subtract line 22 from line 17. If zero or less, enter -0-	23	
24	Enter the smaller of the amount on line 17 or \$2,400	24	
25	Is the amount on line 23 equal to or more than the amount on line 24?	25	
	<input type="checkbox"/> Yes. Skip lines 25 and 26, go to line 27 and check the "No" box		
	<input type="checkbox"/> No. Enter the amount from line 23		
26	Subtract line 25 from line 24	26	
27	Are the amounts on lines 22 and 26 the same?	27	
	<input type="checkbox"/> Yes. Skip lines 27 thru 30, go to line 31		
	<input type="checkbox"/> No. Enter the smaller of line 17 or line 22		
28	Enter the amount from line 26 (If line 26 is blank, enter -0-)	28	
29	Subtract line 28 from line 27	29	
30	Multiply line 29 by 15% (15)	30	
31	Figure the tax on the amount on line 23. Use the 2012 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	31	
32	Add lines 30 and 31	32	
33	Figure the tax on the amount on line 17. Use the 2012 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	33	
34	Tax on all taxable income. Enter the smaller of line 32 or line 33 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36)	34	

Schedule D (Form 1041) 2012

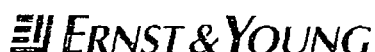
Capital Health System, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2012 and 2011

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Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
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Ernst & Young LLP
99 Wood Avenue South
Iselin, NJ 08830-0471
Tel +1 732 516 4200
www.ey.com

Report of Independent Auditors

The Board of Directors
Capital Health System, Inc.

We have audited the accompanying consolidated financial statements of Capital Health System, Inc. and Subsidiaries (Capital Health), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 \$37,866,000 and \$35,714,000 as of December 31, 2012 and 2011, respectively, and total revenues of \$1,913,000 and \$5,301,000, for the years then ended. 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 the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audits and the report of the 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, 2012 and 2011, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

April 29, 2013

Capital Health System, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2012	2011
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,278	\$ 18,243
Short-term investments	126,294	133,644
Construction receivable	—	6,461
Assets whose use is limited – current portion	3,967	3,945
Patient accounts receivable, net of allowance for doubtful accounts of \$41,568 in 2012 and \$39,300 in 2011	79,632	66,565
Supplies	3,125	3,599
Prepaid expenses and other current assets	18,659	20,428
Total current assets	245,955	252,885
Investments	7,980	31,586
Assets whose use is limited – noncurrent portion	66,245	80,961
Investment in joint ventures	3,035	3,640
Deferred financing costs, net	13,527	17,284
Property, plant, and equipment, net	805,700	822,531
Other noncurrent assets	7,917	13,641
	<u>\$ 1,150,359</u>	<u>\$ 1,222,528</u>
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 1,554	\$ 11,599
Accounts payable	25,395	37,623
Construction and retainage payable	430	32,275
Accrued expenses	41,174	52,266
Accrued interest	3,606	10
Estimated third-party payer settlements – current portion	2,042	—
Total current liabilities	74,201	133,773
Long-term debt, excluding current portion	754,600	708,351
Accrued pension	3,336	1,406
Estimated third-party payer settlements – noncurrent portion and other long-term liabilities	57,908	53,688
Total liabilities	890,045	897,218
Commitments and contingencies		
Net assets:		
Unrestricted	243,256	303,872
Temporarily restricted	9,211	13,461
Permanently restricted	5,077	5,069
Total Capital Health System net assets	257,544	322,402
Non-controlling interest	2,770	2,908
Total net assets including non-controlling interest	260,314	325,310
	<u>\$ 1,150,359</u>	<u>\$ 1,222,528</u>

See accompanying notes.

