

Children's Memorial Hospital
2300 Children's Plaza, Chicago, Illinois 60614-3394
www.childrensmemorial.org
773.880.4000

Orig. 10-011

RECEIVED

MAR 10 2010

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**



**Children's
Memorial Hospital**

Children's Memorial Foundation
Children's Memorial Institute for
Education and Research
Children's Memorial
Home Health, LLC

March 8, 2010

Mr. Dale Galassie
Chairman
Illinois Health Facilities and Services Review Board
525 West Jefferson
Springfield, Illinois 62702



A Member of the
McGaw Medical Center of
Northwestern University

Re: The Children's Memorial Hospital
Children's Memorial Outpatient Center Modernization Project Application

Dear Chairman Galassie:

You are likely aware of the wide range of services The Children's Memorial Hospital provides as the sole free-standing pediatric hospital in Illinois but may be less familiar with the ambulatory services we provide in the Children's Memorial Outpatient Center ("Outpatient Center") located near our present hospital.

Our Outpatient Center consists of two adjacent and interconnected buildings, often referred to as the "Clark" building and the "Deming" building. This Outpatient Center houses ambulatory clinics, ancillary diagnostic and treatment services, administrative services, faculty office space, and other functions. Last year we cared for pediatric patients through over 120,000 pediatric visits at this Outpatient Center.

Our Outpatient Center needs modernization, particularly the 40-year-old Deming building. This building will require the installation of sprinklers and upgrades to the fire alarm system to comply with the City of Chicago fire code requirements. Other improvements such as elevator replacement, emergency generators, information technology and other infrastructure are required for continued functioning of the building.

As you know, the Review Board previously approved a permit for our construction of the new Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") located adjacent to the Prentice Women's Hospital of Northwestern Memorial Hospital. This hospital project is scheduled for completion in 2012 and we are pleased to report that two years after the Review Board granted the permit, our new hospital project remains both on schedule and on budget.

We are timing the work at the Outpatient Center to coincide with our transition to the new Lurie Children's. Continuing to provide outpatient services at the Outpatient Center has long been considered the best alternative to continue to serve our present community while providing a much lower cost alternative to a replacement – either as part of the new hospital or as construction of a new outpatient facility. Our transition to Lurie Children's requires certain functional changes at the Outpatient Center to reflect that the new hospital location will be further separated from the Outpatient Center. Certain outpatient services currently performed at the present hospital will relocate and require modifications to the Outpatient Center to accommodate them. In addition, certain specialty laboratory facilities in the project will consolidate at the Outpatient Center and will serve both the Outpatient Center and Lurie Children's.

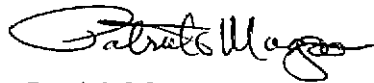
Children's Memorial has a strong history of being a good neighbor and affirms its commitment to remaining an integral partner with our community in the future. The hospital is the State of Illinois' longstanding partner in bringing high quality and accessible health care to our neediest children. Children's Memorial cares for children from every legislative district in Illinois. As the State's only freestanding children's hospital, Children's Memorial treats more children insured by Medicaid than any other Illinois hospital and provides 59 percent more Medicaid inpatient and outpatient care than the next highest provider. Our volume at the Outpatient Center has more than doubled in the last six years. Most prominent has been the rise in Medicaid-insured patients. For 2009, 43% of the patients seen at our Outpatient Center have been enrolled in the Medicaid program. As the Review Board knows, one of the biggest challenges of the State's AllKids program has been that many physicians and outpatient providers do not accept Medicaid patients. Our care for Medicaid patients, and equally important, our pediatric specialty and subspecialty physicians' acceptance of Medicaid patients, has offered a vital safety net for thousands of children and their families. Renovations of our Outpatient Center will foster the access to care these children need.

In planning for this Project we have been cognizant of the Review Board's size and utilization standards. We are, however, remodeling an existing building and are constrained by the physical plant of the structure. In our design we have also considered the unique requirements of pediatric care versus adult care, and have also addressed the special needs involved in a teaching institution where multiple care givers are typically involved with each patient.

Mr. Dale Galassie – Page Three

In this economic environment we have employed rigorous cost discipline for our project. Our proposed renovation provides the most cost-effective alternative to continue to provide these outpatient services. Enclosed for your consideration is our application for a permit to modernize our Outpatient Center and a check in the amount of \$2,500.00 for the initial application fee. We will be pleased to work with the Review Board and its staff to provide what you need in reviewing our Project. Let me know if I can be of assistance.

Very truly yours,



Patrick Magoon
President and Chief Executive Officer

cc: Gordon Bass
Donna Wetzler
Reagen Atwood
Honey Skinner
Joe Ourth
Susan Hayes Gordon
Nahlah Daddino
Valerie Witmer
Monica Heenan
Roger Johnson
Ron Blaustein

Children's Memorial Hospital

2300 Children's Plaza
Chicago, Illinois 60614

No. 327795


Date: 2/19/10

ILLINOIS DEPARTMENT OF, PUBLIC HEALTH, FACILITIES PLANNING BOARD, 525 W. JEFFERSON ST-2ND FLOOR, SPRINGFIELD IL 62761

Vendor No. 3667

Invoice Number	Description	Date	PO#	Gross Amount	Discount Amount	Net Amount Paid
CON-021210		02/12/10		\$2,500.00	\$0.00	\$2,500.00
LAST APPROVER:						
TOTALS:				\$2,500.00	\$0.00	\$2,500.00

Detach at Perforation Before Depositing Check



Children's Memorial Hospital
2300 Children's Plaza
Chicago, Illinois 60614

JPMORGAN CHASE BANK, N.A.
Chicago, IL
2-17710

No. 327795
Date: 02/19/2010

PAY EXACTLY *Two Thousand Five Hundred AND 00/100*

PAY TO THE ORDER OF
ILLINOIS DEPARTMENT OF
PUBLIC HEALTH
FACILITIES PLANNING BOARD
525 W. JEFFERSON ST-2ND FLOOR
SPRINGFIELD IL 62761

