



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

BOARD MEETING: April 14, 2026	PROJECT NO: 26-005	PROJECT COST: Original: \$264,935,160
FACILITY NAME: Northwestern Memorial Hospital	CITY: Chicago	
TYPE OF PROJECT: Non-Substantive		HSA: VI

PROJECT DESCRIPTION: The Applicants (Northwestern Memorial Hospital and Northwestern Memorial Healthcare) propose expanding surgical services on the downtown campus by adding 11 operating rooms and associated recovery space on the 7th floor of the Feinberg/Galter Pavilion. The anticipated project completion date is February 28, 2030. Total project cost is \$264,935,160.

Information on this Application for Permit can be found at this link:

<https://hfsrb.illinois.gov/project.26-005-northwestern-memorial-hospital.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Northwestern Memorial Hospital and Northwestern Memorial Healthcare) propose expanding surgical services on the downtown campus by adding 11 operating rooms and associated recovery space on the 7th floor of the Feinberg/Galter Pavilion. The project also includes surgical support services on the 5th and 6th floors of Feinberg/Galter, such as central sterile supply, pathology lab, and staff support areas. To accommodate this expansion, the 7th-floor laboratory department must be relocated to the Olson Pavilion. Laboratory departments currently in Olson must be relocated within Olson to make space for those moving from the Feinberg/Galter 7th floor. All laboratory departments being relocated to and within the Olson Pavilion will be expanded to support campus needs. The anticipated project completion date is February 28, 2030. Total project cost is \$264,935,160.
- On May 1, 1999, Northwestern Memorial Hospital opened the 17-floor Feinberg Pavilion and 22-floor Galter Pavilion at its current location in Streeterville. The new hospital consisted of 492 all-private-patient rooms and an emergency department capable of treating 70,000 patients per year. In the end, the replacement hospital cost a total of \$580 million and consisted of over 2 million square feet.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Project is before the State Board because the cost exceeds the capital expenditure minimum of \$17,787,538

PUBLIC HEARING/COMMENT:

- A public hearing was held on March 6, 2026. The State Board has not received any letters of support or opposition.

SUMMARY

- The proposed project aims to expand surgical capabilities by adding 11 operating rooms for a total of 72 operating rooms and recovery stations on the 7th floor of the Feinberg/Galter Pavilion, with supporting services located on the 5th and 6th floors. According to the Applicants, this modernization addresses the critical need for high-acuity, specialized care services. The addition of 11 operating rooms and associated recovery stations to meet increasing demand for complex surgical procedures. Upgrades to the 5th and 6th floors to provide necessary support services for the new operating rooms. The project aims to alleviate capacity constraints for surgical and inpatient services. This project is part of a separate, larger potential \$1 billion+ expansion plan to build a new 1.2-million-square-foot hospital tower to expand specialized care, particularly in oncology and critical care. Currently, the Hospital has 61 operating rooms located as shown in Table One Below. The additional 11 operating rooms will bring the total to 72. Based on the Hospital's utilization, the Hospital can justify 83 operating rooms at the State Board's target occupancy of 80%.

Executive Summary TABLE ONE	
Feinberg/Galter Pavilion	35
Prentice Women's Hospital	10
Outpatient Care Pavilion	16
Total	61

Executive Summary TABLE TWO					
Year	2020	2021	2022	2023	2024
IP Cases	10,464	11,690	11,640	12,631	13,093
OP Cases	22,282	28,205	29,061	29,652	30,182
Total	32,746	39,895	40,701	42,283	43,275
IP Hours	45,767	52,362	53,262	58,325	60,065
OP Hours	42,692	51,844	60,247	61,655	63,916
Total	88,459	104,206	113,509	119,980	123,981
# of ORs	60	60	61	61	61
Hours/OR	1,474	1,737	1,861	1,967	2,032
Util %	78.63%	92.63%	99.24%	104.90%	108.40%
Justified	59	69	76	80	83

- The Applicants addressed a total of 19 criteria and have met them all.



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State Board Staff Report Project #26-005 Northwestern Memorial Hospital

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Northwestern Memorial Hospital and Northwestern Memorial Healthcare
Facility Name	Northwestern Memorial Hospital
Location	251 East Huron Street, Chicago
Permit Holder	Northwestern Memorial Hospital and Northwestern Memorial Healthcare
Licensee/Operating Entity	Northwestern Memorial Hospital
Owner of Site	Northwestern Memorial Hospital
Application Received	August 6, 2025
Application Deemed Complete	August 11, 2025
Review Period Ends	December 9, 2025
Project Completion Date	June 30, 2028
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes
Expedited Review?	No

I. The Proposed Project

The Applicants (Northwestern Memorial Hospital and Northwestern Memorial Healthcare) propose expanding surgical services on the downtown campus by adding 11 operating rooms and associated recovery space on the 7th floor of the Feinberg/Galter Pavilion. The anticipated project completion date is February 28, 2030. Total project cost is \$264,935,160.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The Applicants are Northwestern Memorial Hospital and Northwestern Memorial Healthcare. Northwestern Memorial Healthcare is the parent of an integrated nonprofit healthcare organization anchored by Northwestern Memorial Hospital and Northwestern Medical Group, which provides healthcare services to communities in northern Illinois.