Capital Health System, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31	
	2012	2011
	<i>(In Thousands)</i>	
Unrestricted net assets:		
Revenue:		
Net patient service revenue	\$ 567,061	\$ 517,646
Provision for bad debt	(40,418)	(32,228)
Net patient service revenue, less provision for bad debts	526,643	485,418
Other revenue	19,627	19,325
Unrestricted contributions	141	28
Total revenue	546,411	504,771
Expenses:		
Salaries and wages	262,930	254,351
Employee benefits	42,453	44,854
Supplies and other expenses	196,956	177,154
Interest	56,558	10,529
Depreciation and amortization	61,970	30,049
Total expenses prior to items below	620,867	516,937
Loss from operations	(74,456)	(12,166)
Accelerated depreciation	—	(6,355)
Investment income and realized gains and losses, net	13,412	32,609
Other than temporary impairment of investments	(2,312)	—
Loss on disposal of fixed assets	(2,096)	(3,304)
Other	(3,168)	(3,351)
(Deficiency) excess of revenue over expenses, before non-controlling interest	(68,620)	7,433
Less: gain attributable to non-controlling interest	2,275	2,827
(Deficiency) excess of revenue over expenses	(70,895)	4,606
Net change in unrealized gains and losses on investments	6,915	(31,230)
Additional paid-in capital	11	37
Net assets released from restrictions for equipment	5,000	—
Pension-related changes other than net periodic pension cost	(1,647)	248
Decrease in unrestricted net assets	\$ (60,616)	\$ (26,339)

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, 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
(Deficiency) excess of revenue over expenses	(70,895)	—	—	2,275	(68,620)
Net change in unrealized gains and losses on investments	6,915	—	—	—	6,915
Additional paid-in capital	11	—	—	—	11
Pension-related changes other than net periodic pension cost	(1,647)	—	—	—	(1,647)
Member distributions, net	—	—	—	(2,413)	(2,413)
Donor restricted contributions	—	1,494	8	—	1,502
Net assets released from restrictions for equipment	5,000	(5,000)	—	—	—
Net assets released from restrictions for operations	—	(744)	—	—	(744)
(Decrease) increase in net assets	(60,616)	(4,250)	8	(138)	(64,996)
Net assets at December 31, 2012	\$ 243,256	\$ 9,211	\$ 5,077	\$ 2,770	\$ 260,314

See accompanying notes

Capital Health System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2012	2011
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Decrease in net assets	\$ (64,996)	\$ (23,947)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	61,970	36,404
Amortization of deferred financing fees	852	1,020
Net change in unrealized gains and losses on investments	(6,915)	31,230
Loss on disposal of fixed assets	2,096	3,304
Pension-related changes other than net periodic pension cost	1,647	(248)
Member distributions related to non-controlling interest	2,413	2,584
Changes in operating assets and liabilities:		
Patient accounts receivable	(13,067)	(15,731)
Supplies	474	(879)
Prepaid expenses and other current assets	1,769	(15,504)
Other noncurrent assets	5,724	(4,754)
Accounts payable	(12,228)	13,691
Accrued expenses	(11,092)	6,978
Accrued pension expense	283	(810)
Accrued interest	3,596	(692)
Estimated third-party payer settlements and other long-term liabilities	6,262	603
Net cash (used in) provided by operating activities	(21,212)	33,249
Cash flows from investing activities		
Net use of assets whose use is limited	11,660	14,719
Net use of (cash invested in) investments	40,905	(2,899)
Investment in joint ventures	(1,808)	(2,381)
Cash proceeds from sale of property and equipment	4,125	4,073
Purchases of property and equipment, net	(76,744)	(268,007)
Net cash used in investing activities	(21,862)	(254,495)
Cash flows from financing activities		
Proceeds from long-term debt	44,348	211,904
Payments of capital leases	(2,311)	(940)
Payments of long-term debt	(5,833)	—
Payments of deferred financing fees	—	(2,223)
Refund of mortgage insurance premium	2,905	—
Net cash provided by financing activities	39,109	208,741
Net decrease in cash and cash equivalents	(3,965)	(12,505)
Cash and cash equivalents at beginning of year	18,243	30,748
Cash and cash equivalents at end of year	\$ 14,278	\$ 18,243
Noncash investing and financing transactions		
Assets acquired under capitalized lease obligations	\$ —	\$ 8,236
Supplemental disclosures of cash flow information		
Cash paid for interest expense	\$ 52,110	\$ 47,465

