



Public Health and Health Planning Council

Project # 131015-C Montefiore Medical Center – Henry & Lucy Moses Division

County: Bronx (Bronx)
Purpose: Construction

Program: Acute Care Services
Submitted: January 8, 2013

Executive Summary

Description

Montefiore Medical Center – Henry & Lucy Moses Division (Montefiore), a 767-bed not-for-profit hospital located at 111 East 210th Street, Bronx, requests approval to acquire the assets of New York Westchester Square Medical Center's (NYWSMC) real property, building, and certain equipment. NYWSMC, a 140-bed not-for-profit hospital located in Bronx County, is in Chapter 11 bankruptcy and Montefiore has been selected as the winning bidder at bankruptcy auction.

Montefiore will maintain the services currently provided at NYWSMC, with the exception of inpatient services. The applicant will not acquire the beds of the hospital; these beds will be decertified. As a result, there will be no change in total bed capacity for Montefiore Medical Center.

This site will be operated as a clinically-integrated hospital extension of Montefiore, to include a provider-based off-campus emergency department (ED). This site will be known as Montefiore Medical Center - Westchester Square Campus, and will be comprised of a full-time service provider-based off-campus ED, ambulatory surgery center, imaging services, and ambulatory programs, including primary care. The services provided will be all outpatient services. The purpose of the project is:

- To preserve the most vital of the health care services provided by New York Westchester Square Medical Center and create a more progressive, ambulatory care center that expands needed primary care in the community and manages the health of the community.
- To ensure the health care needs of the community are addressed in accordance with the Community Health Needs Assessment and the State Health Improvement Plan.

The purchase price and the total project cost is estimated at \$20,000,000.

DOH Recommendation

Because an off-site ED without inpatient beds is a new model of care in New York State, the Department recommends a five-year limited life approval for the proposed ED. During this period, the facility will be required to report operational and quality measures to the Department to aid in evaluation of this model of care.

Need Summary

In 2011, NYWSMC had 21,846 ED visits, 23% of which resulted in admission. NYWSMC's ambulatory surgery cases totaled 5,308 in 2010. Montefiore Medical Center's Weiler Division and its Moses Division are expected to absorb a portion of Westchester Square's former inpatient cases, which are expected to average between 25 patients per day at each division.

Program Summary

An off-campus ED is acceptable on the federal level as long as the facility meets the applicable conditions of participation. Montefiore has worked with the Centers for Medicare and Medicaid Services (CMS) and is aware of the requirements and provisions with which they must comply. The Department will also work with CMS to ensure that the program is in compliance with these standards.

Financial Summary

The purchase price and the total project cost totals will be met via HEAL 21 grant. The applicant submitted an incremental operating budget, in 2012 dollars, for the third year subsequent to the change in operator, which is summarized below.

Incremental Budget: (Year 3)	<i>Revenues:</i>	\$ 40,217,985
	<i>Expenses:</i>	39,271,019
	<i>Excess</i>	\$ 946,966

Subject to the noted contingencies, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this application.

Office of Health Systems Management

Approval for a limited life of 5 years from the date of issuance of an operating certificate is recommended contingent upon:

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of an executed HEAL 21 grant contract that is acceptable to the Department of Health. [BFA]
3. Submission of an original affidavit from the applicant, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/or surcharges, assessments or fees due from the transferor pursuant to Article 28 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor of its liability and responsibility. [BFA]

Approval conditional upon:

1. Compliance with 10 NYCRR 405.19 (Emergency Services), as well as additional Part 405 sections, including those for the governing body, quality assurance, and medical records. [HSP]
2. Compliance with applicable CMS Conditions of Participation (CoPs), including those for governing body, medical staff, nursing staff, laboratory services, quality assurance, medical records, infection control. [HSP]
3. Full integration of all operations with the Montefiore main site hospital. Medical staff of the freestanding ED should be part of the single medical staff of Montefiore. [HSP]
4. Compliance with all EMTALA obligations. [HSP]
5. Employment of a triage system of care, one linked to the community's primary care delivery system. [HSP]
6. Linkage of the ED to a primary care "medical home," with protocols for referral, enrollment and tracking. [HSP]
7. Use of a health information exchange (HIE) to enhance clinical decision-making by providing appropriately private and secure patient encounter history at the time and point of care, creating a platform for community-wide coordination of care. [HSP]
8. Establishment of agreements and protocols with the EMS community to provide transfer to the freestanding ED for appropriate patients. [HSP]
9. Establishment of an agreement with an ambulance company to provide timely transportation to the main site ED or closest hospital that meets the needs of the patient. [HSP]
10. Submission of a signed agreement with an outside independent entity satisfactory to the Department of Health to provide annual reports to the Department beginning in the second year of operation. These reports shall include:
 - Data showing utilization, including emergency and non-emergency cases;
 - Data showing number of transfers to hospitals and subsequent inpatient admissions from the ED;
 - Data showing number of referrals to primary care, including to the primary care health home;
 - Data on efforts in patient education regarding appropriate conditions for ED treatment;
 - Data showing a breakdown of visits by payor source; and
 - Data showing percentage of charity care provided. [HSP]

Council Action Date

February 7, 2013.

Need Analysis

Background

Montefiore Medical Center – Henry & Lucy Moses Division, a 767-bed acute care hospital located at 111 East 210th Street, Bronx, 10467, in Bronx County, seeks approval to certify New York Westchester Square Medical Center (NYWSMC) as a division of Montefiore Medical Center (Montefiore). The site will be known as Montefiore Medical Center – Westchester Square Campus and will be certified as an ambulatory extension site to include provider based off-campus emergency department services.

Freestanding Emergency Departments

Between 1990 and 2010, the number of hospital-based emergency departments (EDs) declined by 27 percent nationwide.¹ At the same time, there has been an increase in the use of the “freestanding” ED, i.e., one operated away from a main hospital site and run either by a sponsoring hospital or a non-hospital provider. Freestanding EDs originally emerged to serve rural areas, bringing emergency-level services to communities that could not support full-service hospitals. However, the growing volume of ED use nationwide has led to the establishment of freestanding EDs in urban and suburban areas, where they may serve not only to expand access to emergency services in particular service areas but to relieve ED overcrowding at main hospital sites as well.

In New York State, the Department to date has approved four hospitals that primarily function as EDs, in suburban Buffalo, Lake Placid, Manhattan and Sidney (Delaware County). Three of the four operate as divisions of their sponsoring hospitals. The fourth, in Sidney, operates as a hospital with four inpatient beds (the other sites each have two). As defined in PHL Section 2801(10), a “general hospital” is a facility

engaged in providing medical or medical and surgical services primarily to in-patients by or under the supervision of a physician on a twenty-four hour basis with provisions for admission or treatment of persons in need of emergency care. . . .

Adherence to this definition requires that the four ED-focused facilities operate inpatient beds. Accordingly, each maintains inpatient beds on site.

Although the need to promote efficiency and improve quality in health care demands the consideration of new approaches to service organization and delivery, such innovations must be fully evaluated for cost-effectiveness, efficacy and sustainability. Montefiore Medical Center proposes to operate a freestanding ED at the site of the former Westchester Square Medical Center, without inpatient beds. Because this arrangement would not meet the definition of a “general hospital” set forth in PHL Section 2801(10), it is to be operated as an extension site of Montefiore, certified to operate an emergency department.