Northwestern Memorial Healthcare partners with Northwestern University Feinberg School of Medicine to form an academic medical center, branded Northwestern Medicine. Northwestern Memorial Hospital is the operating entity/licensee and the owner of the real property. This is a non-substantive project subject to a Part 1110 and 1120 review. Financial commitment will occur after the permit is issued.

IV. Health Service Area

Northwestern Memorial Hospital is located in Health Service Area VI, the City of Chicago, and Hospital Planning Area **A-01 (HPA-01)**. HPA A-1 includes the City of Chicago Community Areas of Uptown, Lincoln Square, North Center, Lakeview, Lincoln Park, Near North Side, Edison Park, Norwood Park, Jefferson Park, Forest Glen, North Park, Albany Park, Portage Park, Irving Park, Dunning, Montclare, Belmont Cragin, Hermosa, Avondale, Logan Square, O'Hare, and Edgewater. There are nine hospitals in HPA A-01. There is a calculated excess of 1,014 medical-surgical beds, 30 intensive care beds, and 90 obstetric beds in HPA A-01.

Table One lists the hospitals in HPA A-01, their total and ICU bed counts, and ICU utilization for 2024. Table Two presents the estimated populations for the City of Chicago and the State of Illinois for 2020, 2025, and 2030, along with projected increases or decreases.

TABLE ONE Hospitals in the A-01 Hospital Planning Area Number of Beds, Operating Procedure Rooms, and 2024 Utilization					
Hospital	City	Total Beds	Operating Procedure Rooms	Hours	Utilization
Community First Medical Center	Chicago	296	10	4,557	24.30%
Illinois Masonic Medical Center Campus	Chicago	451	28	30,106	57.34%
Louis A. Weiss Memorial Hospital *	Chicago	236	8	1,389	9.26%
Northwestern Memorial Hospital	Chicago	985	61	123,981	108.40%
Prime Resurrection Medical Center	Chicago	305	14	13,349	50.85%
Ascension Saint Joseph Hospital - Chicago	Chicago	332	10	8,613	45.94%
Swedish Hospital	Chicago	292	24	17,808	39.57%
Thorek Memorial Hospital	Chicago	132	7	3,232	24.62%
Thorek Memorial Hospital-Andersonville	Chicago	145	2	121	3.23%
*Hospital temporarily suspended service.					

TABLE TWO Population Estimate City of Chicago and the State of Illinois				
	2020	2025	2030	% Increase/Decrease 2020 through 2030
Chicago	2,740,074	2,699,173	2,649,877	-3.29%
≥65	349,744	408,264	457,644	30.85%
Illinois	12,785,245	12,780,245	12,775,245	-0.08%
≥65	2,060,629	2,398,232	2,695,534	30.81%

V. Northwestern Memorial Hospital

The Hospital currently has 985 inpatient beds. Table Three below illustrates hospital utilization in 2024, average length of stay (“ALOS”), and average daily census (“ADC”).

TABLE THREE Northwestern Memorial Hospital 1-1-2024 through 12-31-2024 ⁽¹⁾						
	Beds	Admissions	Days	ALOS	ADC	Occ
Medical Surgical	573	29,362	202,089	6.88	554	96.62%
Obstetric	116	12,122	34,310	2.83	94	81.03%
Intensive Care	139	7,217	38,105	5.28	104	75.11%
AMI	29	780	9,035	11.58	25	85.36%
Neonatal	86	278	2,434	8.82	7	7.75%
Total	943	49,757	285,973	5.75	783	83.08%

1. Northwestern Memorial Hospital was approved to add 42 intensive care beds at the March 2026 State Board Meeting for a total of 181 ICU Beds and a total of 985 beds. Permit #25-030.

V. Project Details

The Applicants seek approval from the Illinois Health Facilities and Services Review Board to increase surgical capacity at the Feinberg/Galter Pavilion. Floors 5 - 7 of the Feinberg/Galter Pavilion span both pavilions and house the campus’s central surgical platform. The proposed project will include 11 new operating rooms on the 7th floor of the Feinberg/Galter Pavilion. Each operating room will feature a scrub sink alcove immediately outside the room, within the sterile core. The surgery suite on the 7th floor will also have 30 universal recovery bays for both stage 1 and stage 2 prep/recovery, including 2 isolation prep/recovery bays with anteroom access to maintain a pressurized space and allow for donning and doffing of personal protective equipment.

The 5th floor will have a relocated and expanded break room/canteen with a warm-food server for surgical staff meals. The pathology space on the 5th floor will be extended to accommodate additional operating rooms. The space will expand to have 8 additional grossing stations and associated specimen storage/processing space.

The 6th floor will have expanded space for both staff support and central sterile supply. Staff locker rooms will be extended to meet current needs and accommodate additional staff for the new operating rooms. Approximately 500 additional lockers will be provided across a newly constructed men's locker room and an expanded women's locker room. Additionally, a gender-neutral shower, toilet, and locker space will be included. Central sterile will be right-sized and expanded to support surgical growth. Key improvements include a new cart washer, 2 new dumbwaiters that will traverse floors 5 to 7, 4 additional decontamination sinks, and 5 additional ultrasonic cleaners. Appropriate storage space for surgical instruments and vendor deliveries will also be included. A new surgical resident library will also be included on the 6th floor.