Patrick H. Magan
Authorized Signature

Amount
\$ *****2,500.00

⑈00327795⑈ ⑆071000013⑆ 790123327⑈

U.S. PATENT 6,955,407
 Reader Versatile
 Style Z814B2-0
 PATENTS 4,210,346; 4,227,200; 4,310,180; 5,197,755; 5,940,159



ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

CERTIFICATE OF NEED PERMIT

ORIGINAL

APPLICATION

JULY 2009 EDITION

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
 525 WEST JEFFERSON STREET, 2nd FLOOR
 SPRINGFIELD, ILLINOIS 62761
 (217) 782-3516

INSTRUCTIONS GENERAL

- The Application must be completed for all proposed projects that are subject to the permit requirements of the Illinois Health Facilities Planning Act, including those involving establishment, expansion, modernization or discontinuation of a service or facility.
- The person(s) preparing the application for permit are advised to refer to the Planning Act, as well as the rules promulgated there under (77 Ill. Adm. Codes 1100, 1110, 1120 and 1130).
- This Application does not supersede any of the above-cited rules and requirements that are currently in effect.
- The application form is organized into several sections, involving information requirements that coincide with the Review Criteria in 77 Ill. Codes 1110 (Processing, Classification Policies and Review Criteria) and 1120 (Financial and Economic Feasibility).
- Questions concerning completion of this form may be directed to the Health Facilities Planning Board staff at (217)782-3516.
- Copies of this application form are available on the Health Facilities Planning Board Website <http://www.idph.state.il.us/about/hfpb.htm>.

SPECIFIC

- Use this form, as written and formatted.
- Complete and submit **ONLY** those Sections along with the required attachments that are applicable to the type of project proposed. **ALL CRITERIA** for each applicable section must be addressed. If a criterion is not applicable label as such and state the reason why. For all applications that time and distance are required for a criterion submit copies of all Map-Quest Printouts that indicate the distance and time from the proposed facility or location to the facilities identified.
- Attachments for each Section should be appended after the last page of the application for permit.
- Begin each Attachment on a separate 8 1/2" x 11" sheet of paper and print or type the attachment identification in the lower right-hand corner of each attached page.
- Information to be considered must be included with the applicable Section attachments. References to appended material not included within the appropriate Section will **NOT** be considered.
- Upon completion of the application form, number all pages consecutively at the bottom center of each page.
- The application must be signed by the authorized representative(s) of each applicant entity.
- Provide an original application and one copy both **unbound**. **Label one copy original (on the application for permit)** that contains the original signatures.

Failure to follow these requirements **WILL** result in the application being declared incomplete. In addition, failure to provide certain required information (e.g., not providing a site for the proposed project or having an invalid entity listed as the applicant) may result in the application being declared null and void. Applicants are advised to read Part 1130 with respect to completeness (113.620(d)).

ADDITIONAL REQUIREMENTS**FLOOD PLAIN REQUIREMENTS**

Before an application for permit involving construction will be deemed **COMPLETE** the applicant must attest that the project is or is not in a flood plain, and that the location of the proposed project complies with the Flood Plain Rule under Illinois Executive Order #2005-5.

HISTORIC PRESERVATION REQUIREMENTS

In accordance with the requirements of the Illinois Historic Resources Preservation Act (IHRP), the Health Facilities Planning Board is required to advise the Historic Preservation Agency of any projects that could affect historic resources. Specifically, the Preservation Act provides for a review by the IHRP Agency to determine if certain projects may impact upon historic resources. Such types of projects include:

1. Projects involving demolition of any structures; or
2. Construction of new buildings; or
3. Modernization of existing buildings.

The applicant must submit the following information to the Illinois Historic Preservation Agency (Preservation Services Division, Old State Capitol, Springfield, Illinois 67201), so known or potential cultural resources within the project area can be identified and the project's effects on significant properties can be evaluated:

1. General project description and address;
2. Topographic or metropolitan map showing the general location of the project;
3. Photographs of any standing buildings/structure within the project area; and
4. Addresses for buildings/structures, if present.

The Historic Preservation Agency (HPA) will provide a determination letter concerning the applicability of the Preservation Act. Include the determination letter or comments from the HPA with the submission of the application for permit.

Information concerning the Historic Resources Preservation Act may be obtained by calling (217)782-4836.

SAFETY NET IMPACT STATEMENT that describes all of the following:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as

required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service

APPEND DOCUMENTATION AS ATTACHMENT-77, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

FEE

An application processing fee (refer to Part 1130.620(f) for the determination of the fee) must be submitted with most applications. If a fee is applicable, and initial fee of \$2,500 MUST be submitted at the same time as submission of the application. **The application will not be declared complete and the review will not be initiated if the processing fee is not submitted.** HFSRB staff will inform applicants of the amount of the fee balance, if any, that must be submitted. **Payment may be by check or money order and must be made payable to the Illinois Department of Public Health.**

SUBMISSION OF APPLICATION

Submit an original and one copy of all Sections of the application, including all necessary attachments. **The original must contain original signatures in the certification portions of this form.** Submit all copies to:

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Children's Memorial Outpatient Center		
Street Address:	2515 N. Clark and 467 W. Deming		
City and Zip Code:	Chicago, IL 60614		
County:	Cook	Health Service Area 6	Health Planning Area: A-01

Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	The Children's Memorial Hospital
Address:	2300 Children's Plaza, Chicago, IL 60614
Name of Registered Agent:	Donna Wetzler
Name of Chief Executive Officer:	Patrick M. Magoon
CEO Address:	2300 Children's Plaza, Chicago, IL 60614
Telephone Number:	773-880-4008