Terms of Approval

As a new model of care, the proposed freestanding ED should be monitored for its potential to deliver emergency care in keeping with existing regulatory requirements. It should be further evaluated for its capacity to improve efficiency and control health care costs in a sustainable manner. In regard to the latter concern, the facility may be prone to overutilization for non-emergency services, especially since its freestanding location and absence of inpatient beds may cause the public to perceive it as an “urgent care” clinic – a type of provider not defined in regulation but one that typically offers a broad range of primary and non-emergency care and extended hours of operation. This could lead to overcrowding of the proposed ED and could perpetuate existing inefficiencies in the delivery of both emergency and non-emergency services within the Montefiore/Westchester Square service area.

In view of these concerns surrounding the operation of a new type of ED in accordance with regulatory requirements and its susceptibility to inappropriate utilization, the Department recommends that the proposed freestanding ED be

¹ Hsia, R. Y., Kellermann, A., and Shen, Y-C. Factors Associated with Closures of Emergency Departments in the United States. JAMA, May 18, 2011. Vol. 305, No. 19.

approved initially for a limited life of five years from the date of issuance of the operating certificate; and that it be operated subject to the following conditions:

- Compliance with 10 NYCRR 405.19 (Emergency Services), as well as additional Part 405 sections, including those for the governing body, quality assurance, and medical records;
- Compliance with applicable CMS Conditions of Participation (CoPs), including those for governing body, medical staff, nursing staff, laboratory services, quality assurance, medical records, infection control;
- Full integration of all operations with the Montefiore main site hospital. Medical staff of the freestanding ED should be part of the single medical staff of Montefiore;
- Compliance with all EMTALA obligations;
- Employment of a triage system of care, one linked to the community's primary care delivery system;
- Linkage of the ED to a primary care "health home," with protocols for referral, enrollment and tracking;
- Use of a health information exchange (HIE) to enhance clinical decision-making by providing appropriately private and secure patient encounter history at the time and point of care, creating a platform for community-wide coordination of care;
- Establishment of agreements and protocols with the EMS community to provide transfer to the freestanding ED for appropriate patients;
- Establishment of an agreement with an ambulance company to provide timely transportation to the main site ED or closest hospital that meets the needs of the patient; and
- Submission of a signed agreement with an outside independent entity satisfactory to the Department of Health to provide annual reports to the Department beginning in the second year of operation. These reports shall include:
 - Data showing utilization, including emergency and non-emergency cases; ,
 - Data showing number of transfers to hospitals and subsequent inpatient admissions from the ED;
 - Data showing number of referrals to primary care, including to the primary care health home;
 - Data on efforts in patient education regarding appropriate conditions for ED treatment;
 - Data showing a breakdown of visits by payor source; and
 - Data showing percentage of charity care provided.

Analysis

Montefiore operates three acute care hospitals, a certified home health agency, a diagnostic and treatment center, a long term home health care program, and hospital extension clinic and school based health centers.

Montefiore will provide the following services at the Westchester Square Campus:

- Provider-based off-campus emergency department;
- Ambulatory Surgery;
- Imaging;
- Ambulatory Programs; and
- Primary Care

Certified Services:**Montefiore Medical Center - Westchester Square Division 2475 St Raymond Avenue Bronx, 10461**

<i>Service</i>	<i>Requested Action</i>	<i>Services Upon Completion</i>
Ambulatory Surgery – Multi Specialty	Add	√
CT Scanner	Add	√
Emergency Department	Add	√
Health Fairs O/P	Add	√
Hyperbaric Chamber	Add	√
Lithotripsy	Add	√
Magnetic Resonance Imaging	Add	√
Medical Social Services	Add	√
Nuclear Medicine – Diagnostic	Add	√
Nutritional	Add	√
Podiatry	Add	√
Primary Medical Care O/P	Add	√
Radiology – Diagnostic	Add	√
Therapy – Physical	Add	√

The Emergency Department will provide services 24 hours a day, seven days a week. The facility will have two to four non-acute care holding beds for assessment and monitoring of patients. Other ambulatory services at the Westchester Square Campus will be provided Monday through Friday from 7:00 am to 7:00 pm.

Montefiore Medical Center hospitals have the following New York State designations:

Montefiore Medical Center - Jack D Weiler:
Regional Perinatal Center; and
Stroke Center.

Montefiore Medical Center - North Division:

Level 3 Perinatal Center.

Montefiore Medical Center - Henry & Lucy Moses:

AIDS Center; and
Stroke Center.

The inpatient utilization statistics for MMC's three (3) acute care hospitals are shown below:

Montefiore Hospitals: Inpatient Utilization by Major Service Category				
<i>Service</i>	<i>Discharges</i>	<i>Average Daily Census</i>	<i>Occupancy Based on Current Beds</i>	<i>Current Beds</i>
MMC - North (1168)				
Medical/Surgical	8,297	132	58.8	224
Subtotal	13,625	207	64.6	321
Healthy Newborns	2,318	16		
<i>Grand Total</i>	<i>15,943</i>	<i>224</i>		
MMC - Moses (1169)				
Medical/Surgical	37,748	616	98.6	625

Montefiore Hospitals: Inpatient Utilization by Major Service Category				
<i>Service</i>	<i>Discharges</i>	<i>Average Daily Census</i>	<i>Occupancy Based on Current Beds</i>	<i>Current Beds</i>
<i>Total</i>	44,768	720	93.9	767
MMC- Weiler (3058)				
Medical/Surgical	18,823	296	93.1	318
Subtotal	24,233	370	91.7	403
Healthy Newborns	3,344	24		
<i>Grand Total</i>	27,577	393		

Source: SPARCS 2011

New York Westchester Square Medical Center (NYWSMC) is 140-bed acute care hospital located in the Southeast section of Bronx County. Approximately 99.4 percent of the hospital's discharges are allocated to the major service category of medical/surgical. In 2009, the hospital recorded 6,812 total inpatient discharges. By 2011, these discharges declined by 15.0 percent, to 5,788. In 2009, NYWSMC's patients generated an average daily census of 127 patients. By 2011, the average daily census declined by 17.3 percent to 105. The related overall occupancy rate was 90.4 percent in 2009. This declined to 84.4 percent in 2010, and 75.2 percent in 2011.

New York Westchester Square Medical Center: Inpatient Utilization by Major Service Category				
<i>Service Category</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>Current Beds</i>
Discharges				
Medical/Surgical	6,757	6,450	5,767	
Pediatric	0	0	1	
Obstetric	9	5	1	
General Psychiatric	18	3	4	
Chemical Dependency	28	22	15	
<i>Total</i>	6,812	6,480	5,788	
Average Daily Census				
Medical/Surgical	126	118	105	
Pediatric	0	0	0	
Obstetric	0	0	0	
General Psychiatric	0	0	0	
Chemical Dependency	0	0	0	
<i>Total</i>	127	118	105	
Occupancy Based on Current Beds				
Medical/Surgical	89.9	84.1	74.9	140
Pediatric	0.0	0.0	0.0	0
Obstetric	0.0	0.0	0.0	0
General Psychiatric	0.0	0.0	0.0	0
Chemical Dependency	0.0	0.0	0.0	0
<i>Total</i>	90.4	84.4	75.2	140

Source: SPARCS 2009 - 2011

New York Westchester Square Medical Center Service Area

Based on the NYWSMC's SPARCS inpatient discharges for the years 2007 through 2011, zip codes 10461, 10469, 10462, 10473, 10465, 10472, 10467, 10460, 10475, and 10459 define the NYWSMC medical/surgical service area. During the period, NYWSMC was the fourth hospital of choice for inpatient medical/surgical services by residents of

the service area. NYWSMC captured 9.1 percent of the market from the service area. The majority of the residents in the service area chose Montefiore Medical Center – Weiler, Montefiore Medical Center – Moses, and Jacobi Medical Center for their inpatient medical/surgical needs. These facilities captured, respectively, 21.3 percent, 20.4 percent and 12.0 percent of NYWSMC’s medical/surgical market area. Lincoln Medical & Mental Health Center, St Barnabas Hospital, and Montefiore Medical Center - North Division were also able to capture a sizeable amount of NYWSMC’s market, ranging from 4.1 percent to 5.9 percent.