The 7th floor will have 11 additional operating rooms, 30 additional universal prep/recovery bays, and associated nurse station support. The floor will also include staff support space, including an anesthesia-ready room, on-call rooms, and education rooms. Surgery administration will also relocate to this floor in a new administrative suite. Patient registration and waiting areas on this floor will be expanded.

Olson Floors

To make space for surgical expansion, laboratory departments on the 7th floor of Feinberg/Galter must be relocated to the Olson Pavilion on campus. Laboratory departments currently located in Olson must be relocated within Olson to make space for those moving from the Feinberg/Galter 7th floor. All laboratory departments being relocated to and within the Olson Pavilion will be expanded in size to support campus needs.

The **10-story** Olson/McGaw Pavilion is adjacent to the Feinberg Pavilion. It is connected by a pedestrian bridge on the 2nd floor accessible to patients, visitors, and staff, and by a tunnel in the lower concourse used only by staff. The building is jointly owned by NMH and Northwestern University (NU), with each party holding 50% ownership.

NM occupies half of Olson, approximately 150,000 sf; of that amount, 16,861 sf is leased to Fresenius Kidney Care. The remaining space is occupied by the following departments and clinics: laboratory functions, including AFB, autopsy, cytogenetics, immunology, microbiology, molecular, mycology, pathology, referred testing, and special chemistry; Developmental Therapeutics Institute; physician practices; and nonclinical support spaces, such as administrative offices and storage. The other half is owned and occupied by NU for research and other programs.

Improvements will be made across four floors of the Olson Pavilion: the **2nd floor** will host the relocated flow cytometry laboratory from Feinberg/Galter 7, the cytogenetics from Olson 7, and expand the Molecular and Microbiology departments. The **4th floor** will

feature mechanical upgrades, a staff breakroom, and locker rooms. The **6th floor** will house the core lab from Feinberg/Galter 7, and the referred testing and immunology departments from Olson 2. The **7th floor** will host the histology, cytology, and pathology administration laboratories from Feinberg/Galter 7.

- Anticipated project construction start date: May 2026
- Anticipated midpoint of construction date: October 2027
- Anticipated project construction substantial completion date: February 2029
- Anticipated project completion date: February 2030
- Financial Commitment will occur after permit issuance.
- NMHC plans to sign the contract with Walsh Construction and Skender in May 2026, which will financially commit to the project.

VI. **Project Uses and Sources of Funds**

The Applicants are funding this project with \$264,789,160 in cash (see Table Four).

TABLE FOUR				
Project Uses and Sources of Funds				
USES OF FUNDS	Clinical	Non-Clinical	Total	% of total
Preplanning Costs	\$213,409	\$175,629	\$389,038	0.43%
Site Survey and Soil Investigation	\$381,246	\$313,754	\$695,000	0.57%
Site Preparation	\$1,442,749	\$1,187,335	\$2,630,084	1.95%
Modernization Contracts	\$83,096,841	\$83,000,920	\$166,097,761	53.54%
Contingencies	\$6,770,362	\$6,762,546	\$13,532,909	5.35%
Architectural/Engineering Fees	\$4,928,073	\$4,055,645	\$8,983,718	3.07%
Consulting and Other Fees	\$7,410,127	\$6,098,295	\$13,508,422	6.36%
Movable or Other Equipment	\$30,954,798	\$25,474,801	\$56,429,599	25.88%
Other Costs to Be Capitalized	\$1,463,893	\$1,204,736	\$2,668,629	2.84%
TOTAL USES OF FUNDS			\$264,935,160	100.00%
SOURCE OF FUNDS				
Cash and Securities	\$136,661,498	\$128,127,662	\$264,789,160	100.00%
TOTAL SOURCES OF FUNDS	\$136,661,498	\$128,127,662	\$264,789,160	100.00%

VII. Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives – Information Requirements

- A. 77 Ill. Adm. Code 1110.110 (a) – Background of the Applicants
- B. 77 Ill. Adm. Code 1110.110 (b) – Purpose of the Project
- C. 77 Ill. Adm. Code 1110.110 (c) – Safety Net Impact
- D. 77 Ill. Adm. Code 1110.110 (d) – Alternatives to the Project

A) Background of Applicant

An applicant must demonstrate that it is fit, willing, and able, and has the qualifications, background, *and character to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFSRB shall consider whether adverse action has been taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed health care facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within 3 years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by that person or entity (see 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest", and "principal shareholder").

Northwestern Memorial Hospital has a five-star overall quality rating on the Medicare Compare website. The Applicants attest that no adverse action was taken against the Applicants' facility during the three years before the filing of this application. The Applicants authorize HFSRB and IDPH to access any documents necessary to verify the information submitted, including, but not limited to, official records of IDPH or other State agencies, licensing or certification records of other states, when applicable, and records of nationally recognized accreditation organizations. The Applicants have demonstrated that they are fit, willing, and able and possess the necessary qualifications, background, and character to provide proper healthcare services to the community.