See accompanying notes

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2012
(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). 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 (SED) 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 an ambulatory care facility located in Hamilton, New Jersey and licensed under Hopewell. 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 60% 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 42.93% ownership interest in Hamilton Surgery Center, LLC (Hamilton Surgery Center) and majority control of the Board of Directors. Additionally, Mercer Holding has an 80% ownership interest and majority control of the Board of Directors of Hopewell Surgery Center, LLC (Hopewell Surgery Center). Hamilton Surgery Center and Hopewell Surgery Center (collectively, the Surgery Centers) and Capital Imaging Ventures are consolidated in the accompanying consolidated financial statements. Mercer Holding accounts for the non-controlling interests in the Surgery Centers and Capital Imaging Ventures in accordance with Accounting Standards Codification (ASC) 810, *Consolidation*. On January 18, 2013, Mercer Holding purchased 100% of the ownership interest in Hopewell Surgery Center. On February 15, 2013, Hopewell Surgery Center ceased operations as a separately licensed ambulatory surgical center.

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)

(Dollars 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 allowance for doubtful accounts, 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)

(Dollars 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.

Patient Accounts Receivable 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) are included in the (deficiency) excess of revenue over expenses, unless the income or loss is restricted by donor or law. Unrealized gains and losses on the investment portfolio

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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

are classified as other than trading, except for those unrealized losses which are deemed to be other than temporary impairments, and are excluded from the (deficiency) excess of revenue over expenses. The fair value of marketable investments is determined by reference to quoted market prices.

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, although the timing for reporting the results of such audits does not coincide with Capital Health's annual financial statement reporting. At December 31, 2012, Capital Health has no future commitments to invest in nonmarketable investments. Capital Health sold its investment in the private mutual fund subsequent to year end and as such unrealized losses of \$2,312 for the year ended December 31, 2012 were deemed to be other than temporarily impaired.

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.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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

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, trustee-held investments under debt agreements 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.

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. Deferred financing fees are reported net of accumulated amortization of \$3,255 and \$2,414 at December 31, 2012 and 2011, respectively.

Capital Health also incurred \$107 of deferred financing costs associated with private offering statements in connection with the Hopewell Surgery Center. Accumulated amortization was \$14 and \$3 at December 31, 2012 and 2011, respectively.

During 2012, Capital Health received a refund of \$3,090 related to overpayment of mortgage insurance premiums to the U.S. Department of Housing and Urban Development (HUD). Such costs, including \$2,905 which were previously capitalized, were written-off during 2012.

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 System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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

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.

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 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.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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

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 (deficiency) 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 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, 2012 and 2011 were approximately \$1,508 and \$6,035, respectively.

(Deficiency) Excess of Revenue Over Expenses

The consolidated statements of operations include (deficiency) excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from (deficiency) excess of revenue over expenses, 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, additional paid-in capital, gain attributable to non-controlling interest and net assets released for equipment.

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

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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

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; 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 2012 or 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).

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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

Reclassifications

Certain reclassifications have been made to the 2011 amounts previously reported in order to conform to the current year presentation.

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 2012 and 2011 totaled approximately \$57,617 and \$48,608, respectively.

Capital Health receives payments from the New Jersey Health Care Subsidy Funds for charity care and such amounts totaled approximately \$28,864 and \$28,585 for the years ended December 31, 2012 and 2011, respectively.

3. Net Patient Service Revenue

Patient 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. Under the policy for self pay patients, a patient who has no insurance and is ineligible for any government

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

3. Net Patient Service Revenue (continued)

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.

Patient service revenue for the year ended December 31, 2012, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<u>Third Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2012			
Patient service revenue (net of contractual allowances and discounts)	\$ 544,379	\$ 22,682	\$ 567,061
	<u>Third Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2011			
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.

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

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

3. Net Patient Service Revenue (continued)

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 \$41,568 and \$39,300 at December 31, 2012 and 2011, respectively. The allowance for doubtful accounts for self-pay patients was approximately 39% and 54% of self-pay accounts receivable as of December 31, 2012 and 2011. Overall, the total of self-pay discounts and write-offs has not changed significantly for the year ended December 31, 2012. 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, 2012.

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, 2012.

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.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

3. Net Patient Service Revenue (continued)

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 increased (decreased) by approximately \$4,957 and \$(389) for the years ended December 31, 2012 and 2011, respectively, for net adjustments and settlements related to prior years. Included in the \$4,957 increase in net patient service revenue for the year ended December 31, 2012 was approximately \$3,058 related to the settlement of the Budget Neutrality Appeal.