Distribution of Major Service Category Medical/Surgical Discharges: Based on New York Westchester Square Medical Center’s Service Area			
<i>Hospital</i>	<i>PFI</i>	<i>Average Discharges</i>	<i>% Market</i>
Montefiore Med Center - Jack D Weiler Hosp of A Einstein College	3058	13,648	21.3
Montefiore Medical Center - Henry & Lucy Moses Div	1169	13,041	20.4
Jacobi Medical Center	1165	7,687	12.0
New York Westchester Square Medical Center	1185	5,854	9.1
Montefiore Medical Center - North Division	1168	3,803	5.9
St Barnabas Hospital	1176	2,943	4.6
Lincoln Medical & Mental Health Center	1172	2,617	4.1
Bronx-Lebanon Hospital Center - Concourse Division	1178	1,841	2.9
North Central Bronx Hospital	1186	1,500	2.3
Mount Sinai Hospital	1456	1,149	1.8
New York Presbyterian Hospital - Columbia Presbyterian Center	1464	1,085	1.7
New York Presbyterian Hospital - New York Weill Cornell Center	1458	887	1.4
Lenox Hill Hospital	1450	745	1.2
Lawrence Hospital Center	1122	527	0.8
Calvary Hospital Inc	1175	480	0.7
Other NYS	9999	6,190	9.7
Total		63,997	100.0

Source SPARCS, Average 2007 – 2011

New York Westchester Square Medical Center Emergency Department Utilization

SPARCS Emergency Department (ED) data for 2007 through 2011 show that New York Westchester Square Medical Center recorded an average of 21,763 total ED visits a year. Of these, approximately 28 percent were admitted into the hospital, the remaining 72 percent were treated and released.

New York Westchester Square Medical Center: Emergency Department Statistics		
<i>Year</i>	<i>Total</i>	<i>% Admitted</i>
2007	21,865	30.2
2008	21,337	32.6
2009	21,737	28.9
2010	22,028	26.5
2011	21,846	23.1

Source: SPARCS, 2007 - 2011

New York Westchester Square Medical Center Ambulatory Surgery Statistics

In 2006, NYWSMC recorded 7,182 ambulatory surgery procedures. By 2007, these procedures declined by 9.4 percent to 6,509. The downward trend in ambulatory surgery procedures performed at the hospital continued from 2008, 2009, and 2010, as there were 5,924, 5,710 and 5,308 procedures, respectively, in these years.

New York Westchester Square Medical Center: Ambulatory Surgery Statistics	
<i>Year</i>	<i>Ambulatory Surgery Procedures</i>
2006	7,182
2007	6,509
2008	5,924
2009	5,710
2010	5,308

Source: Institutional Cost Reports 2006 – 2010

Discussion

The closure of NYWSMC could result in the need to absorb an average of approximately 105 medical/surgical patients from the service area on any given day. Two of Montefiore's acute care hospitals are the providers of medical/surgical care in NYWSMC's service area. Montefiore is planning to implement solutions to address the projected increase in inpatient utilization.

If medical/surgical inpatient use from the service area continues to follow the same pattern, it is likely that the medical/surgical average daily censuses of Montefiore Medical Center - Weiler and Montefiore Medical Center - Moses could increase by up to 25 patients on any given day. The 2011 medical/surgical occupancy rates for Weiler and Moses are 8 and 14 percentage points above the desired planning medical/surgical optimum of 85 percent. Montefiore is aware of the impact that the closure of NYWSMC's inpatient beds will have on its current medical/surgical beds and has begun to implement plans to address the projected increase in the service area.

Jacobi Medical Center's medical/surgical average daily census could also increase by about 14 patients per day. In 2011 Jacobi's medical/surgical ADC was 189 patients. It is possible that Jacobi's medical/surgical ADC could increase to 203 patients on any given day, for a projected occupancy rate of 83.9 percent, just under the desired planning optimum.

Conclusion

Montefiore has an established history of providing programs and services to address the health care needs of the residents in its service area. By acquiring the assets of New York Westchester Square Medical and creating an ambulatory division at the site, MMC will ensure that the residents of NYWSMC's service area will continue to receive the health care services that they need.

Recommendation

From a need perspective, approval is recommended.

Programmatic Analysis

Background

Montefiore Medical Center is in the process of acquiring the assets, including the real property, of New York Westchester Square Medical Center. Upon the acquisition, Westchester Square will close. Montefiore is requesting to certify an extension site to include the State's first off-campus emergency department, ambulatory surgery facilities, imaging services, and other outpatient clinical services. It will not include any inpatient beds or services. The site will be known as Montefiore Medical Center - Westchester Square Campus.

The proposal includes some immediate construction/renovations including fire alarm upgrades, roof replacements, boiler replacements and miscellaneous minor facility upgrades. It also includes a large informational technology investment to make the location part of the Montefiore IT system, including software and the networking infrastructure. Future certificate of need proposals are anticipated upon further evaluations due to the age of the facility and on-going assessments regarding the need for primary and specialty care in the community.

Programmatic Considerations and Compliance with Applicable Codes, Rules and Regulations
Montefiore is an academic medical center and a pioneer accountable care organization and lead health home. Montefiore will fully incorporate the Westchester Square patients and the Westchester Square campus into its operations and its integrated health care delivery system. There will be one electronic medical record system, full clinical integration, integrated medical staff and integrated quality assurance. Montefiore will contingently appoint Westchester Square medical staff, not currently on the Montefiore medical staff and having requested appointment, based on satisfaction of primary source verification as outlined in their credentialing proposal and accepted by the Department. Contingent appointment will be in effect until the complete credentialing files are approved under state, federal and Montefiore requirements. The full service emergency department (ED) will operate 24 hours per day, each day of the year. Montefiore and the Department will work with the Fire Department of New York to ensure only basic life support (BLS) ambulance transports are brought to the site. Additionally, Montefiore will provide the timely transport of patients who present to the ED at this site, but are in need of admission or a higher level of care.

Because an off-site emergency department without inpatient beds is a new model of care in New York State, the Department recommends a five-year limited life approval for the proposed ED. During this period, the facility will be required to report operational and quality measures to the Department to aid in the evaluation of this model of care.

An off-campus emergency department is acceptable on the federal level as long as the facility meets the applicable conditions of participation. Montefiore has worked with the Centers for Medicare and Medicaid Services (CMS) and is aware of the requirements and provisions with which they must comply. The Department will also work with CMS to ensure the program is in compliance with such standards.

Conclusion

Based on the results of this review, a favorable recommendation can be made for the proposal.