B) Purpose of the Project

The applicant shall document that the project will provide health services that improve the healthcare or well-being of the population to be served in the market area. The applicant shall define the planning area, market area, or other relevant area, as the applicant determines.

The Applicants propose this project to address the growth in surgical volume. Since the Feinberg/Galter Pavilion opened in 1999, the Hospital's surgical volume has grown substantially, with surgical cases nearly doubling. Over the last decade, from CY14 to CY24, total surgical hours increased by more than 20%. Average utilization of the 61 operating rooms on campus has consistently exceeded the state's utilization standard; in CY24, it exceeded it by more than 35%.

Problems to be Addressed

Overutilization of operating rooms poses challenges that can impact healthcare efficiency, patient safety, and overall quality of care. Some of the challenges include:

- **Impact on patient care:** high demand can create scheduling bottlenecks, making it challenging to allocate time for surgeries. This may lead to delays in care and increased wait times for patients, exacerbating conditions that require timely intervention.

- **Resource strain:** high utilization can put strain on resources, including surgical staff, equipment, and facilities.
- **Burnout among providers:** surgeons and medical staff may experience burnout as they try to perform more procedures within the same timeframe, which can negatively impact both their well-being and the quality of patient care.
- **Impact on innovation and training:** as an AMC, NMH needs time for training and innovation in surgical techniques, which can be difficult with such high volumes.

The proposed expansion of the Hospital's surgical services will help alleviate problems associated with high surgical utilization, including:

- **Reduced wait times:** increasing the number of operating rooms will decrease patient wait times for elective and necessary surgeries, enabling more timely interventions and improved patient outcomes.
- **Decreased strain on resources:** additional operating rooms and expanded staff support space will ease pressure on existing operating rooms and staff, creating a better working environment. This will reduce staff turnover and result in a more motivated and satisfying workforce.
- **Increased surgical volume:** expanding surgical capacity will allow the Hospital to continue accommodating high demand for surgeries.
- **Facilitated innovation and training:** more operating rooms will provide opportunities for the hospital's surgical teams to engage in training and education without compromising patient care, ultimately fostering innovation in surgical techniques and practices.
- **Ability to handle emergencies:** as one of the only Level 1 trauma centers in the City of Chicago, additional operating rooms will help NMH better manage emergency cases, ensuring that urgent surgeries are not delayed by scheduling conflicts with elective procedures.
- **Improved patient satisfaction:** faster access to surgery, higher-quality care, and reduced wait times contribute to higher patient satisfaction.

The goal of the proposed project is to increase access to surgical procedures and laboratory testing at the Hospital. Key impacts of the project include:

- Decreased scheduling conflicts/delays for surgical cases
- Optimization of the central laboratory

C) **Safety Net Impact Statement**

All health care facilities, except skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are offered by healthcare providers or organizations that deliver care to individuals with barriers to mainstream healthcare, including those without insurance, those unable to pay, individuals with special needs, individuals with ethnic or cultural characteristics, or those living in geographic isolation. [20 ILCS 3960/5.4]

This project is non-substantive; a Safety Net Impact Statement is not required.

D) Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served.

The Applicants considered three alternatives to the proposed project, and all were rejected.

- | | |
|---------------------------------|-------------------|
| 1. Maintain Status Quo | Capital Costs \$0 |
| 2. Invest in Offsite ASTC | Capital Costs N/A |
| 3. Outsource Laboratory Service | Capital Costs N/A |

1. Status Quo

The Applicants state the Hospital's operating room utilization has exceeded state standards since 2001. The average utilization of the 61 operating rooms on campus in CY24 was over 2,000 hours. Using the state standard of 1,500 hours per operating room, the Applicants can justify an additional 22 operating rooms in CY24. The Applicants believe that doing nothing would significantly hinder the Hospital's ability to provide access to surgical care and to address the community's diverse needs effectively.

2. Invest in ASTC

The Applicants considered investing in an ASTC near the Hospital's campus. The Applicants had previously been approved for a change of ownership of the River North Surgical Center (COE #E-039-23).

The Applicants state that ownership of an ASTC near campus has enabled the Hospital to offload select outpatient surgical cases, thereby increasing the Hospital's capacity. However, demand growth exceeded the capacity ASTC added. The Applicants state that many of the Hospital's outpatient procedures must remain in the hospital due to the nature of the procedure, the patient's condition, and/or comorbidities. Operating multiple ASTCs would also increase operating costs due to duplicated staff, support services, equipment, and supplies. According to the Applicants, costs for this alternative were not developed because no ASTCs were available at this time.

3. Outsource Laboratory Services

The Applicants state that there is no alternative space available on the Hospital campus outside the Olson Pavilion to relocate the existing core laboratory; the only alternative for relocating this function would be to outsource to a third party. The Applicants state that outsourcing this function could compromise patient care and operational efficiency. A primary concern is the risk of test result delays due to the distance between the Hospital and the outsourced laboratory. Outsourcing may reduce the Hospital's oversight of laboratory processes, potentially leading to inconsistencies in quality control and standards.

