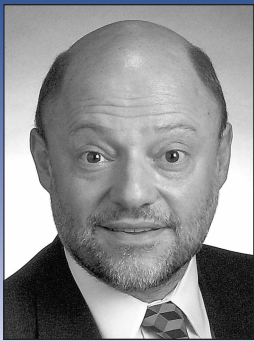


From Benn Greenspan, President & CEO, Sinai Health System:

On Friday, Aug. 1, Sinai Health System announced that it failed to make the July payment due on \$106.7 million in bonds that financed the major facility improvements at Mount Sinai and Schwab several years ago. Sinai officials also expressed their intention to seek refinancing of that debt, and already are in discussions with federal and state officials to seek their assistance.



Benn Greenspan

What does that mean? In simplified terms, Sinai missed a payment on its mortgage.

It does not mean the system is bankrupt or will be filing for bankruptcy.

It does not mean Sinai is closing, nor that it is for sale. It's not.

Sinai remains in business, the predominant provider of hospital care for the center of Chicago. Employees will continue to be paid, and so will the vendors who provide the supplies Sinai needs.

Rising health-care costs together with stagnant Medicaid/Medicare and private-insurance reimbursement have affected all health-care providers. Sinai has been hit especially hard because Mount Sinai admits more Medicaid patients than any other hospital in Illinois, and provides more than \$50 million a year in uncompensated care to the uninsured and underinsured.

Not making our July monthly payment is a very serious matter, and the fact that it happened reflects the crisis state of Sinai's cash-flow imbalance. But while this situation is serious, it is not irreparable. We are in the early stages of our major financial improvement effort, Caring for Our Future. We already have taken significant steps – shifting our primary-care clinics to Access, adding new programs and facilities that will bring us additional patients, improving reimbursement levels through our designation as a children's hospital, and reducing costs through changes that make our organizational structure and supply chain more efficient. Many more efforts to boost both our growth and efficiency are just beginning.

It is too early, however, for the financial benefits of these actions to impact our current situation. As they take effect over the next several months, however, we are confident that these steps, collectively, will help us get beyond this troubled moment and will bring us to a more stable future.

If you would like to know more about this situation, our plans to pursue refinancing of this debt or other details, a copy of the news release we issued this morning is on the next page.

One critical point to remember: If any of you, as managers or physicians, are contacted by the media about this (or any other) matter, please refer all calls to Public Affairs at Ext. 6434.

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NEWS RELEASE: August 1, 2003

SINAI HEALTH SYSTEM FAILS TO MEET FHA-INSURED MORTGAGE LOAN OBLIGATION Will Seek Approval from FHA for Refinancing of Debt

CHICAGO – Sinai Health System, the corporate parent of Mount Sinai Hospital of Chicago and Schwab Rehabilitation Hospital, announced today that it has failed to make the July 1 payment due under its \$106,685,000 Illinois Health Facilities Authority FHA Insured Mortgage Revenue Bonds, Series 1996 loan. Sinai officials expressed their intent to seek refinancing of this existing financial facility and indicated that they have begun discussions on this matter with the Illinois Health Facilities Authority, the Bonds' Indenture Trustee, representatives of the U.S. Department of Housing and Urban Development's Federal Housing Administration (FHA), as well as its own team of legal and financial advisors.

As a result of bond insurance and other credit protections currently in place, current bondholders are assured the full return of principal and interest on their investments. The current outstanding bonds will be retired at par value, with no prepayment premium. Current balances in the bond reserve accounts are sufficient to cover all principal and interest payments due on the underlying bonds on Aug. 15. The next payment date is Feb. 14, 2004.

In making the announcement, Sinai Health System President and CEO Benn Greenspan and Senior Vice President and Chief Financial Officer Charles Weis attributed the institution's current cash flow imbalance to rising health care costs, including professional salaries, medical supplies and professional liability (medical malpractice) insurance rates, as well as an environment in which government (Medicaid and Medicare) and private insurance payments have not kept pace with inflation.

Mount Sinai Hospital is the largest single admitter of Medicaid patients in the State of Illinois. Additionally, the institution annually provides more than \$50 million of uncompensated care to under- and uninsured residents of the low-income neighborhoods it serves.

Describing the situation as "a very serious matter," Greenspan acknowledged that the institution is currently fulfilling its high priority financial obligations, such as salaries and other expenses necessary to continue to operate and provide high quality health care services to the community.

"We are hopeful and optimistic that we will secure FHA's agreement to participate in a refinancing of this debt. That agreement would help us to lessen the effects of our current cash flow imbalance," said Weis. "Together with efficiencies resulting from our own independently-created financial recovery plan, the introduction of a variety of new revenue-enhancing projects and additional financial resources to be made available by the State of Illinois this year, we are confident in our ability to emerge from this current crisis state and stabilize and enhance our future fiscal operations."

Mount Sinai Hospital is a 432-bed teaching, research and tertiary-care facility. Schwab Rehabilitation Hospital is a 125-bed comprehensive physical medicine and rehabilitation facility that helps adult and pediatric patients achieve maximum independence. Mount Sinai and Schwab are members of Sinai Health System, along with Sinai Community Institute and Sinai Medical Group.

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