Recommendation

From a programmatic perspective, approval is recommended.

Financial Analysis

Asset Purchase Agreement

The applicant has submitted an executed asset purchase agreement for the purchase of New York Westchester Square Medical Center, the terms of which is summarized below:

<i>Date:</i>	December 5, 2012
<i>Seller:</i>	New York Westchester Square Medical Center
<i>Purchaser:</i>	Montefiore Medical Center
<i>Assets Acquired:</i>	All rights, title and interest of the Seller in and to each Owned Property and under each purchased real property lease; all plans and surveys, including without limitation, those related to utilities, easements and roads, "as built" plans, engineer drawings and architectural renderings and similar items owned by Seller; all insurance proceeds and insurance proceeds receivable arising from any claim made under the Seller's insurance policies relating directly to the Purchased Assets and arising during the period prior to the Closing; all rights of the Seller under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to services provided to the Seller after the Closing or to the extent affecting any Purchased Assets; all goodwill and other intangible assets owned by the Seller and associated with the Business, including customer and supplies lists and the goodwill associated with the Purchased Intellectual Property; any rights, claims or causes of action of the Seller against third parties relating to the Purchased Assets; prepaid deposits related to Purchased Assets of any purchased real property leases and Seller's furniture, equipment and inventory, identified to be acquired by the Purchaser.
<i>Excluded Assets:</i>	All cash, cash equivalents, bank deposits or similar cash items of the Seller regardless of whether on hand or in banks or other financial institutions, all

securities, all security entitlements, security accounts, commodity contracts and commodity accounts, all cash retainers held by any professional retained by the Bankruptcy Court and all cash rendered as part of the Purchase Price; all Pre-Closing, Accounts Receivable, as of the Closing Date of the contemplated transactions, and all bank accounts and lock boxes of the Seller into which deposits for Pre-Closing Accounts Receivable and other rights of payment for goods and services and made; all rights and claims under the Executed Contracts; any rights to refunds, settlements and retroactive adjustments, to the extent applicable in whole or in part to periods ending on or before the Closing Date arising in connection with the Seller's Medicare and Medicaid provider numbers and related participation agreements or any other third party healthcare payor program; all other Seller's deposits or prepaid charges and expenses or pre-paid deposits; the Seller's Medicare and Medicaid provider numbers and related provider agreements used in the Business and any use of the name "New York Westchester Square Medical Center" or any service marks, trademarks, trade names, identifying symbols, logos, emblems or signs.

Assumption of Liabilities:

At the Closing, Purchaser shall assume, effective as of the Closing, certain liabilities, including certain amounts accrued on behalf of the Seller's employees in an amount not to exceed \$3,000,000, which amount shall be deducted from the Base Price. The assumed liabilities shall include: Liabilities of Seller under each assigned contract and purchased real property leases arising from and after the Closing Date and the aggregate Amounts required to be paid pursuant to Section 365 of the Bankruptcy Code and the value of the accrued paid time off in hours assumed by Purchaser for each of Seller's Eligible 1199 Employees or other former employees of Seller.

Purchase Price:

The consideration for the Purchased Assets shall be in an amount of cash equal to \$15,300,000 less the aggregate amount of the Assumed Liabilities increased in an amount not to exceed \$3,000,000.

Payment of

Purchase Price: Cash at Closing.

The applicant shall submit an affidavit, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/or surcharges, assessments or fees due from the transferor pursuant to Article 28 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor of its liability and responsibility. There presently are no known liabilities.

Total Project Cost and Financing

Total project cost, which is for land acquisition, building acquisition, and equipment acquisition, is estimated at \$20,000,000, itemized as follows:

Land Acquisition	\$1,140,995
Building Acquisition	14,159,005
Renovation and Demolition	838,000
Architect/Engineering Fees	67,040
Other Fees (Consultant)	332,960
Moveable Equipment	500,613
Telecommunications	2,850,000
CON Fee	2,000
Additional Processing Fee	<u>109,387</u>
Total Project Cost	\$20,000,000

Project costs are based on an April 1, 2013 construction start date and a one month construction period.

The applicant's financing plan appears as follows:

HEAL 21 Grant \$20,000,000

Operating Budget for Montefiore Medical Center

The applicant has submitted an operating budget, in 2012 dollars, for the first year subsequent to the change in operator, which is summarized below:

Incremental Revenues	\$40,217,985
Incremental Expenses:	
Operating	\$37,965,742
Capital	<u>2,307,275</u>
Total Incremental Expenses	\$40,273,017
Excess of Revenues over Expenses	\$(55,032)

The applicant has indicated that the projected incremental net income in year 3 will be \$946,966.

The applicant has submitted an operating budget for the combined operations for the first year of operation, summarized below:

Revenues:	
Operating Revenues	\$2,836,005,708
Grants	72,656,000
Other	<u>107,198,000</u>
Total Revenues	\$3,015,859,708
Expenses:	
Operating	\$2,945,014,742
Capital	<u>2,305,277</u>
Total Expenses	\$2,947,320,019
Excess of Revenues over Expenses	\$68,539,689
Utilization:	
Inpatient: (Discharges)	84,753
Outpatient: (Visits)	1,727,162

Grants and other revenues are projected to remain constant from 2011 levels.

Utilization for the combined Montefiore operations by payor source for inpatient services is as follows:

	<u>Historical</u>	<u>Year One</u>
Medicaid Fee-for-Service	14.60%	14.53%
Medicaid Managed Care	24.63%	24.48%
Medicare Fee-for-Service	21.05%	21.18%
Medicare Managed Care	17.29%	17.42%
Commercial Fee-for-Service	11.65%	11.62%
Commercial Managed Care	8.71%	8.70%
Charity Care	1.61%	1.60%
Other	.46%	.47%

Utilization for the combined Montefiore operations by payor source for outpatient services is as follows:

	<u>Historical</u>	<u>Year One</u>
Medicaid Fee-for-Service	10.51%	10.42%
Medicaid Managed Care	32.80%	32.59%
Medicare Fee-for-Service	9.98%	10.10%
Medicare Managed Care	11.38%	11.36%
Commercial Fee-for-Service	15.16%	15.25%
Commercial Managed Care	13.18%	13.29%
Charity Care	0.00%	.08%
Private Pay	6.39%	6.28%
Other	.60%	.63%

Expense assumptions are based on the historical experience of Montefiore Medical Center. The applicant assumed that all of the historical ambulatory surgery, referred ambulatory activity, and 90% of the emergency department activity would remain on site, operated by Montefiore. Of Westchester Square's over 5,000 inpatient admissions, it was assumed that 1,000 would migrate to Montefiore when inpatient services at Westchester Square were closed.

Capability and Feasibility

The purchase price and the total project cost totals \$20,000,000 and will be met via HEAL 21 grant funds. The applicant must submit an executed HEAL 21 grant contract that is acceptable to the Department of Health.

Working capital requirements are estimated at \$6,711,836, which appears reasonable based on two months of first year incremental expenses. The applicant will meet the working capital requirement via hospital operations. Presented as BFA Attachment A are the 2010 and 2011 certified financial statements of Montefiore Medical Center, which indicates the availability of sufficient funds to meet the working capital requirement.

The submitted budget indicates an excess of revenues over expenses of \$68,539,689 during the first year for the combined operations. Revenues are based on current reimbursement methodologies.