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.

Capital Health has provided for certain amounts which are expected to be repaid in relation to a Medicare supplemental payment referred to as disproportionate share, under which Capital Health is paid additional funds based on the number of Medicaid and similar patients it serves. The disproportionate share formula and the requirements for inclusion of certain types of patient days are extremely complex. The underlying data for the formula has been subject to state-wide evaluations by the national and regional administrators of the federal Medicare and New Jersey Medicaid programs in recent years. In 2009, amounts related to cost report years 2001 through 2004 were settled by Medicare. Beginning in August 2010, certain data related to cost report years 2005 through 2007 was required to be resubmitted by hospitals state-wide. As part of this resubmission process in 2010, Capital Health reviewed and revised the applicable data to be in conformity with management's interpretation of the disproportionate share formula requirements. Data for cost report years 2005 through 2007 and analysis for similar revisions for cost report years through 2012, and the impact on the estimated disproportionate share calculations from any resulting data revisions, are reviewed regularly by management of Capital Health. Capital Health believes that adequate provision has been made for this issue; however, the resubmitted data and subsequent years' information are subject to review in the future by the national and regional administrators of the Medicare and Medicaid programs.

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 28% of Capital Health's net patient service revenue for the years ended December 31, 2012 and 2011, respectively.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars 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:

	2012	2011
Charity care	\$ 28,864	\$ 28,585
Hospital relief	5,463	6,223
Mental health	957	957
	<u>\$ 35,284</u>	<u>\$ 35,765</u>

Capital Health expects to receive approximately \$17,159 in Hospital Relief, Charity Care and Mental Health subsidies for distributions scheduled through June 30, 2013. Charity Care subsidies subsequent to June 30, 2013 are presently unknown. Effective July 1, 2013, the State

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

3. Net Patient Service Revenue (continued)

is preparing to replace the Hospital Relief Subsidy Fund with a new payment mechanism referred to as the Delivery System Reform Incentive Payment Pool (the Pool). The Pool will be available to certain hospitals that are able to establish performance improvement activities in one of eight specified clinical improvement areas. Capital Health is submitting an application with the State of New Jersey to participate in the Pool.

4. Assets Whose Use is Limited

Assets whose use is limited consist of the following:

	December 31	
	2012	2011
Restricted investments for collateral:		
Mutual funds – fixed income securities	\$ 16,461	\$ 16,196
Mutual funds – equity securities	–	31,585
Total restricted investments for collateral	16,461	47,781
Restricted cash for guarantees (see Note 9)	1,545	2,252
Assets held under supplemental retirement plan:		
Mutual funds – fixed income securities	3,159	1,983
Mutual funds – equity securities	2,328	1,980
Investment contract with insurance company	497	473
Total assets held under supplemental retirement plan	5,984	4,436
Assets held under debt agreement	15,386	3,945
Assets held by CRIC (see Note 15):		
Equity securities	14,174	12,104
Fixed income securities	16,662	14,388
Total assets held by CRIC	30,836	26,492
Total assets whose use is limited	70,212	84,906
Less: assets whose use is limited – current portion	3,967	3,945
	<u>\$ 66,245</u>	<u>\$ 80,961</u>

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

4. Assets Whose Use is Limited (continued)

Capital Health's gross unrealized losses and fair value of individual securities, 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, 2012 and 2011 are as follows:

	December 31, 2012					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income securities	\$ —	\$ —	\$ 2,934	\$ (16)	\$ 2,934	\$ (16)
Mutual funds – fixed income securities (1 fund)	269	(3)	—	—	269	(3)
Mutual funds – equity securities (1 fund)	239	(7)	—	—	239	(7)
Total	<u>\$ 508</u>	<u>\$ (10)</u>	<u>\$ 2,934</u>	<u>\$ (16)</u>	<u>\$ 3,442</u>	<u>\$ (26)</u>