VIII. Size of Project, Project Utilization

- A) 77 Ill. Adm. Code 1110.120 (a) – Project Size
B) 77 Ill. Adm. Code 1110.120 (b) – Projected Utilization

A) **Size of Project**

The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The proposed clinical DGSF for this project is 97,506 DGSF. As seen in Table Five, the Applicants have successfully met this requirement.

TABLE FIVE Size of the Project					
Surgical Services	Rooms	State Standard	Total	Proposed	Met Standard
Surgical Rooms	11	2,750 DGSF	30,250 DGSF		
Recovery Stations	30	400 DGSF	12,000 DGSF		
Total			42,250 DGSF	41,257 DGSF	Yes
Blood Bank		No Standard		3,141 DGSF	N/A
Pharmacy		No Standard		681 DGSF	N/A
Pathology Lab		No Standard		4,371 DGSF	N/A
Laboratory		No Standard		48,056 DGSF	N/A
Total				97,506 DGSF	

B) **Project Services Utilization**

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment meets or exceeds the utilization standards specified in Appendix B. The number of projected years shall not exceed the number of documented historical years. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable.

The Applicants propose adding 11 operating rooms, bringing the total to 72 operating rooms at the Hospital. Table Six shows ten years of surgery utilization at the hospital. Current utilization at the hospital justifies 83 operating rooms, meeting the State Board target of 80% utilization, or 1,500 hours per room. Based upon historical utilization, it appears the additional 11 operating rooms are warranted.

TABLE SIX
Northwestern Memorial Hospital
Surgical Utilization
2014 through 2024

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
IP Cases	12,535	11,759	11,829	11,792	12,497	12,607	10,464	11,690	11,640	12,631	13,093
OP Cases	21,627	22,130	22,697	23,790	23,593	25,219	22,282	28,205	29,061	29,652	30,182
Total	34,162	33,889	34,526	35,582	36,090	37,826	32,746	39,895	40,701	42,283	43,275
IP Hours	56,843	52,637	52,980	54,601	54,713	53,895	45,767	52,362	53,262	58,325	60,065
OP Hours	46,350	48,236	49,435	48,111	48,261	49,080	42,692	51,844	60,247	61,655	63,916
Total	103,193	100,873	102,415	102,712	102,974	102,975	88,459	104,206	113,509	119,980	123,981
# of ORs	62	62	70	70	60	60	60	60	61	61	61
Hours/OR	1,664	1,627	1,463	1,467	1,716	1,716	1,474	1,737	1,861	1,967	2,032
Util %	88.77%	86.77%	78.03%	78.26%	91.53%	91.53%	78.63%	92.63%	99.24%	104.90%	108.40%
Rooms Justified	69	67	68	68	69	69	59	69	76	80	83

X. Clinical Service Areas Other Than Categories of Service

Criteria		
77 Ill. Adm. 1110.270 - Service Modernization	(c)(2)	– Necessary Expansion PLUS Utilization – Major Medical Equipment or Utilization – Service or Facility
	(c)(3)(A)	
	(c)(3)(B)	

A) Service Modernization

The applicant shall document that the proposed project meets one of the following:

1) Deteriorated Equipment or Facilities

The proposed project will result in the replacement of deteriorated equipment or facilities. Documentation shall consist of, but is not limited to: historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

2) Necessary Expansion

The proposed project is necessary to expand diagnostic and treatment services, ancillary training, and other support services to meet patient demand. Documentation shall consist of, but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.

3) Utilization

A) Major Medical Equipment

Proposed projects for the acquisition of major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.

B) Service or Facility

Projects involving the modernization of a service or facility shall meet or exceed the service's utilization standards, as specified in Appendix B. The number of key rooms being modernized shall not exceed the

number justified by historical utilization rates for each of the last two years, unless additional key rooms can be justified under subsection (c)(2) (Necessary Expansion).

C) If no utilization standards exist, the applicant shall document in detail its anticipated utilization in terms of incidence of disease or conditions, or population use rates.

As shown in the Project Services Utilization section above, demand for surgical services has grown since the opening of the Feinberg/Gaiter Pavilion in 1999. Additional operating rooms were added to the new Prentice Women's Hospital in 2007 and to the Lavin Outpatient Care Pavilion in 2014 to accommodate volume. As Table Seven demonstrates, the hospital operated its surgical suite at 108% utilization in 2024. This volume would justify a total of 83 operating rooms at the state board's target occupancy of 80% or 1,500 hours per room.