As shown on Attachment A, the hospital had an average positive working capital position and an average positive net asset position during the period 2010 through 2011. Also, the hospital achieved an average operating excess of revenues over expenses of \$73,961,000 during the period 2010 through 2011.

Presented as BFA Attachment B are the September 30, 2012 internal financial statements of Montefiore Medical Center. As shown on Attachment B, the hospital had a positive working capital position and a positive net asset position during the period through September 30, 2012. Also, the hospital achieved an operating excess of revenues over expenses of \$74,137,000 during the period through September 30, 2012.

Presented as BFA Attachment C are the 2010 and 2011 certified financial statements of New York Westchester Square Medical Center. As shown on Attachment C, the hospital had an average negative working capital position and an average negative net asset position during the period 2010 through 2011. Also, the hospital incurred an average operating loss of \$1,900,500 during the period 2010 through 2011.

Presented as BFA Attachment D are the September 30, 2012 and the October 31, 2012 internal financial statements of New York Westchester Square Medical Center. As shown, the hospital had a negative working capital position and a negative net asset position from these periods. Also, the hospital incurred an operating loss of \$3,648,609 through October 31, 2012.

Subject to the noted contingencies, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner; approval is recommended.

Recommendation

From a financial perspective, contingent approval is recommended.

Attachments

BFA Attachment A	2010 and 2011 certified financial statements of Montefiore Medical Center
BFA Attachment B	September 30, 2012 internal financial statements of Montefiore Medical Center
BFA Attachment C	2010 and 2011 certified financial statements of New York Westchester Square Medical Center.
BFA Attachment D	September 30, 2012 and October 31, 2012 internal financial statements of New York Square Westchester Medical Center

Montefiore Medical Center

Consolidated Statements of Financial Position

	December 31	
	2011	2010
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,855	\$ 12,517
Marketable and other securities	775,680	767,311
Assets limited as to use – marketable securities	49,440	47,018
Receivables for patient care, less allowances for doubtful accounts (2011 – \$132,170; 2010 – \$120,026)	161,779	163,594
Other receivables	49,784	57,765
Estimated insurance claims receivable, current portion	73,115	77,189
Other current assets	31,157	27,896
Total current assets	<u>1,167,810</u>	<u>1,153,290</u>
Assets limited as to use:		
Marketable and other securities:		
Sinking funds	64,257	60,032
Employee deferred compensation plan	12,154	10,114
Marketable and other securities externally designated	94,766	92,243
Malpractice insurance programs	19,421	–
Total non-current assets limited as to use	<u>190,598</u>	<u>162,389</u>
Marketable securities held as collateral	6,040	6,464
Property, buildings and equipment, at cost, net	738,541	717,418
Estimated insurance claims receivable, net of current portion	414,320	437,404
Deferred financing costs and other non-current assets	114,049	100,651
Total assets	<u>\$ 2,631,358</u>	<u>\$ 2,577,616</u>
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	\$ 81,057	\$ 77,052
Other payables and accrued expenses	202,388	215,773
Accrued salaries, wages and related items	183,435	175,651
Estimated insurance claims liabilities, current portion	73,115	77,189
Current portion of long-term debt	39,356	36,624
Total current liabilities	<u>579,351</u>	<u>582,289</u>
Long-term debt, less current portion	550,610	573,519
Non-current defined benefit and postretirement health plan and insurance liabilities	236,114	199,596
Employee deferred compensation	12,154	10,114
Estimated insurance claims liabilities, net of current portion	414,320	437,404
Other non-current liabilities	285,457	254,490
Total liabilities	<u>2,078,006</u>	<u>2,057,412</u>
Commitments and contingencies		
Net assets:		
Unrestricted	455,208	422,410
Temporarily restricted	72,794	72,444
Permanently restricted	25,350	25,350
Total net assets	<u>553,352</u>	<u>520,204</u>
Total liabilities and net assets	<u>\$ 2,631,358</u>	<u>\$ 2,577,616</u>

Montefiore Medical Center

Consolidated Statements of Operations

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
Operating revenue		
Net patient service revenue	\$ 2,798,093	\$ 2,726,531
Grants and contracts	72,656	68,317
Contributions	4,594	5,140
Other	102,604	87,145
Total operating revenue	<u>2,977,947</u>	<u>2,887,133</u>
Operating expenses		
Salaries and wages	1,336,865	1,271,976
Employee benefits	392,516	372,709
Supplies and other expenses	1,048,834	1,034,260
Depreciation and amortization	100,824	99,378
Interest	28,010	31,786
Total operating expenses	<u>2,907,049</u>	<u>2,810,109</u>
Income from operations before certain items	70,898	77,024
Net realized and changes in unrealized (losses) gains on marketable and other securities	(11,558)	34,534
Malpractice insurance program adjustments associated with investment losses	(25,894)	-
Medical resident tax recovery	-	21,500
Income from operations	<u>33,446</u>	<u>133,058</u>
Change in defined benefit pension and other postretirement plan liabilities to be recognized in future periods	(4,509)	(1,286)
Net assets released from restrictions used for purchases of property, buildings and equipment	3,861	2,267
Increase in unrestricted net assets	<u>\$ 32,798</u>	<u>\$ 134,039</u>

MONTEFIORE MEDICAL CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30 2012	December 31 2011		September 30 2012	December 31 2011
	<i>(In Thousands)</i>			<i>(In Thousands)</i>	
Assets			Liabilities and net assets		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 98,576	\$ 26,855	Trade accounts payable	\$ 76,911	\$ 81,057
Assets limited as to use - marketable securities	51,568	49,440	Other payables and accrued expenses	224,714	202,388
Receivables for patient care less allowances for doubtful accounts	176,220	161,779	Accrued salaries, wages and related items	239,032	183,435
Other receivables	61,314	49,784	Estimated insurance claims liabilities	73,294	73,115
Marketable and other securities, at market	824,677	775,680	Current portion of long-term debt	36,681	39,356
Estimated insurance claims receivable	73,294	73,115			
Other current assets	32,054	31,157			
Total current assets	<u>1,317,703</u>	<u>1,167,810</u>	Total current liabilities	<u>650,632</u>	<u>579,351</u>
Assets limited as to use:					
Marketable and other securities :			Long-term debt, less current portion	527,839	550,610
Sinking funds	67,595	64,257	Non-current defined benefit and postretirement health plan and insurance liabilities	222,638	236,114
Employee deferred compensation plan	15,301	12,154	Estimated insurance claims liabilities - non current	415,335	414,320
Marketable and other securities externally designated	106,470	94,766	Employee deferred compensation	15,301	12,154
Malpractice insurance programs	3,585	19,421	Other non-current liabilities	308,398	285,457
Total assets limited as to use	<u>192,951</u>	<u>190,598</u>			
Estimated insurance claims receivable - non current	415,335	414,320		1,489,511	1,498,655
Marketable securities held as collateral	6,032	6,040	Net assets:		
Property, buildings and equipment at cost, net	750,143	738,541	Unrestricted	569,453	455,208
Deferred financing costs and other non-current assets	123,086	114,049	Temporarily restricted	70,304	72,794
Total assets	<u>\$ 2,805,250</u>	<u>\$ 2,631,358</u>	Permanently restricted	25,350	25,350
			Total net assets	<u>665,107</u>	<u>553,352</u>
			Total liabilities and net assets	<u>\$ 2,805,250</u>	<u>\$ 2,631,358</u>