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership	
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental	
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship	<input type="checkbox"/> Other

o Corporations and limited liability companies must provide an Illinois certificate of good standing.
o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name:	Carl Rinder
Title:	Senior Business Analyst
Company Name:	The Children's Memorial Hospital
Address:	2300 Children's Plaza, Chicago, IL 60614
Telephone Number:	773-880-4024
E-mail Address:	crinder@childrensmemorial.org
Fax Number:	773-880-3068

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name:	Reagen Atwood
Title:	Assistant General Counsel
Company Name:	The Children's Memorial Hospital
Address:	2300 Children's Plaza, Chicago, IL 60614
Telephone Number:	773-880-8302
E-mail Address:	ratwood@childrensmemorial.org
Fax Number:	773-880-3529

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

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Street Address:	2515 N. Clark and 467 W. Deming		
City and Zip Code:	Chicago, IL 60614		
County:	Cook	Health Service Area 6	Health Planning Area: A-01

Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	The Children's Memorial Medical Center		
Address:	2300 Children's Plaza, Chicago, IL 60614		
Name of Registered Agent:	Donna Wetzler		
Name of Chief Executive Officer:	Patrick M. Magoon		
CEO Address:	2300 Children's Plaza, Chicago, IL 60614		
Telephone Number:	773-880-4008		

APPEND DOCUMENTATION AS **ATTACHMENT-1** IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership	
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental	
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship	<input type="checkbox"/> Other

Corporations and limited liability companies must provide an Illinois certificate of good standing.
 Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name:	Carl Rinder
Title:	Senior Business Analyst
Company Name:	The Children's Memorial Hospital
Address:	2300 Children's Plaza, Chicago, IL
Telephone Number:	773-880-4024
E-mail Address:	crinder@childrensmemorial.org
Fax Number:	773-880-3068

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name:	Reagen Atwood
Title:	Assistant General Counsel
Company Name:	The Children's Memorial Hospital
Address:	2300 Children's Plaza, Chicago, IL
Telephone Number:	773-880-8302
E-mail Address:	ratwood@childrensmemorial.org
Fax Number:	773-880-3529

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance]

Name:	Carl Rinder
Title:	Senior Business Analyst
Company Name:	The Children's Memorial Hospital
Address:	2300 Children's Plaza, Chicago, IL
Telephone Number:	773-880-4024
E-mail Address:	crinder@childrensmemorial.org
Fax Number:	773-880-3068

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	The Children's Memorial Hospital
Address of Site Owner:	2300 Children's Plaza, Chicago, IL 60614
Street Address or Legal Description of Site:	2515 N. Clark and 467 W. Deming

APPEND DOCUMENTATION AS **ATTACHMENT-2**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name:	The Children's Memorial Hospital		
Address:	2300 Children's Plaza, Chicago, IL 60614		
<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> o Corporations and limited liability companies must provide an Illinois certificate of good standing. o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. 			

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person who is related (as defined in Part 1130.140). If the related person is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS **ATTACHMENT-3**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. This map must be in a readable format. In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.idph.state.il.us/about/hfpb.htm>).

APPEND DOCUMENTATION AS **ATTACHMENT 4**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

<p>Part 1110 Classification:</p> <p><input type="checkbox"/> Substantive</p> <p><input type="checkbox"/> Non-substantive</p>	<p>Part 1120 Applicability or Classification: [Check one only.]</p> <p><input type="checkbox"/> Part 1120 Not Applicable</p> <p><input type="checkbox"/> Category A Project</p> <p><input type="checkbox"/> Category B Project</p> <p><input type="checkbox"/> DHS or DVA Project</p>
---	--

2. Project Outline

In the chart below, indicate the proposed action(s) for each clinical service area involved by writing the number of beds, stations or key rooms involved:

Clinical Service Areas	Establish	Expand	Modernize	Discontinue	No. of Beds, Stations or Key Rooms
Medical/Surgical, Obstetric, Pediatric and Intensive Care					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
Open Heart Surgery					
Cardiac Catheterization					
In-Center Hemodialysis					
Non-Hospital Based Ambulatory Surgery		See following page			
General Long Term Care					
Specialized Long Term Care					
Selected Organ Transplantation					
Kidney Transplantation					
Subacute Care Hospital Model					
Post Surgical Recovery Care Center					
Children's Community-Based Health Care Center					
Community-Based Residential Rehabilitation Center					
Long Term Acute Care Hospital Bed Projects					
Clinical Service Areas Other Than Categories of Service:					
• Surgery					
• Ambulatory Care Services (organized as a service)					
• Diagnostic & Interventional Radiology/Imaging					
• Therapeutic Radiology					
• Laboratory					
• Pharmacy					
• Occupational Therapy					
• Physical Therapy					
• Major Medical Equipment					
Freestanding Emergency Center Medical Services					
Master Design and Related Projects					
Mergers, Consolidations and Acquisitions					

Project Outline

Clinical Service Area	Establish	Expand	Modernize	Discon	Number of Key Rooms
Medical/Surgical, Obstetric, Pediatric and ICU					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
Open Heart Surgery					
Cardiac Catheterization					
In-Center Hemodialysis					
Non-Hospital Based Ambulatory Surgery					
General Long Term Care					
Selected Organ Transplantation					
Kidney Transplantation					
Subacute Care Hospital Model					
Post Surgical Recovery Care Center					
Children's Community-Based Health Care Center					
Long Term Acute Care Hospital Bed Projects					
Clinical Services other than Categories of Service:					
Surgery					
Ambulatory Care Services			X		92
Diagnostic & Interventional Radiology/Imaging		X	X		6
Therapeutic Radiology					
Laboratory		X	X		
Pharmacy					
Occupational Therapy					
Physical Therapy					
Major Medical Equipment					
Freestanding Emergency Center Medical Services					
Master Design and Related Projects					
Mergers, Consolidations and Acquisitions					

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

3. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The Children's Memorial Hospital* and The Children's Memorial Medical Center propose to modernize the Children's Memorial Outpatient Center located at 2515 W. Clark Street and 467 W. Deming Place in Chicago, Planning Area A-01. The proposed project will renovate 108,790 GSF of space for ambulatory clinics, Child Psychiatry offices, Diagnostic Cardiology, Specialty Laboratories, selected other clinical and non-clinical support services, code corrections, and various infrastructure improvements.