TABLE SEVEN Northwestern Memorial Hospital Surgical Utilization 2014 through 2024											
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
IP Cases	12,535	11,759	11,829	11,792	12,497	12,607	10,464	11,690	11,640	12,631	13,093
OP Cases	21,627	22,130	22,697	23,790	23,593	25,219	22,282	28,205	29,061	29,652	30,182
Total	34,162	33,889	34,526	35,582	36,090	37,826	32,746	39,895	40,701	42,283	43,275
IP Hours	56,843	52,637	52,980	54,601	54,713	53,895	45,767	52,362	53,262	58,325	60,065
OP Hours	46,350	48,236	49,435	48,111	48,261	49,080	42,692	51,844	60,247	61,655	63,916
Total	103,193	100,873	102,415	102,712	102,974	102,975	88,459	104,206	113,509	119,980	123,981
# of ORs	62	62	70	70	60	60	60	60	61	61	61
Hours/OR	1,664	1,627	1,463	1,467	1,716	1,716	1,474	1,737	1,861	1,967	2,032
Util %	88.77%	86.77%	78.03%	78.26%	91.53%	91.53%	78.63%	92.63%	99.24%	104.90%	108.40%
Rooms Justified	69	67	68	68	69	69	59	69	76	80	83

XI. Financial Viability and Economic Feasibility

- A) Criterion 77 Ill. Adm. Code 1120.120 – Availability of Funds
- B) Criterion 77 Ill. Adm. Code 1120.130 – Financial Viability
- C) Criterion 77 Ill. Adm. Code 1120.140 (a) – Reasonableness of Financing Arrangements
- D) Criterion 77 Ill. Adm. Code 1120.140 (b) – Terms of Debt Financing
- E) Criterion 77 Ill. Adm. Code 1120.140 (c) – Reasonableness of Project Costs
- F) Criterion 77 Ill. Adm. Code 1120.140 (d) – Direct Operating Costs
- G) Criterion 77 Ill. Adm. Code 1120.140 (e) – Effect of the Project on Capital Costs

- A) Availability of Funds**
- B) Financial Viability**
- C) Reasonableness of Financing Arrangement**
- D) Terms of Debt Service**

The Applicants are funding this project with \$264,935,160 in cash. The Applicants provided proof of an AA+ Bond Rating from Standard & Poor's Ratings Service (dated August 2024), evidence of an Aa2/Stable Bond Rating from Moody's Investors Service (dated August 2024) and Audited Financial Statements for 2023 and 2024. The Applicants have met the financial viability waiver and the reasonableness of the financing arrangement. The debt financing terms do not apply to this project. Table Seven below displays Northwestern Memorial Healthcare's audited information for 2023 and 2024. Table Eight displays Northwestern Memorial Hospital's financial information for the years 2020 through 2024.

TABLE EIGHT		
Northwestern Memorial Healthcare		
Audited as of August 31, 2023, and 2024		
(in thousands)		
	2024	2023
Cash	\$332,319	\$680,384
Current Assets	\$2,901,835	\$2,991,526
Total Assets	\$19,805,927	\$18,143,465
Current Liabilities	\$2,358,943	\$2,343,965
Total Liabilities	\$5,762,706	\$5,702,245
Patient Service Revenue	\$8,883,682	\$8,095,920
Total Revenue	\$9,559,585	\$8,668,186
Operating Expenses	\$9,219,859	\$8,302,112
Operating Income in Excess of Expenses	\$339,726	\$366,074
Other Income	\$8,383	\$15,487
Revenue and Gains in Excess of Expenses and Losses	\$1,582,115	\$1,136,086

TABLE NINE
Five Years of Data from Medicare Cost Reports
for Northwestern Memorial Hospital, Chicago

	2020	2021	2022	2023	2024
Total Patient Revenue	\$7,596,288,666	\$9,175,579,287	\$9,899,784,540	\$10,976,219,351	\$12,128,265,170
Less Contractual Allowance	\$5,804,279,359	\$6,951,355,935	\$7,709,703,462	\$8,596,022,970	\$9,531,395,524
Net Patient Revenue	\$1,792,009,307	\$2,224,223,352	\$2,190,081,078	\$2,380,196,381	\$2,596,869,546
Operating Expenses	\$2,237,104,704	\$2,449,776,841	\$2,561,152,752	\$2,817,697,168	\$3,008,806,438
Net Income from Patient Services	(\$440,095,397)	(\$225,553,489)	(\$371,071,674)	(\$437,500,787)	(\$411,936,792)
Other Income	\$595,602,659	\$423,871,222	\$600,506,106	\$627,371,762	\$708,226,803
Net Income	\$155,507,262	\$198,317,740	\$229,434,435	\$189,870,976	\$296,290,011
Operating Margin ⁽¹⁾	-24.56%	-10.14%	-16.94%	-18.38%	-15.86%
1. Operating Margin = Net Income from Patient Services ÷ Net Patient Revenue					

Northwestern Memorial Healthcare has an “A” or better bond rating from Moody’s Rating and S&P Global Ratings.

Moody’s Rating states, in part, that Northwestern Memorial HealthCare’s (Aa2, stable) growing market position, single operating model, and financial discipline will enable it to execute strategies effectively while maintaining a strong financial position despite industry pressures. A deep analytical approach to management, combined with a well-defined culture, will enable NMHC to manage operating and strategic risks effectively. A leading brand and affiliation with Northwestern University's Feinberg School of Medicine (FSM) will underpin further growth, particularly in high-acuity services. The system's locations will provide growth opportunities and contribute to a comparatively favorable payer mix. Manageable near-term capital plans will help maintain a strong investment position: leverage will remain moderate, particularly given the system's fully funded pension plan and modest operating lease obligations. Operating performance will be solid but below historical levels, driven by investments in the workforce to accommodate growing volumes. Market-related risks include competition from several large healthcare systems and academic medical centers, as well as a dominant insurer.