MONTEFIORE MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS
ACTUAL AND BUDGET COMPARED
YEAR-END FINANCIAL STATEMENT FORMAT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	%
Operating Revenue				
Inpatient	\$ 1,123,637	\$ 1,105,196	\$ 18,441	1.7%
Outpatient	637,467	640,027	(2,560)	-0.4%
Premium Revenue	420,809	414,561	6,248	1.5%
Net patient service revenue	2,181,913	2,159,784	22,129	1.0%
Grants and contracts	54,279	54,003	276	0.5%
Contributions	1,487	1,659	(172)	-10.4%
Other	77,853	82,973	(5,120)	-6.2%
Total operating revenue	2,315,532	2,298,419	17,113	0.7%
Operating Expenses				
Salaries and wages	1,029,275	1,041,445	12,170	1.2%
Employee benefits	320,946	322,576	1,630	0.5%
Supplies and other expenses	789,646	776,524	(13,122)	-1.7%
Depreciation and amortization	81,377	80,661	(716)	-0.9%
Interest	20,151	20,742	591	2.8%
Total operating expenses	2,241,395	2,241,948	553	0.0%
Income from operations before certain items	74,137	56,471	17,666	31.3%
Net realized and changes in unrealized gains on marketable and other securities	29,127	-	29,127	100.0%
Malpractice insurance program adjustments associated with investment gains	10,981	-	10,981	100.0%
Increase in unrestricted net assets	\$ 114,245	\$ 56,471	\$ 57,774	102.3%

MONTEFIORE MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS
ACTUAL AND BUDGET COMPARED
YEAR-END FINANCIAL STATEMENT FORMAT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(In Thousands)

	YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	%
Operating Revenue				
Inpatient	\$ 1,123,637	\$ 1,105,196	\$ 18,441	1.7%
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Other	77,853	82,973	(5,120)	-6.2%
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Salaries and wages	1,029,275	1,041,445	12,170	1.2%
Employee benefits	320,946	322,576	1,630	0.5%
Supplies and other expenses	789,646	776,524	(13,122)	-1.7%
Depreciation and amortization	81,377	80,661	(716)	-0.9%
Interest	20,151	20,742	591	2.8%
Total operating expenses	2,241,395	2,241,948	553	0.0%
Income from operations before certain items	74,137	56,471	17,666	31.3%
Net realized and changes in unrealized gains on marketable and other securities	29,127	-	29,127	100.0%
Malpractice insurance program adjustments associated with investment gains	10,981	-	10,981	100.0%
Increase in unrestricted net assets	\$ 114,245	\$ 56,471	\$ 57,774	102.3%

New York Westchester Square Medical Center (Debtor-In-Possession)
Consolidated Balance Sheets
December 31, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 14	\$ 1
Patient accounts receivable, less allowance for uncollectible accounts of \$6,983 in 2011 and \$9,708 in 2010	9,737	11,378
Supplies and other current assets	1,281	2,786
Estimated third-party payor settlements	812	1,934
Total current assets	<u>11,844</u>	<u>16,099</u>
Assets limited as to use	1,675	1,710
Insurance claims receivable	7,705	-
Property, buildings and equipment, net	<u>9,476</u>	<u>10,320</u>
Total assets	<u>\$ 30,700</u>	<u>\$ 28,129</u>
Liabilities and Net Deficit		
Liabilities not subject to compromise		
Current liabilities		
Prepetition liabilities		
Line of credit advances	\$ 150	\$ 150
Current portion of long-term debt	4,741	3,828
Accrued salaries and related expenses	238	238
Estimated third-party payor settlements	768	768
Other liabilities	215	215
Post petition liabilities		
Line of credit advances	4,623	6,676
Book overdrafts	-	600
Accounts payable and accrued expenses	12,120	9,065
Accrued salaries and related expenses	4,962	4,639
Estimated third-party payor settlements	1,414	867
Due to related organizations	737	701
Total current liabilities	<u>29,968</u>	<u>27,747</u>
Prepetition liabilities		
Long-term debt, net of current portion	4,905	5,853
Post petition liabilities		
Estimated self-insurance and other professional liabilities	<u>7,079</u>	<u>2,215</u>
Total liabilities not subject to compromise	41,952	35,815
Liabilities subject to compromise	<u>21,343</u>	<u>18,777</u>
Total liabilities	63,295	54,592
Unrestricted net deficit	<u>(32,595)</u>	<u>(26,463)</u>
Total liabilities and net deficit	<u>\$ 30,700</u>	<u>\$ 28,129</u>

New York Westchester Square Medical Center (Debtor-In-Possession)
Consolidated Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Revenue, Gains and Other Support		
Net patient service revenue	\$ 77,201	\$ 80,190
Less: provision for bad debts	<u>(3,832)</u>	<u>(4,007)</u>
Net patient service revenue less provision for bad debts	73,369	76,183
Other revenue	<u>438</u>	<u>6,215</u>
Total Revenue, Gains and Other Support	<u>73,807</u>	<u>82,398</u>
Operating Expenses		
Salaries and wages	34,529	37,099
Employee benefits	11,613	12,290
Supplies and other expenses	25,571	26,831
Insurance	2,026	2,273
Interest	2,832	2,265
Depreciation and amortization	<u>1,203</u>	<u>1,474</u>
Total Operating Expenses	<u>77,774</u>	<u>82,232</u>
Excess (deficiency) of revenue, gains and other support over expenses, before reorganization expenses	(3,967)	166
Reorganization Expenses	<u>(2,165)</u>	<u>(1,157)</u>
Net deficit	(6,132)	(991)
Unrestricted Net Deficit - Beginning of Year	<u>(26,463)</u>	<u>(25,472)</u>
Unrestricted Net Deficit - End of Year	<u>\$ (32,595)</u>	<u>\$ (26,463)</u>

New York Westchester Square Medical Center (Debtor-In-Possession)
Consolidated Balance Sheets
December 31, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 14	\$ 1
Patient accounts receivable, less allowance for uncollectible accounts of \$6,983 in 2011 and \$9,708 in 2010	9,737	11,378
Supplies and other current assets	1,281	2,786
Estimated third-party payor settlements	812	1,934
Total current assets	<u>11,844</u>	<u>16,099</u>
Assets limited as to use	1,675	1,710
Insurance claims receivable	7,705	-
Property, buildings and equipment, net	<u>9,476</u>	<u>10,320</u>
Total assets	<u>\$ 30,700</u>	<u>\$ 28,129</u>
Liabilities and Net Deficit		
Liabilities not subject to compromise		
Current liabilities		
Prepetition liabilities		
Line of credit advances	\$ 150	\$ 150
Current portion of long-term debt	4,741	3,828
Accrued salaries and related expenses	238	238
Estimated third-party payor settlements	768	768
Other liabilities	215	215
Post petition liabilities		
Line of credit advances	4,623	6,676
Book overdrafts	-	600
Accounts payable and accrued expenses	12,120	9,065
Accrued salaries and related expenses	4,962	4,639
Estimated third-party payor settlements	1,414	867
Due to related organizations	737	701
Total current liabilities	<u>29,968</u>	<u>27,747</u>
Prepetition liabilities		
Long-term debt, net of current portion	4,905	5,853
Post petition liabilities		
Estimated self-insurance and other professional liabilities	<u>7,079</u>	<u>2,215</u>
Total liabilities not subject to compromise	41,952	35,815
Liabilities subject to compromise	<u>21,343</u>	<u>18,777</u>
Total liabilities	63,295	54,592
Unrestricted net deficit	<u>(32,595)</u>	<u>(26,463)</u>
Total liabilities and net deficit	<u>\$ 30,700</u>	<u>\$ 28,129</u>