The Children's Memorial Outpatient Center consists of two adjacent buildings, 2515 W. Clark Street built in 1996, and 467 W. Deming Place built in 1970. The Children's Memorial Outpatient Center houses ambulatory clinics, ancillary diagnostic and treatment services, administrative offices, and offices leased to healthcare providers unaffiliated with Children's Memorial Hospital. These leases will be discontinued over the course of the project and converted to pediatric care purposes. Each building also contains parking on the lower floors. Over the last six years, the volume at this location has more than doubled, from 57,813 visits in FY 2003 to 121,133 visits in FY 2009, of which 43% were Medicaid-insured.

467 W. Deming Place is 40 years old and was not built with the needs of the required occupancies in mind, consequently presenting a number of functional and infrastructure issues needing to be addressed there, including replacing two obsolete elevators, installing an emergency generator, upgrading sprinklers and fire alarm system, and upgrading information technology infrastructure.

Based on the classifications found in Public Act 096-0031 Section 12, due to its not being included in the definition of "substantive" projects, and in Section 1110.40 of the Review Board's Rules, due to its being an "outpatient clinical service area," the proposed project is non-substantive.

* With the opening of the Ann & Robert H. Lurie Children's Hospital of Chicago in 2012, the name "Children's Memorial Hospital" will be replaced for facility identification purposes at that time.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-clinical components that are not related to the provision of health care, complete the second column of the table below. See 20 ILCS 3960 for definition of non-clinical. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)	See following page		
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			
SOURCE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

The Children's Memorial Hospital

Project Costs and Sources of Funds

Uses	Total	Clinical	Non-Clinical
Preplanning Costs	\$ 70,000	\$ 43,836	\$ 26,164
Site Survey and Soil Preparation	\$ -	\$ -	\$ -
Site Preparation	\$ 75,000	\$ 46,967	\$ 28,033
Off Site Work	\$ -	\$ -	\$ -
New Construction Contracts	\$ -	\$ -	\$ -
Modernization Contracts	\$ 17,893,700	\$ 11,205,593	\$ 6,688,107
Contingencies	\$ 1,252,800	\$ 784,542	\$ 468,258
Architectural/Engineering Fees	\$ 2,150,000	\$ 1,346,397	\$ 803,603
Consulting and Other Fees	\$ 922,000	\$ 577,385	\$ 344,615
Movable or Other Equipment	\$ 6,112,000	\$ 5,805,126	\$ 306,874
Bond Issuance Expense	\$ 975,000	\$ 610,576	\$ 364,424
Net Interest Expense	\$ 2,437,500	\$ 1,526,439	\$ 911,061
Fair Market Value of Leased Equipment	\$ -	\$ -	\$ -
Other Costs to be Capitalized	\$ 368,000	\$ 230,453	\$ 137,547
Total Project Cost	\$ 32,256,000	\$ 22,177,314	\$ 10,078,686
Sources			
Cash and Securities	\$ 7,256,000	\$ 4,986,314	\$ 2,269,686
Pledges	\$ -	\$ -	\$ -
Gifts and Bequests	\$ -	\$ -	\$ -
Bond Issues (Project Related)	\$ 25,000,000	\$ 17,191,000	\$ 7,809,000
Mortgages	\$ -	\$ -	\$ -
Leases	\$ -	\$ -	\$ -
Government Appropriations	\$ -	\$ -	\$ -
Grants	\$ -	\$ -	\$ -
Other Sources	\$ -	\$ -	\$ -
Total Project Funds	\$ 32,256,000	\$ 22,177,314	\$ 10,078,686

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project Yes No
 Purchase Price: \$ _____
 Fair Market Value: \$ _____

The project involves the establishment of a new facility or a new category of service
 Yes No

If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is \$ _____.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

None or not applicable Preliminary
 Schematics Final Working

Anticipated project completion date (refer to Part 1130.140): December 31, 2013

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

Purchase orders, leases or contracts pertaining to the project have been executed.
 Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON contingencies.
 Project obligation will occur after permit issuance.

State Agency Submittals

Are the following submittals up to date as applicable:

Cancer Registry
 APORS
 All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
 All reports regarding outstanding permits

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
Medical Surgical							
Intensive Care							
Diagnostic Radiology			See following	page			
MRI							
Total Clinical							
NON CLINICAL							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The Children's Memorial Hospital Cost and Space Requirements