	December 31, 2011					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income securities	\$ 1,315	\$ (16)	\$ 2,611	\$ (58)	\$ 3,926	\$ (74)
Equity securities	2,680	(285)	—	—	2,680	(285)
Mutual funds – fixed income securities (4 fund)	1,002	(65)	—	—	1,002	(65)
Mutual funds – equity securities (11 fund)	2,032	(113)	—	—	2,032	(113)
Total	<u>\$ 7,029</u>	<u>\$ (479)</u>	<u>\$ 2,611</u>	<u>\$ (58)</u>	<u>\$ 9,640</u>	<u>\$ (537)</u>

At December 31, 2012 and 2011, the unrealized losses of approximately \$26 and \$537, respectively, were not deemed to be other than temporary based on Capital Health's ability and intent to hold the funds until recovery.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

5. Investments

Investments consist of the following:

	December 31	
	2012	2011
Cash and cash equivalents	\$ —	\$ 8,295
Certificate of deposit	—	1,098
Mutual funds – fixed income securities	53,063	68,446
Mutual funds – equity securities	54,388	61,317
Private mutual funds	26,739	25,919
Accrued interest	84	155
Total investments	134,274	165,230
Less short-term investments	126,294	133,644
	<u>\$ 7,980</u>	<u>\$ 31,586</u>

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

	Year Ended December 31	
	2012	2011
Interest and dividend income	\$ 3,798	\$ 5,494
Net realized gains	9,614	27,115
Total investment income	<u>\$ 13,412</u>	<u>\$ 32,609</u>

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

5. Investments (continued)

At December 31, 2012 and 2011, unrealized losses of approximately \$214 and \$4,481, detailed below, were not deemed to be other than temporary based on Capital Health's ability and intent to hold the funds until recovery.

	December 31, 2012					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Private mutual funds (3 funds)	\$ -	\$ -	\$ 1,196	\$ (99)	\$ 1,196	\$ (99)
Mutual funds- fixed income securities (3 funds)	14,642	(106)	291	(8)	14,933	(114)
Mutual funds- equity securities (1 fund)	-	-	208	(1)	208	(1)
Total	\$ 14,642	\$ (106)	\$ 1,695	\$ (108)	\$ 16,337	\$ (214)

	December 31, 2011					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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	\$ 37,133	\$ (1,259)	\$ 25,919	\$ (3,222)	\$ 63,052	\$ (4,481)

At December 31, 2012, unrealized losses of \$2,312 were determined to be other than temporarily impaired. No such impairment existed at December 31, 2011.

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:

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

6. Fair Value Measurements (continued)

- 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)

(Dollars 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, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 14,278	\$ —	\$ —	\$ 14,278
Assets whose use is limited.				
Cash and cash equivalents	1,545	—	—	1,545
Equity securities	—	14,174	—	14,174
Fixed income	—	16,662	—	16,662
Investments restricted for collateral				
Mutual funds – fixed income securities	16,461	—	—	16,461
Assets held under supplemental retirement plan				
Mutual funds – fixed income securities	3,159	—	—	3,159
Mutual funds – equity securities	2,328	—	—	2,328
Investment contract with insurance company	—	497	—	497
Assets held under debt agreement	15,386	—	—	15,386
Total assets whose use is limited	38,879	31,333	—	70,212
Investments				
Cash and cash equivalents	—	—	—	—
Certificate of deposit	—	—	—	—
Mutual funds – fixed income securities	53,063	—	—	53,063
Mutual funds – equity securities	54,388	—	—	54,388
Private mutual funds	—	26,739	—	26,739
Total investments	107,451	26,739	—	134,190
Total assets at fair value	\$ 160,608	\$ 58,072	\$ —	\$ 218,680
Pension assets				
Mutual funds – fixed income securities	\$ 55,262	\$ —	\$ —	\$ 55,262
Mutual funds – equity securities	18,230	—	—	18,230
U S government securities	—	8,654	—	8,654
Private mutual funds	—	3,952	—	3,952
Total pension assets at fair value	\$ 73,492	\$ 12,606	\$ —	\$ 86,098

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

6. Fair Value Measurements (continued)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
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	1,980	—	—	1,980
Investment contract with insurance company	—	473	—	473
Assets held under debt agreement	3,945	—	—	3,945
Total assets whose use is limited	57,941	26,965	—	84,906
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	\$ 215,340	\$ 52,884	\$ —	\$ 268,224
Pension assets				
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