New York Westchester Square Medical Center (Debtor-In-Possession)
Consolidated Statements of Operations and Changes in Net Deficit
Years Ended December 31, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Revenue, Gains and Other Support		
Net patient service revenue	\$ 77,201	\$ 80,190
Less: provision for bad debts	<u>(3,832)</u>	<u>(4,007)</u>
Net patient service revenue less provision for bad debts	73,369	76,183
Other revenue	<u>438</u>	<u>6,215</u>
Total Revenue, Gains and Other Support	<u>73,807</u>	<u>82,398</u>
Operating Expenses		
Salaries and wages	34,529	37,099
Employee benefits	11,613	12,290
Supplies and other expenses	25,571	26,831
Insurance	2,026	2,273
Interest	2,832	2,265
Depreciation and amortization	<u>1,203</u>	<u>1,474</u>
Total Operating Expenses	<u>77,774</u>	<u>82,232</u>
Excess (deficiency) of revenue, gains and other support over expenses, before reorganization expenses	(3,967)	166
Reorganization Expenses	<u>(2,165)</u>	<u>(1,157)</u>
Net deficit	(6,132)	(991)
Unrestricted Net Deficit - Beginning of Year	<u>(26,463)</u>	<u>(25,472)</u>
Unrestricted Net Deficit - End of Year	<u>\$ (32,595)</u>	<u>\$ (26,463)</u>

**NEW YORK WESTCHESTER SQUARE MEDICAL CENTER
BALANCE SHEET
PERIOD: 10/12 (INTERIM)
UNRESTRICTED FUNDS: ASSETS**

**EXHIBIT A
UNAUDITED**

CURRENT ASSETS	10/31/12	09/30/12	AUDITED 12/31/11	10/12-9/12 \$ CHANGE	10/12-12/11 \$ CHANGE
0000100 CASH	689	689	689	0	0
0000200 ACCOUNTS RECEIVABLE	6,931,671	7,277,542	9,736,813	(345,871)	(2,805,142)
0000300 OTHER RECEIVABLES	12,858,239	12,755,592	12,888,484	102,647	(30,245)
0000400 INVENTORY	1,186,736	1,186,736	1,186,736	(0)	(0)
0000500 PREPAID EXP & OTHER ASSETS	0	0	0	0	0
(CLASS) TOTAL CURRENT ASSETS:	20,977,335	21,220,559	23,812,722	(243,224)	(2,835,387)
OTHER ASSETS					
0001000 PROP. PLANT & EQUIP.-NET	8,994,297	9,004,891	9,476,430	(10,594)	(482,133)
0001100 MAL SELF. INS FUND	0	0	0	0	0
0001300 ESCROW	30,000	30,000	30,000	0	0
0001400 UNAMORT. MTG. ACQ. COSTS	0	0	0	0	0
(CLASS) TOTAL OTHER ASSETS:	9,024,297	9,034,891	9,506,430	(10,594)	(482,133)
(TYPE) TOTAL ASSET:	30,001,631	30,255,450	33,319,152	(253,819)	(3,317,521)

**NEW YORK WESTCHESTER SQUARE MEDICAL CENTER
BALANCE SHEET
PERIOD: 10/12 (INTERIM)
UNRESTRICTED FUNDS: LIABILITY**

**EXHIBIT A
UNAUDITED**

CURRENT LIABILITIES	10/31/12	09/30/12	AUDITED 12/31/11	10/12-9/12 \$ CHANGE	10/12-12/11 \$ CHANGE
0002100 ACCOUNTS PAYABLE & ACCRUED EXP	31,871,278	32,282,107	29,447,235	(410,829)	2,424,043
0002200 ACCRUED PAYROLL & RELATED W/H	1,264,447	956,998	825,926	307,449	438,521
0002300 ACCRUED VAC. & SICK PAY	3,775,989	3,946,876	4,373,496	(170,887)	(597,507)
0002500 OTHER CURRENT LIABILITIES	3,717,437	3,550,383	4,887,810	167,054	(1,170,373)
(CLASS) TOTAL CURRENT LIABILITIES:	40,629,151	40,736,364	39,534,467	(107,213)	1,094,684
OTHER LIABILITIES					
0003000 LONG TERM DEBT	10,363,139	10,368,453	10,414,008	(5,314)	(50,869)
0003100 OTHER NON-CURRENT LIABILITIES	16,422,789	16,216,106	15,967,633	206,683	455,156
(CLASS) TOTAL OTHER LIABILITIES:	26,785,928	26,584,559	26,381,641	201,369	404,287
0003500 NET ASSETS @ 12/31/11	(32,596,693)	(32,596,693)	(26,464,987)	(0)	(6,131,706)
(TYPE) TOTAL LIABILITY & NET ASSETS:	34,818,387	34,724,230	39,451,121	94,157	(4,632,735)
0003600 CHANGE IN NET ASSETS	(4,816,755)	(4,468,780)	(6,131,969)	(347,975)	1,315,214

NY WESTCHESTER SQUARE MEDICAL CENTER
COMPARATIVE STATEMENT OF INCOME & EXPENSES
For October 2012 and 10 Months Cumulative
As Compared to Budget Projections

EXHIBIT A

UNAUDITED

	CURRENT MONTH			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
<i>PATIENT REVENUE-NET</i>						
INPATIENT	3,194,935	4,255,458	(1,060,523)	40,961,068	49,188,091	(8,227,023)
EMERGENCY	633,874	528,938	104,936	5,492,117	5,278,078	214,039
PRIVATE AMBULATORY	325,159	251,462	73,697	2,678,885	2,546,808	132,077
AMBULATORY CARE UNIT	1,226,650	1,244,283	(17,633)	10,333,820	12,325,013	(1,991,193)
TOTAL PATIENT REVENUE NET	5,380,618	6,280,141	(899,523)	59,465,891	69,337,990	(9,872,099)
<i>OTHER REVENUE</i>	9,041	32,364	(23,323)	288,418	374,322	(85,904)
<i>NON OPERATING REVENUE</i>	1,547	0	1,547	7,512	0	7,512
TOTAL REVENUE	5,391,206	6,312,505	(921,299)	59,761,821	69,712,312	(9,950,491)
<i>SALARY & WAGES</i>						
PROFESSIONAL-ROUTINE	751,906	1,070,234	318,328	9,140,363	10,529,769	1,389,406
PROFESSIONAL-ANCILLARY	933,504	977,605	44,101	9,349,273	9,618,416	269,143
PROFESSIONAL-SUPPORT	252,488	273,908	21,420	2,788,112	2,694,910	(93,202)
GENERAL SERVICES	281,964	246,498	(35,466)	2,560,609	2,425,229	(135,380)
ADMINISTRATION/FISCAL	337,013	340,491	3,478	3,331,076	3,350,010	18,934
TOTAL SALARY & WAGES	2,556,875	2,908,736	351,861	27,169,433	28,618,334	1,448,901
<i>EMPLOYEE BENEFITS</i>	875,144	991,318	116,174	9,526,315	9,763,334	227,019
<i>SUPPLIES & EXPENSE</i>	1,606,500	2,288,346	681,846	19,869,825	21,821,900	1,952,075
<i>REAL ESTATE TAXES</i>	4,455	5,505	1,050	52,745	54,166	1,421
<i>DEPRECIATION</i>	30,213	117,054	86,841	910,024	1,151,666	241,642
<i>INTEREST</i>	173,471	117,562	(55,909)	1,813,506	1,156,665	(656,841)
<i>MALPRACTICE</i>	74,949	169,398	94,449	1,606,916	1,666,666	59,750
<i>PROVISION FOR UNCOLLECTIBLES</i>	324,791	224,791	(100,000)	2,461,666	2,211,666	(250,000)
TOTAL EXPENSES	5,646,398	6,822,710	(1,176,312)	63,410,429	66,434,397	(3,023,968)
PROFIT (LOSS) FROM OPERATIONS	(255,192)	(510,205)	255,013	(3,648,609)	3,277,915	(6,926,524)
<i>REORGANIZATION EXPENSES</i>	92,783	100,000	7,217	1,168,146	1,676,438	508,292
PROFIT (LOSS) AFTER REORGANIZATION EXPENSES	(347,975)	(610,205)	262,230	(4,816,755)	1,601,477	(6,418,232)