Department	Project Cost	Gross Square Feet		Proposed GSF that is:					
		Existing	Proposed	New	Remodeled*	Modernization*	Total Renovation	As Is	Vacated
Clinical									
Ambulatory Clinics	\$ 3,777,898	31,794	30,736		6,296	9,951	16,247	14,489	1,058
Child Psychiatry Offices	\$ 3,565,408	13,694	10,478		10,478	0	10,478	0	3,216
PT/OT	\$ -	6,014	6,014		0	0	0	6,014	0
Orthotics	\$ -	4,846	4,846		0	0	0	4,846	0
Speech Therapy	\$ -	2,203	2,203		0	0	0	2,203	0
Audiology	\$ 174,031	0	242		242	0	242	0	0
General Radiology	\$ 167,103	4,402	4,860		902	0	902	3,958	0
Ultrasound	\$ -	382	382		0	0	0	382	0
MR Scanning	\$ -	599	599		0	0	0	599	0
Diagnostic Cardiology	\$ 2,069,024	0	4,307		4,307	0	4,307	0	0
Pulmonary Function Lab	\$ 270,327	0	1,391		1,391	0	1,391	0	0
Phlebotomy/General Lab	\$ 376,137	214	900		900	0	900	0	0
Specialty Labs	\$ 10,869,253	10,416	15,345		15,345	0	15,345	0	0
Motion Analysis Lab	\$ -	1,921	1,921		0	0	0	1,921	0
Urodynamics Lab	\$ 201,746	1,470	920		920	0	920	0	550
Employee Health	\$ 653,720	931	2,040		2,040	0	2,040	0	0
Sterile Supply	\$ 52,667	0	271		271	0	271	0	0
Total Clinical	\$ 22,177,314	78,886	87,455	0	43,092	9,951	53,043	34,412	4,824
Non-Clinical									
Family Support Offices	\$ 76,828	681	604		302		302	302	77
Faculty Offices	\$ 946,612	20,039	3,721		3,172		3,721	0	16,318
Admin Offices	\$ 873,346	972	3,744		3,183	549	3,433	311	0
Storage	\$ 76,110	3,828	2,808		361	335	696	2,112	1,020
Public Area	\$ 58,230	563	563		0	302	302	261	0
Circulation/Infrastructure	\$ 4,679,096	41,063	42,345		23,713	2,908	26,621	15,724	0
Receiving/Maintenance	\$ -	728	728		0		0	728	0
Mechanical	\$ 196,809	5,248	5,248		1,507	843	2,350	2,898	0
Staff Support	\$ 52,257	918	1,189		271		271	918	0
Leased Space	\$ -	15,757	0		0		0	0	15,757
Parking	\$ 3,119,398	146,125	138,098		0	18,051	18,051	120,047	8,027
Total Non-Clinical	\$ 10,078,686	235,922	199,048	0	32,509	23,238	55,747	143,301	41,199
Total Project	\$ 32,256,000	314,808	286,503	0	75,601	33,189	108,790	177,713	46,023

* "Remodeled" refers to space with programmatic or functional changes, whereas "Modernization" is limited to upgrading of fire alarm systems, sprinklers, and information systems without significant programmatic or functional alterations.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest Calendar Year for which the data are available. Any bed capacity discrepancy from the Inventory will result in the application being deemed incomplete.

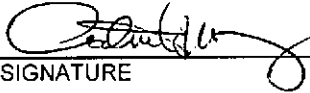
FACILITY NAME: <u>Children's Memorial Hospital</u>		CITY: <u>Chicago</u>			
REPORTING PERIOD DATES: From: <u>1/1/2008</u> to: <u>12/31/2008</u>					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics	156	7,741	34,698	0	156
Intensive Care	60	1,694	11,828	0	60
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	12	342	3,295	0	12
Neonatal Intensive Care	60	580	14,512	0	60
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	288	9,982	64,333	0	288


CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.


This Application for Permit is filed on the behalf of The Children's Memorial Hospital in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.



 SIGNATURE
 Patrick M. Magoon
 PRINTED NAME
 President & CEO
 PRINTED TITLE

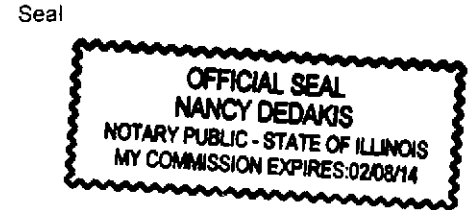
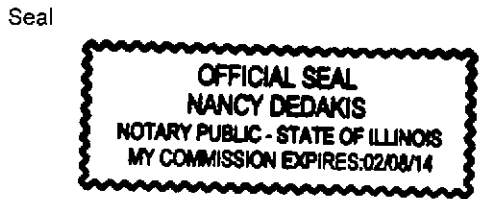

 SIGNATURE
 Gordon Bass
 PRINTED NAME
 Chief Operating Officer
 PRINTED TITLE

Notarization:
 Subscribed and sworn to before me
 this 8th day of March 2010

Notarization:
 Subscribed and sworn to before me
 this 8th day of March 2010


 Signature of Notary


 Signature of Notary




*Insert EXACT legal name of the applicant

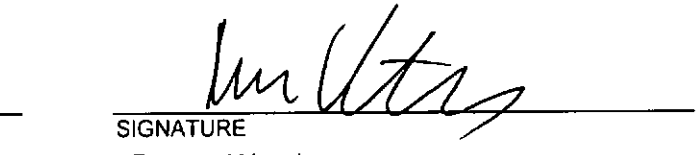
CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.


This Application for Permit is filed on the behalf of The Children's Memorial Medical Center in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.


 SIGNATURE
 Patrick M. Magoon
 PRINTED NAME
 President & CEO
 PRINTED TITLE


 SIGNATURE
 Donna Wetzler
 PRINTED NAME
 Secretary and General Counsel
 PRINTED TITLE

Notarization:
 Subscribed and sworn to before me
 this 8th day of March 2010

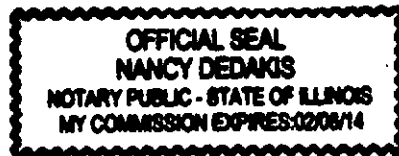
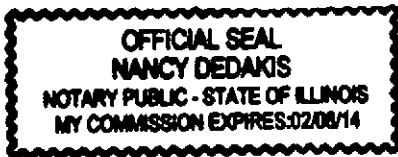
Notarization:
 Subscribed and sworn to before me
 this 5th day of March 2010