S&P Global Ratings states in part: The ratings reflect our view of NMHC's strong market position as a key provider in the highly competitive Chicagoland market. We believe management will continue to focus on improving efficiency, expanding access to care, and aligning services across ambulatory facilities as part of its growth strategy. NMHC holds a prominent position in a competitive market, led by a management team focused on strategic growth and pioneering initiatives such as telehealth and artificial intelligence. The organization also benefits from numerous Northwestern University entities, including the Feinberg School of Medicine. In addition, NMHC has sustained solid operational performance, although it is lower than historically and has exceptional balance sheet metrics despite continued industry pressures, including elevated labor costs and inflation. Management has maintained financial discipline while also continuing to execute on the system's growth strategy. The team has a proven track record of integrating new entities into the system and enhancing operations within

a short timeframe. As a system, this has enabled NMHC to operate more like a system than a federation of hospitals. Its most recent acquisition was Palos Community Hospital in January 2021, a 425-bed hospital in Palos Heights, which is a strategic growth area for NMHC.

E) Reasonableness of Project Costs

Preplanning Costs are \$213,409, or less than 1% of modernization, contingency, and movable equipment costs of \$120,822,001. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey, Investigation, and Site Preparation are \$1,823,995, representing 1.51% of the modernization and contingency costs of \$89,867,203. This appears reasonable when compared to the State Board Standard of 5%.

Modernization Costs total \$83,096,841, or \$921.66 per GSF. This appears reasonable when compared to the State Board Standard of \$996.78.

As the Applicants have explained in previously approved projects, the modernization of the Galter and Feinberg pavilions at Northwestern Memorial Hospital involves high costs due to complex structural conversions and highly specialized medical requirements. The current building's design necessitates custom, expensive solutions to meet modern clinical needs, such as larger rooms and specialized nurse stations, within an unusual footprint. Renovating within an active, top-tier academic medical center requires phased construction and costly measures to prevent disruption of existing patient care. This modernization serves as a strategic bridge plan to meet patient demand for high-acuity services until the new \$1 billion+ hospital tower is completed around 2031.

Contingency costs are \$6,770,362, which is 8.15% of the modernization cost of \$83,096,841. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees are \$4,928,073, or 5.55% of the modernization and contingency cost of \$89,867,203. This appears reasonable when compared to the State Board Standard of

The State Board has no standards for these costs.

Consulting and Other Fees	\$7,410,127
Movable or Other Equipment (not in construction	\$30,954,798
Other Costs to Be Capitalized	\$1,463,893

F) Direct Operating Costs

G) Effect of the Project on Capital Costs

The Direct Operating Costs per unit of service (cases) are \$7,609. The project's effect on capital costs is \$80.75 per Equivalent Patient Day. The State Board does not have a standard for these two criteria.

CHARITY CARE INFORMATION

Northwestern Memorial Hospital (“NMH”) is a 985-bed adult acute-care, nationally ranked academic medical center (AMC) in downtown Chicago that provides a full range of adult inpatient and outpatient services within an educational and research environment. For the 14th consecutive year, NMH has been named to the Best Hospitals Honor Roll by U.S. News & World Report, 2025 - 2026. For more than 150 years, NMH and its predecessor institutions have served all residents of Chicago. The commitment to provide health care, regardless of patients' ability to pay, traces back to the founding principles of our predecessors and remains integral to our mission to put patients first. NMH serves a large, complex, and diverse area, with patients coming from the City of Chicago and surrounding counties.

NMH is among the few hospitals in the United States designated as a significant teaching hospital by the Association of American Medical Colleges (AAMC). The AAMC reports that while major teaching hospitals comprise a small percentage of acute-care, general-service hospitals in the United States, they provide a disproportionate share of charity care and Medicaid inpatient services.

As an AMC, NMH serves as a major referral center with specialized expertise. NMH serves patients who cannot receive necessary care elsewhere, resulting in a patient population that is often more complex, sicker, and more vulnerable than the general population.

To achieve health equity for those we serve, NMH continually works to overcome structural inequities and bias and to improve coordination and connection to community resources. To best address the diverse needs of our patients, NMH routinely works with trusted health and social service partners in the Chicagoland area to advance key community-based initiatives. For many years, NMH has worked with multiple federally qualified health centers (FQHCs) and free clinics to address access-to-care concerns and support other community health initiatives.

NMH is the 7th-largest charity care provider and the 3rd-largest provider of care to Medicaid beneficiaries in Illinois. NMH's commitment to patients with Medicaid has continued to grow: over six years, the volume of Medicaid inpatient days at NMH has increased by 55.9%, the number of Medicaid admissions has risen by 22.5%, and the volume of Medicaid outpatient care has increased by 153%. Along with some of the area's safety-net hospitals, NMH has been among the top providers of care under the Medicaid program in Illinois for more than 15 years.

Northwestern Memorial HealthCare saw an increase in financial assistance volume in FY24, driven by multiple factors:

- Internal enhancements, including improvements to NM's electronic medical record (EMR) system, financial assistance module, increased availability of applications at check-in, and proactive outreach, streamlined the financial assistance process.
- NMHC increased collaboration and outreach with community clinical providers.
- Illinois paused enrollment for the HBIA and HBIS programs, and the Illinois Medicaid redetermination process drove more patients to apply for financial assistance.