**NEW YORK WESTCHESTER SQUARE MEDICAL CENTER
BALANCE SHEET
PERIOD: 10/12 (INTERIM)
UNRESTRICTED FUNDS: ASSETS**

**EXHIBIT A
UNAUDITED**

CURRENT ASSETS	10/31/12	09/30/12	AUDITED 12/31/11	10/12-9/12 \$ CHANGE	10/12-12/11 \$ CHANGE
0000100 CASH	689	689	689	0	0
0000200 ACCOUNTS RECEIVABLE	6,931,671	7,277,542	9,736,813	(345,871)	(2,805,142)
0000300 OTHER RECEIVABLES	12,858,239	12,755,592	12,888,484	102,647	(30,245)
0000400 INVENTORY	1,186,736	1,186,736	1,186,736	(0)	(0)
0000500 PREPAID EXP & OTHER ASSETS	0	0	0	0	0
(CLASS) TOTAL CURRENT ASSETS:	20,977,335	21,220,559	23,812,722	(243,224)	(2,835,387)
OTHER ASSETS					
0001000 PROP. PLANT & EQUIP.-NET	8,994,297	9,004,891	9,476,430	(10,594)	(482,133)
0001100 MAL SELF. INS FUND	0	0	0	0	0
0001300 ESCROW	30,000	30,000	30,000	0	0
0001400 UNAMORT. MTG. ACQ. COSTS	0	0	0	0	0
(CLASS) TOTAL OTHER ASSETS:	9,024,297	9,034,891	9,506,430	(10,594)	(482,133)
(TYPE) TOTAL ASSET:	30,001,631	30,255,450	33,319,152	(253,819)	(3,317,521)

**NEW YORK WESTCHESTER SQUARE MEDICAL CENTER
BALANCE SHEET
PERIOD: 10/12 (INTERIM)
UNRESTRICTED FUNDS: LIABILITY**

**EXHIBIT A
UNAUDITED**

CURRENT LIABILITIES	10/31/12	09/30/12	AUDITED 12/31/11	10/12-9/12 \$ CHANGE	10/12-12/11 \$ CHANGE
0002100 ACCOUNTS PAYABLE & ACCRUED EXP	31,871,278	32,282,107	29,447,235	(410,829)	2,424,043
0002200 ACCRUED PAYROLL & RELATED W/H	1,264,447	956,998	825,926	307,449	438,521
0002300 ACCRUED VAC. & SICK PAY	3,775,989	3,946,876	4,373,496	(170,887)	(597,507)
0002500 OTHER CURRENT LIABILITIES	3,717,437	3,550,383	4,887,810	167,054	(1,170,373)
(CLASS) TOTAL CURRENT LIABILITIES:	40,629,151	40,736,364	39,534,467	(107,213)	1,094,684
OTHER LIABILITIES					
0003000 LONG TERM DEBT	10,363,139	10,368,453	10,414,008	(5,314)	(50,869)
0003100 OTHER NON-CURRENT LIABILITIES	16,422,789	16,216,106	15,967,633	206,683	455,156
(CLASS) TOTAL OTHER LIABILITIES:	26,785,928	26,584,559	26,381,641	201,369	404,287
0003500 NET ASSETS @ 12/31/11	(32,596,693)	(32,596,693)	(26,464,987)	(0)	(6,131,706)
(TYPE) TOTAL LIABILITY & NET ASSETS:	34,818,387	34,724,230	39,451,121	94,157	(4,632,735)
0003600 CHANGE IN NET ASSETS	(4,816,755)	(4,468,780)	(6,131,969)	(347,975)	1,315,214

NY WESTCHESTER SQUARE MEDICAL CENTER
COMPARATIVE STATEMENT OF INCOME & EXPENSES
For October 2012 and 10 Months Cumulative
As Compared to Budget Projections

EXHIBIT A

UNAUDITED

	CURRENT MONTH			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
<i>PATIENT REVENUE-NET</i>						
INPATIENT	3,194,935	4,255,458	(1,060,523)	40,961,068	49,188,091	(8,227,023)
EMERGENCY	633,874	528,938	104,936	5,492,117	5,278,078	214,039
PRIVATE AMBULATORY	325,159	251,462	73,697	2,678,885	2,546,808	132,077
AMBULATORY CARE UNIT	1,226,650	1,244,283	(17,633)	10,333,820	12,325,013	(1,991,193)
TOTAL PATIENT REVENUE NET	5,380,618	6,280,141	(899,523)	59,465,891	69,337,990	(9,872,099)
<i>OTHER REVENUE</i>	9,041	32,364	(23,323)	288,418	374,322	(85,904)
<i>NON OPERATING REVENUE</i>	1,547	0	1,547	7,512	0	7,512
TOTAL REVENUE	5,391,206	6,312,505	(921,299)	59,761,821	69,712,312	(9,950,491)
<i>SALARY & WAGES</i>						
PROFESSIONAL-ROUTINE	751,906	1,070,234	318,328	9,140,363	10,529,769	1,389,406
PROFESSIONAL-ANCILLARY	933,504	977,605	44,101	9,349,273	9,618,416	269,143
PROFESSIONAL-SUPPORT	252,488	273,908	21,420	2,788,112	2,694,910	(93,202)
GENERAL SERVICES	281,964	246,498	(35,466)	2,560,609	2,425,229	(135,380)
ADMINISTRATION/FISCAL	337,013	340,491	3,478	3,331,076	3,350,010	18,934
TOTAL SALARY & WAGES	2,556,875	2,908,736	351,861	27,169,433	28,618,334	1,448,901
<i>EMPLOYEE BENEFITS</i>	875,144	991,318	116,174	9,526,315	9,753,334	227,019
<i>SUPPLIES & EXPENSE</i>	1,606,500	2,288,346	681,846	19,869,825	21,821,900	1,952,075
<i>REAL ESTATE TAXES</i>	4,455	5,505	1,050	52,745	54,166	1,421
<i>DEPRECIATION</i>	30,213	117,054	86,841	910,024	1,151,666	241,642
<i>INTEREST</i>	173,471	117,562	(55,909)	1,813,506	1,156,665	(656,841)
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