 Signature of Notary

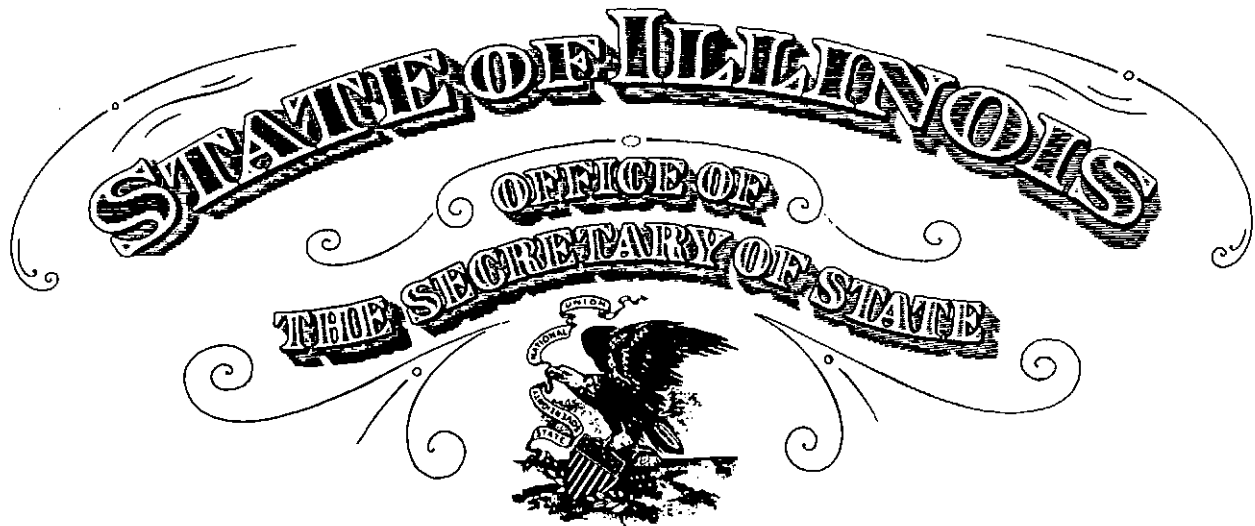

 Signature of Notary

Seal

Seal



*Insert EXACT legal name of the applicant



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

THE CHILDREN'S MEMORIAL HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



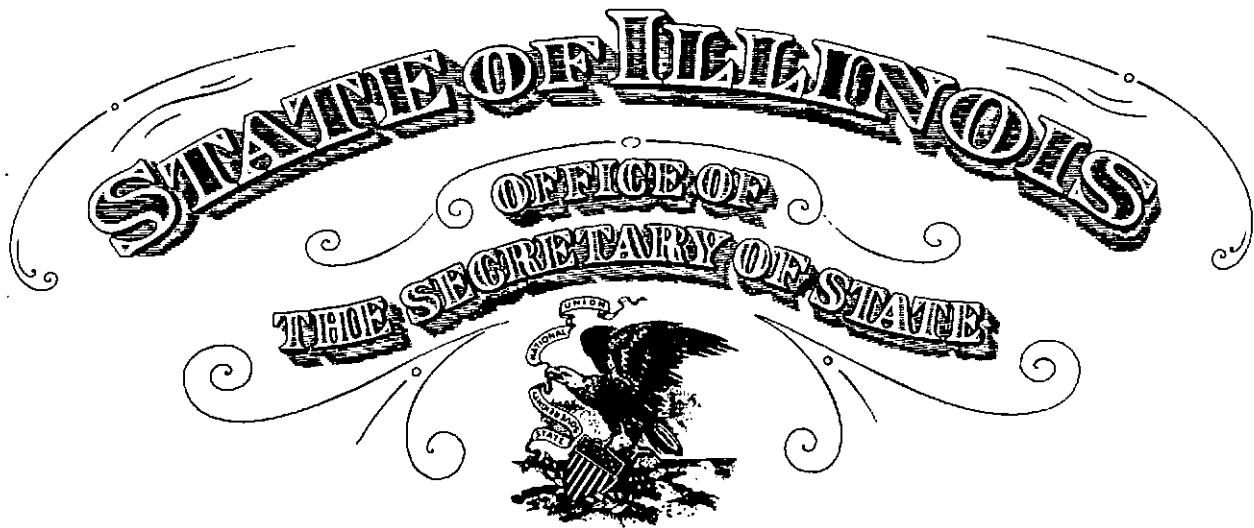
In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 25TH day of FEBRUARY A.D. 2010 .

Jesse White

SECRETARY OF STATE

Authentication #: 1005600876

Authenticate at: <http://www.cyberdriveillinois.com>



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

THE CHILDREN'S MEMORIAL MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 13, 1984, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1005601124

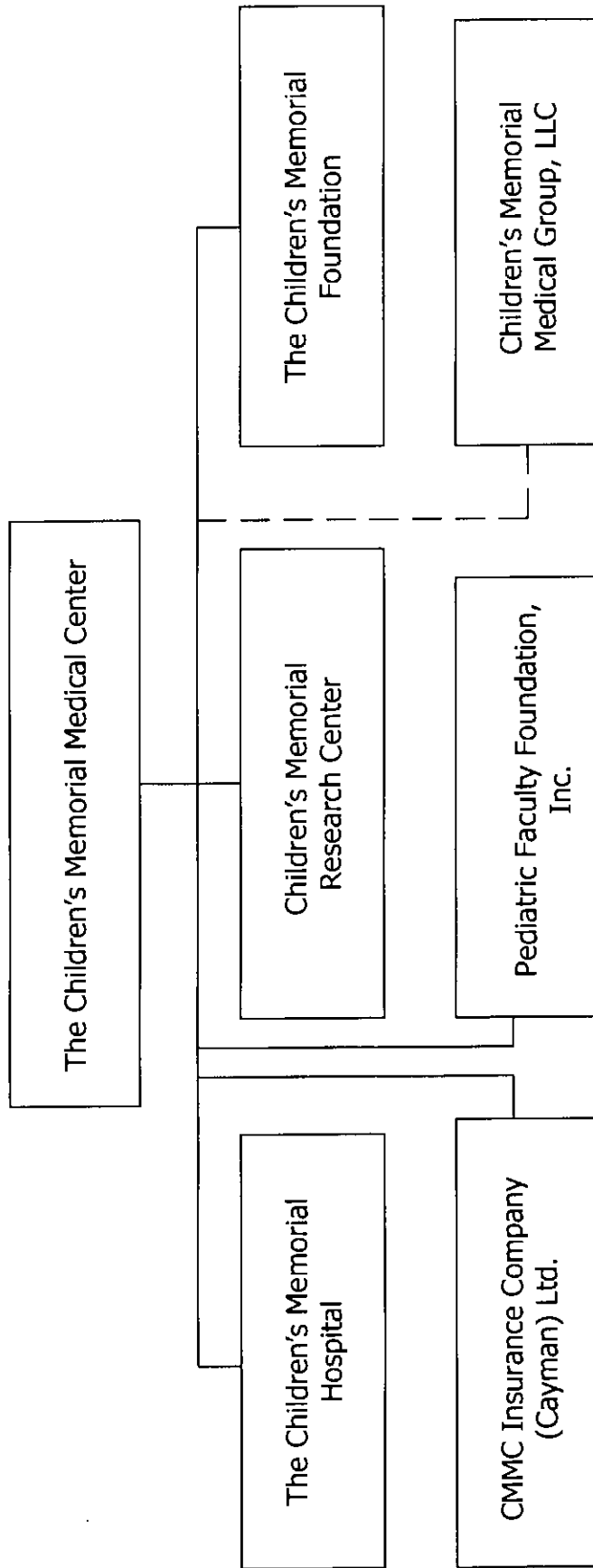
Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 25TH day of FEBRUARY A.D. 2010 .