The carrying value of long-term debt approximates fair value at December 31, 2012 and 2011. The fair value is based upon discounted cash flow analyses. Fair value of FHA/GNMA debt is classified as Level 1 of the valuation hierarchy, while the fair value of capital leases is classified as Level 2.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

7. Pledges Receivable

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

	December 31	
	2012	2011
Pledges receivable within one year	\$ 1,843	\$ 1,705
Pledges receivable greater than one year	2,445	4,496
Pledges receivable, gross	4,288	6,201
Allowance for uncollectible pledges	(391)	(570)
Discount on pledges	(374)	(497)
Total pledges receivable, net	3,523	5,134
Less pledges receivable, net – current portion (included in prepaid expenses and other current assets)	1,843	1,705
Pledges receivable, net – noncurrent (included in other noncurrent assets)	\$ 1,680	\$ 3,429

8. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31	
	2012	2011
Land	\$ 48,620	\$ 49,382
Land improvements	34,373	32,836
Buildings, leasehold improvements and fixed equipment	738,298	812,080
Major movable equipment	218,506	293,550
Total	1,039,797	1,187,848
Accumulated depreciation	(240,097)	(400,786)
Construction in progress	6,000	35,469
Property, plant, and equipment, net	\$ 805,700	\$ 822,531

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

8. Property, Plant and Equipment (continued)

Depreciation expense for the years ended December 31, 2012 and 2011 was \$61,820 and \$35,535, respectively.

On November 6, 2011, the Regional Perinatal Center project at Regional (RPC) and the project at Hopewell (collectively, the Project) were substantially complete, and 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.

The construction of Hopewell and the closure of Mercer (except the SED) resulted in a revision to the original estimated useful lives of the long-lived assets. 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 in the consolidated statements of operations for the year ended December 31, 2011. As of December 31, 2011, Mercer and the related assets were fully depreciated.

Major moveable equipment includes assets held under capital lease obligations of \$6,877 and \$6,962 at December 31, 2012 and 2011, respectively, net of accumulated amortization of \$2,691 and \$2,541, respectively, as of those dates.

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

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

9. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2012	2011
FHA/GNMA \$755,875 Taxable Insured Mortgage Loan	\$ 750,042	\$ 711,527
Capital lease obligations with interest rates ranging from 3.95% to 9.08% payable monthly and quarterly	6,112	8,423
Total long-term debt	756,154	719,950
Less current portion	(1,554)	(11,599)
Long-term portion	\$ 754,600	\$ 708,351

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 were used to: 1) fund the construction of a 223- bed hospital in Hopewell Township, New Jersey that replaced Mercer; 2) fund the construction of the RPC at Regional; 3) defease Capital Health's NJHCFPA Series 1997, Series 2003A and Series 2003B bonds; 4) repay a \$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, 2012 and 2011, amounts outstanding and held in escrow related to the Series 2003A Bonds are \$83,611 and \$90,687, respectively.

Financing from the FHA Section 242 Hospital Mortgage Insurance Program provided \$755,875. Capital Health was required to provide an equity contribution of \$124,506, which was provided by final endorsement of the mortgage loan on September 20, 2012. At the initial closing, the debt had a fixed interest rate of 7.83%, and no principal was due on the loan until February 2012. At final endorsement of the loan, the mortgage note was amended effective September 1, 2012 with interest rates of 7.83% from April 7, 2009 through July 31, 2012, 5.77% from August 1, 2012 through July 31, 2014, 6.80% from August 1, 2014 through July 31, 2018 and 6.77% from

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

9. Long-Term Debt (continued)

August 1, 2018 through maturity date of January 1, 2037. Under the terms of the amended mortgage note, interest only was due and payable on the first day of each month on the outstanding balance of principal up to and including January 1, 2012. The following table outlines the principal and interest payments due and payable on the first day of each month for the remainder of the loan's term:

February 1, 2012-August 1, 2012	\$ 5,749
September 1, 2012-August 1, 2014 (interest only)	3,606
September 1, 2014-August 1, 2018	5,440
September 1, 2018- January 1, 2037	5,428

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. Interest costs resulting from the portion of debt related to construction was capitalized accordingly.

