Significant Index No. 0412.06-00

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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OCT 04 2004

SE.T.EP.RA.A.2

In re:

Hospital =

This letter constitutes notice that a waiver of the minimum funding standard has been granted for the above-named plan for the plan year ending [redacted], subject to the condition that within 60 days of the date of this letter, collateral, that is acceptable to the Pension Benefit Guaranty Corporation ("PBGC"), is provided to the Plan to secure the amount of the waived funding deficiency. Your authorized representative agreed to this condition in a letter dated September 21, 2004 (which was transmitted by facsimile). If this condition is not satisfied, the waiver is retroactively null and void.

This conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code ("Code") and section 303 of the Employee Retirement Income Security Act of 1974 ("ERISA"). The amount for which this conditional waiver has been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of [redacted].

The Hospital is a nonprofit corporation which provides health care services through its subsidiaries and affiliates. The Hospital and its subsidiaries and affiliates , and more than throughout its geographical area. Most of the hospitals are located within a

The Hospital's financial hardship is directly associated with the level of uncompensated care and inadequate reimbursement rates. According to information provided by the Hospital, the state in which it operates for average payment per Medicaid recipient and is one of the few states without dedicated government-funded trauma support or emergency "safety-net" facilities. These facts impact the Hospital in a variety of ways. The Hospital provides ¼ of Medicaid hospitalization in the state in which it operates and Medicaid reimburses well below cost and lower than any other insurer. Thirty percent of emergency room visits to the Hospital are paid by Medicaid, while another [redacted]% are completely uninsured; the total cost borne by the Hospital for these visits exceeded $[redacted]. The Hospital leads the nation in Medicaid births; however, the state has variances between labor/delivery payments for a Medicaid baby delivery and a Medicaid HMO delivery, with such payments significantly less than the Hospital's costs and less than standard Medicaid or Blue Cross payment rates. The Hospital has also borne the brunt of write-downs on several state Medicaid HMO's that failed.

In addition to the problems associated with reimbursement rates and uninsured claims, the Hospital is a major financial supporter of its academic partnership with a major state medical school. The Hospital is under intense and costly pressure to have in place homeland security measures with no support to pay from them. The Hospital is also in need of required capital improvements to continue its mission. All these problems have led the Hospital to draw on its cash reserves to pay its bills.

The Hospital's prospects for recovery seem good. Since it is the state's leading safety-net health facility, the Hospital has been able to enlist the aid of federal, state, county and city governments to address its uncompensated care and inadequate reimbursement problems. The Hospital announced plans to reduce services at two of its most financially troubled hospitals in order to reduce losses. As a result, interim funding relief was received from the city, county and state to subsidize the aggregate monthly loss at these hospitals. This relief totaled $[redacted]. Municipal officials are also looking at the establishment of a public health authority to serve as a funding conduit to reimburse the Hospital for services rendered to uninsured and underinsured patients. The Hospital has also put in place a new management team, instituted layoffs, and sold physician practices, as well as privatized a number of satellite care facilities.

In order to cut costs, the Hospital also froze benefit accruals to the Plan effective for the [redacted] plan year. However, in order to be competitive and to retain necessary staff, the Hospital has enhanced benefits to its 403(b) plan. However, the costs of these benefit enhancements is significantly less than the cost to the Hospital if benefit accruals to the Plan had not been frozen.

Year-to-date results show that the Hospital's revenues have greatly improved and are on track to increase [redacted]% on an annualized basis. Losses have been significantly reduced and should be $[redacted] less than [redacted] on an annualized basis. The Hospital has also made the necessary contributions to meet the minimum funding requirement for the Plan for the plan year beginning [redacted].

While the prospects for the Hospital's recovery appear solid, the Plan only has a funded current liability percentage of approximately [redacted]% as of [redacted]. Hence, the waiver for the plan year ending [redacted], has been granted, subject to the condition set forth above.

Your attention is called to section 412(f)(1) of the Code and section 304(b) of ERISA which describe the consequences that would result in the event the plan is amended to increase benefits, to change the rate in the accrual of benefits, or to change the rate of vesting while any portion of the waived funding deficiency remains unamortized. Please note that any amendment to other retirement plans maintained by the Hospital to increase the liabilities of those plans would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

When filing Form 5500 for the plan year ending [redacted], the date of this letter should be entered on Schedule B (Actuarial Information). For this reason, we suggest that you furnish a copy of this letter to the individual who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, EP Classification, . and to your authorized representative pursuant to a power of attorney on file in this office. A copy of this letter should be furnished to the enrolled actuary for the Plan.

If you require further assistance in this matter, please contact

Sincerely yours,

Carol D. Gold
Director, Employee Plans