Jesse White

SECRETARY OF STATE

CHILDREN'S MEMORIAL MEDICAL CENTER Corporate Organizational Structure





Illinois Department of Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271
<http://dnr.state.il.us>

Pat Quinn, Governor

Marc Miller, Acting Director

March 5, 2009

Mr. Bill Coddington
Sr. Business Analyst
Children's Memorial Hospital
2300 Children's Plaza
Chicago, IL 60614-3363

RE: Children's Memorial Hospital ambulatory care center remodeling at 2515 N. Clark St. and 467 W. Deming Pl., Chicago, Illinois.

Dear Mr. Coddington,

Thank you for requesting a floodplain determination for the proposed project to Children's Memorial Hospital ambulatory care center remodeling at 2515 N. Clark St. and 467 W. Deming Pl., Chicago, to ensure compliance with Illinois Executive Order 5 (2006).

In brief, Executive Order 5 (2006) requires that state agencies which plan, promote, regulate, or permit activities, ensure that all approved projects meet the standards of the state floodplain regulations or the National Flood Insurance Program (NFIP), whichever is more stringent. These standards require that new or substantially improved buildings and other development activities be protected from damage by the 100-year flood event. In addition, no construction activities in the floodplain may cause increases in flood heights or damages to other properties. Most importantly, development activities which are determined to be "critical facilities" must be protected to the 500-year flood elevation. Hospitals are specifically listed as a critical facility.

Based on the information you have provided, **we have determined that this parcel is not located in a designated 100-year floodplain** and therefore does not fall under the requirements of Executive Order 5 (2006).

Please note that William Saylor and the Illinois State Water Survey no longer make flood zone determinations for Executive Order 5 requests. Should you have any questions or comments regarding this flood hazard determination, feel free to contact me at (217) 782-0690.

Sincerely,

Annette Burris, CFM, CLA
Illinois Department of Natural Resources
Office of Water Resources
State Flood Programs



**Illinois Historic
Preservation Agency**

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Cook County
Chicago

Remodeling of Ambulatory Care Center, Children's Memorial Hospital
2515 N. Clark St., 467 W. Deming Pl.
IHPA Log #006022609

March 10, 2009

Bill Coddington
Children's Memorial Hospital
2300 Children's Plaza
Chicago, IL 60614-3363

Dear Mr. Coddington:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker
Anne E. Haaker
Deputy State Historic
Preservation Officer

Basis for Project Costs

The content of line item costs for the proposed project is as follows:

Preplanning	
Certificate of Need application fee	\$ 70,000
Site Preparation	
Asbestos abatement	\$ 75,000
Consulting	
Bid Document/Construction Administration	\$ 567,600
Interior Design	\$ 74,400
Equipment planning/procurement	\$ 100,000
Community relations	\$ 100,000
CON preparation	<u>\$ 80,000</u>
Total	\$ 922,000
Other Costs to be Capitalized	
Reimbursable Expenses	\$ 208,000
Testing & Inspection services	\$ 50,000
Moving costs	\$ 60,000
Miscellaneous	<u>\$ 50,000</u>
Total	\$ 368,000
Equipment	
Ophthalmology/ENT clinic	\$ 160,000
Audiology	\$ 85,000
Cardiology/Pulmonary labs	\$1,232,000
Specialty labs	\$1,500,000
IT	\$1,200,000
Furniture, all areas	<u>\$1,935,000</u>
Total	\$6,112,000

SECTION III. - PROJECT PURPOSE, BACKGROUND AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 - Project Purpose, Background and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, certification and accreditation identification numbers, if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals.

For projects involving modernization, describe the conditions being upgraded. For facility projects, include statements of age and condition and regulatory citations. For equipment being replaced, include repair and maintenance records.

NOTE: The description of the "Purpose of the Project" should not exceed one page in length. Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ALTERNATIVES

Document ALL of the alternatives to the proposed project:

Examples of alternative options include:

- A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.
 - 3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1110.230(a), Background of Applicant

A listing of licensed health care facilities operated by the Children's Memorial Hospital is provided below:

Licensed Facility	License Number	Accreditation ID
The Children's Memorial Hospital Chicago, Illinois	City of Chicago 11728, 11729, 11730 State of Illinois 1954470	7269
Children's Outpatient Services at Westchester Westchester, Illinois	State of Illinois 1928647	

Copies of the most recent operating licenses and accreditation letters are included as Attachment 10.a

There are no adverse actions against Children's Memorial Hospital as defined by Review Board rules. A letter of certification to that effect is included as Attachment 10.b. This letter also authorizes access to required documents as stipulated in Criterion 1110.230.