NMHC Community Benefit

During FY24, NMHC contributed \$1.58 billion in community benefits. NMHC is committed to this work as part of its mission to improve people's lives through advances in medicine. In fact, NM has added community partnerships as a pillar in its new NM2035 Strategic Plan. This reflects the belief that strong collaboration with communities and community-based organizations can help build stronger, healthier communities and individuals. The major components of the \$1.58 billion in community benefits include:

- ▶ \$1.19 billion in government-sponsored indigent healthcare (unreimbursed costs of Medicaid and Medicare).
- ▶ \$85.7 million in charity care, at cost.
- ▶ \$97.4 million in education, at cost. This includes the unreimbursed education costs of NMHC's medical residency, fellowship, and internship programs.
- ▶ \$52.4 million in bad debt, at cost. An essential part of NMHC's commitment to providing quality, accessible healthcare is covering expenses for expected but not received payments.
- ▶ \$70.0 million in research, at cost. NMHC provides support to advance medical and scientific research and academic pursuits.
- ▶ \$51.9 million in subsidized health services, at cost. This includes the uncompensated costs of providing behavioral health services, health education, and information and programs that positively impact community wellness.
- ▶ \$6.1 million in other community benefits. NMHC provides community benefits through donations to charitable and community organizations, volunteer efforts, language assistance, and translation services for patients and their families, and more.

MODERNIZATION						
Cost and Gross Square Feet by Department						
	Cost/Sq. Ft.	GSF		GSF		Total Cost
CLINICAL		New	Circ.	Mod.	Circ.	
Surgical Services	\$890.00			41,257	31.80%	\$36,718,730
Blood Bank	\$788.00			3,141	12.90%	\$2,475,108
Pharmacy	\$815.00			681	0.00%	\$555,015
Pathology Lab	\$649.00			4,371	5.50%	\$2,836,779
Laboratory	\$843.00			48,056	0.00%	\$40,511,208
Clinical Subtotal	\$852.22			97,506		\$83,096,563
Clinical Contingency	\$69.46					\$6,770,362
Clinical Total	\$921.68			97,506		\$89,869,330
NON-REVIEWABLE						
Central Sterile Supply	\$571.00			17,501	0.00%	\$9,993,071
Staff Support	\$426.00			24,754	13.70%	\$10,545,204
Administration	\$542.00			16,180	28.00%	\$8,769,560
Reception/Waiting/Public Space	\$568.00			11,915	31.00%	\$6,767,720
Staff/Back of House Corridors	\$764.00			309	0.00%	\$236,076
MEP/infrastructure	\$2,209.00	8,743	0.00%	12,391	0.00%	\$46,689,288
Non-Clinical Subtotal	\$904.22	8,743		83,050		\$83,000,920
Non-Clinical Contingency	\$73.69					\$6,762,546
Non-Clinical Total	\$977.91	8,743		83,050		\$89,763,466
TOTALS	\$1,899.59					\$179,630,669

Northwestern Memorial HealthCare Open CON/COE Permits

- CON #22-046: NM Bronzeville Medical Office Building
- CON #22-047: Northwestern Medicine Lake Forest Hospital
- CON #24-006: NM Cancer Center Warrenville
- CON #24-027: NM Huntley Medical Office Building
- CON #24-039: Midland Surgical Center - Addition of GI
- CON #25-025: NMH New Tower Master Design Project
- CON #25-030: NMH Gaiter 14/15 Beds
- CON #25-033: NM LFH Open Heart Surgery
- CON #25-047: NM McHenry Cancer Center
- CON #26-003: NMH New Tower Site Demolition

Northwestern Memorial HealthCare Facilities

- Northwestern Memorial Hospital
 - Northwestern Lake Forest Hospital d/b/a Northwestern Medicine Lake Forest Hospital
 - Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital
 - Delnor-Community Hospital d/b/a Northwestern Medicine Delnor Hospital
 - Marianjoy Rehabilitation Hospital & Clinics, Inc. d/b/a Northwestern Medicine Marianjoy Rehabilitation Hospital
 - Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital
 - Valley West Community Hospital d/b/a Northwestern Medicine Valley West Hospital
 - Northern Illinois Medical Center d/b/a Northwestern Medicine McHenry Hospital
 - Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital
 - Memorial Medical Center d/b/a Northwestern Medicine Woodstock Hospital
 - Palos Community Hospital d/b/a Northwestern Medicine Palos Hospital
 - Northwestern Medicine Emergency Center Grayslake
 - Northwestern Grayslake Ambulatory Surgery Center
 - Northwestern Grayslake Endoscopy Center
 - Cadence Ambulatory Surgery Center, LLC d/b/a Northwestern Medicine Surgery Center, Warrenville
 - The Midland Surgical Center, LLC d/b/a Northwestern Medicine Surgery Center Sycamore
 - River North Same Day Surgery, LLC d/b/a Northwestern Medicine Surgery Center River North
 - Palos Health Surgery Center, LLC* - *Denotes partial ownership > 50%
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