As of December 31, 2012 and 2011, Capital Health had outstanding letters of credit totaling \$4,002 and \$19,015, respectively, related to various aspects of the Project. No amounts have been drawn at December 31, 2012 and 2011. The letters of credit expire throughout 2013.

Also in connection with 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, 2012 and 2011, \$16,461 and \$47,781 of investments were pledged as collateral for the outstanding letters of credit. These investments are included in assets whose use is limited as of December 31, 2012 and 2011.

As of December 31, 2012 and 2011, 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, 2012 and 2011. The letters of credit expire throughout 2013 and automatically renew for a term of one year.

Under the terms of the mortgage loan, Capital Health is required to maintain certain financial ratios and comply with other restrictive covenants as described in the respective agreements. At December 31, 2012, Capital Health was in compliance with the financial ratio requirements

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

9. Long-Term Debt (continued)

described in the agreements, with the exceptions of the debt service coverage ratio and the equity financing ratio, of which Capital Health was not in compliance at December 31, 2012. At December 31, 2011, 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. The non compliance noted above did not result in an event of default of the related debt.

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, 2012, reflecting the full balance of the mortgage assumed to be outstanding, are as follows:

	FHA/GNMA	Capital Lease	Total
2013	\$ —	\$ 1,554	\$ 1,554
2014	4,800	1,523	6,323
2015	15,067	1,526	16,593
2016	16,124	1,509	17,633
2017	17,256	—	17,256
Thereafter	696,795	—	696,795
Total long-term debt	<u>\$ 750,042</u>	<u>\$ 6,112</u>	<u>\$ 756,154</u>

As of December 31, 2012 and 2011, 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 radiology joint venture, of which \$45 and \$493 is outstanding at December 31, 2012 and 2011, respectively. In addition, at December 31, 2012, Capital Health had guaranteed \$259 or 50% of two equipment leases totaling \$518.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

9. Long-Term Debt (continued)

These guarantees, which total approximately \$1,545 and \$2,252 at December 31, 2012 and 2011, respectively, are included in other long-term liabilities and investment in joint ventures in the accompanying 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 2012 and 2011, Capital Health incurred \$4,893 and \$8,749, 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 defined benefit 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.

Amounts that are recognized as a component of other changes in unrestricted net assets will be subsequently recognized as a component of net periodic pension.

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

Included in unrestricted net assets is unrecognized actuarial loss at December 31, 2012 and 2011 of \$19,563 and \$17,916, respectively, which has not yet been recognized in net periodic pension cost.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

10. Pension Plan (continued)

The unrecognized actuarial loss included in unrestricted net assets at December 31, 2012 and expected to be recognized in net periodic pension cost during the year ending December 31, 2013 is approximately \$864.

The following table sets forth the funded status of the plan at December 31, 2012 and 2011 and the amounts recognized in the consolidated financial statements:

	2012	2011
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 85,451	\$ 81,652
Interest cost	3,378	3,823
Actuarial loss	5,939	3,841
Benefits paid	(1,908)	(3,865)
Settlement gain	(3,426)	—
Benefit obligation, end of year	89,434	85,451
Change in plan assets		
Fair value of plan assets, beginning of year	84,045	79,188
Actual return on plan assets	7,387	8,722
Benefits paid	(5,334)	(3,865)
Fair value of plan assets, end of year	86,098	84,045
Funded status	\$ (3,336)	\$ (1,406)

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

	2012	2011
Interest cost	\$ 3,378	\$ 3,823
Expected return on plan assets	(4,708)	(5,574)
Recognized actuarial loss	864	941
Settlement loss	749	—
Periodic pension cost (benefit)	\$ 283	\$ (810)

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars 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:

	2012	2011
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.23%	4.28%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	4.28%	5.03%
Expected long-term return on plan assets	6.00%	7.50%

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

The expected long-term rate of return on plan assets assumption of 6.00% 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)

(Dollars In Thousands)

10. Pension Plan (continued)

Capital Health's pension plan weighted-average asset allocations at December 31, 2012 and 2011 by asset category are as follows:

	Plan Assets at December 31	
	2012	2011
Mutual funds – equity securities	21%	21%
Mutual funds – fixed income securities	64	58
U.S. government securities	10	17
Other	5	4
	<u>100%</u>	<u>100%</u>

Capital Health expects to pay future benefits as follows:

2013	\$	6,649
2014		6,125
2015		6,119
2016		6,179
2017		6,529
2018 to 2022		28,275

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 2013.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars 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:

	December 31	
	2012	2011
Medicare	31%	22%
Medicaid	3	5
Commercial and managed care	53	64
Blue Cross	10	6
Self-pay	3	3
	<u>100%</u>	<u>100%</u>

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2012	2011
Health care services	\$ 5,385	\$ 4,717
Education	292	202
Equipment	3,198	8,237
Charity care	54	93
Other	282	212
	<u>\$ 9,211</u>	<u>\$ 13,461</u>

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

12. Temporarily and Permanently Restricted Net Assets (continued)

Net assets were released from restrictions for the following purposes:

	Year Ended December 31	
	2012	2011
Equipment	\$ 5,000	\$ 122
Health care services	182	72
Education	79	127
Charity care	69	45
Other	414	172
	<u>\$ 5,744</u>	<u>\$ 538</u>

Changes in donor endowment funds for the years ended December 31, 2012 and 2011 consisted of the following:

	Unrestricted	Permanently Restricted
Endowment funds at December 31, 2011	\$ 1,248	\$ 5,069
Investment return on endowments	704	—
Contributions	—	8
Appropriations	(6)	—
Endowment funds at December 31, 2012	<u>\$ 1,946</u>	<u>\$ 5,077</u>

	Unrestricted	Permanently Restricted
Endowment funds at December 31, 2010	\$ 1,184	\$ 5,065
Investment return on endowments	64	—
Contributions	—	4
Endowment funds at December 31, 2011	<u>\$ 1,248</u>	<u>\$ 5,069</u>

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

12. Temporarily and Permanently Restricted Net Assets (continued)

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, 2012 and 2011.

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:

	Year Ended December 31	
	2012	2011
Total revenue	\$ 362	\$ 524
Total expenses	481	1,114
Expenses over revenues	<u>\$ (119)</u>	<u>\$ (590)</u>

The School of Nursing ceased operations during 2012.

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.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

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, 2012 and 2011, CRIC has recorded an estimated reserve for claims of \$22,240 and \$18,580, 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 \$5,971 and \$5,908 at December 31, 2012 and 2011, respectively, included in other noncurrent assets within the accompanying consolidated balance sheets. For the insurance coverage year May 1, 2012 to May 1, 2013 CRIC insures Capital Health for its professional liability in the amount of \$42,000 per claim and \$46,000 in the annual aggregate, of which \$40,000 per claim and \$40,000 in the annual aggregate is ceded to "A" rated reinsurers. CRIC, therefore, retains professional liability losses of \$2,000 per claim and \$6,000 in the annual aggregate. During the same insurance coverage year, CRIC insures Capital Health for its general liability in the amount of \$41,000 per claim and \$46,000 in the annual aggregate, of which \$40,000 per claim and \$40,000 in the annual aggregate is ceded to "A" rated insurers. CRIC, therefore, retains general liability losses of \$1,000 per claim and \$6,000 in the annual 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, 2012 and 2011, Capital Health has calculated estimates of approximately \$5,279 and \$4,614, respectively, which have been discounted at 3% based upon an actuarial valuation, for these incidents and has recorded them in other long-term liabilities in the accompanying consolidated balance sheets.

Capital Health System, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars In Thousands)

16. Electronic Health Records

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

Capital Health uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the System is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. EHR incentive payment revenue totaling \$1,931 (Medicaid) and \$3,435 (Medicare) for the year ended December 31, 2012 and \$2,414 (Medicaid) for the year ended December 31, 2011, are included in other revenue in the accompanying consolidated statements of operations. Income from Medicare incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, Capital Health's attestation of compliance with the meaningful use criteria is subject to audit by the federal government.

17. Subsequent Events

Capital Health's management has evaluated subsequent events from December 31, 2012 through April 29, 2013, which is the date the consolidated financial statements were issued. Other than that disclosed in Note 1 there were no subsequent events that have occurred that require disclosure in or adjustment to the consolidated financial statements.