State of Illinois 1954470

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

Person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below

Issued under the authority of
The State of Illinois
Department of Public Health

MON T. ARNOLD, M.D.
DIRECTOR

EXPIRATION DATE	CATEGORY	I.C. NUMBER
12/31/10	BGBD	0003137

FULL LICENSE

PEDIATRIC HOSPITAL

EFFECTIVE: 01/01/10

BUSINESS ADDRESS

CHILDREN'S MEMORIAL HOSPITAL

2300 CHILDRENS PLAZA

CHICAGO

IL 60614

Background of this license has a colored background. Printed by Authority of the State of Illinois • 4/87 •

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 1954470
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

CHILDREN'S MEMORIAL HOSPITAL

EXPIRATION DATE	CATEGORY	I.C. NUMBER
12/31/10	BGBD	0003137

FULL LICENSE

PEDIATRIC HOSPITAL

EFFECTIVE: 01/01/10

11/07/09

CHILDREN'S MEMORIAL HOSPITAL
2300 CHILDRENS PLAZA

CHICAGO

IL 60614

FEE RECEIPT NO.



State of Illinois 1928647

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D. DIRECTOR

Issued under the authority of The State of Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/25/10	BGBD	7001555

FULL LICENSE
 AMBUL SURGICAL TREAT CNTR
 EFFECTIVE: 06/26/09

BUSINESS ADDRESS

CHILDREN'S OUTPATIENT SERVICES AT WESTCHESTER 2301 ENTERPRISE DRIVE

WESTCHESTER IL 60154

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← DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION



State of Illinois 19286 Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

CHILDREN'S OUTPATIENT SERVICES

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/25/10	BGBD	7001555

FULL LICENSE
 AMBUL SURGICAL TREAT CNTR
 EFFECTIVE: 06/26/09

05/07/09

CHILDREN'S OUTPATIENT SERVIC 2301 ENTERPRISE DRIVE

WESTCHESTER IL 60154

FEE RECEIPT NO. 666

CITY OF CHICAGO

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE CITY OF CHICAGO, THE FOLLOWING SPECIAL LICENSE IS HEREBY GRANTED TO:

CHILDREN'S MEMORIAL HOSPITAL
CHILDREN'S MEMORIAL HOSPITAL
2300 N. CHILDREN'S PLE., FLOOR 4, SUITE 187
CHICAGO, IL 60614-3318
1ST

LICENSE NO. 13770 CODE 2375 FEE \$2,200.00

1000 Beds MAX

PERMANENT PATRICK M. SULLOY
SECRETARY DONNA WITJAK

ISSUED ON 04/15/2009 FEE \$2,200.00

THIS LICENSE IS GRANTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR AND MAY BE REVOKED OR SUSPENDED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK, CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE COMMON COUNCIL THEREOF
THIS 15 DAY OF APRIL 2009

EXPIRES DATE: April 15, 2011



Richard M. Daley
MAYOR

Michael J. Daley
CITY CLERK

REV. NO. 3660 INT.



THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES.

CITY OF CHICAGO

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE CITY OF CHICAGO THE FOLLOWING SPECIFIED LICENSE IS HEREBY GRANTED TO

NAME: CHILDREN'S MEMORIAL HOSPITAL
CHILDREN'S MEMORIAL HOSPITAL
2301 N. CHILDREN'S PLZ., Floor: # Apt./Suite: 1ST
CHICAGO, IL 60614-3318

LICENSE NO. 11720 CODE 010 FEE \$250.00
LICENSE: Limited Business License

PRESIDENT: PATRICK M. MAGOON
SECRETARY: DONNA WETZLER

PRINTED ON 04/15/2009 \$250.00

THIS LICENSE IS ISSUED AND ACCEPTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR AND MAY BE SUSPENDED OR REVOKED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES, RULES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK, CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE CORPORATE SEAL THEREOF

THIS 15 DAY OF APRIL 2009

EXPIRATION DATE: April 15, 2011
ATTEST:



Richard M. Daley
MAYOR

Margaret M. Williams
CITY CLERK

CREV. NO. 5640 SHE: 1
TRANS. NO.



THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES.

CITY OF CHICAGO

LICENSE CERTIFICATE

NON-TRANSFERABLE

BY THE AUTHORITY OF THE CITY OF CHICAGO THE FOLLOWING SPECIFIED LICENSE IS HEREBY GRANTED TO

CHILDREN'S MEMORIAL HOSPITAL

CHILDREN'S MEMORIAL HOSPITAL
2309 N. CHILDREN'S PLZ., 7th Fl. / Suite 1ST
CHICAGO, IL 60614-3318
1ST

LICENSE NO. 117282 ILL. CODE 22.006 FEE \$ 880.00

TYPE: Retail Food Establishment

500 Sq. Ft.
PRESIDENT: PATRICK M. MAGOON
SECRETARY: DONNA WETLER

PRINTED ON 04/15/2009 FEE \$ 880.00

THIS LICENSE IS ISSUED AND ACCEPTED SUBJECT TO THE REPRESENTATIONS MADE ON THE APPLICATION THEREFOR AND MAY BE SUSPENDED OR REVOKED FOR CAUSE AS PROVIDED BY LAW. LICENSEE SHALL OBSERVE AND COMPLY WITH ALL LAWS, ORDINANCES, RULES AND REGULATIONS OF THE UNITED STATES GOVERNMENT, STATE OF ILLINOIS, COUNTY OF COOK, CITY OF CHICAGO AND ALL AGENCIES THEREOF.

WITNESS THE HAND OF THE MAYOR OF SAID CITY AND THE CLERK OF SAID CITY THIS 15th DAY OF APRIL, 2009.

EXPIRATION DATE: April 15, 2011
ATTEST



Richard M. Daley
MAYOR

Michael J. Valle
CITY CLERK

DEEV NO. 660 SITE:

TRANS NO. 32
THIS LICENSE MUST BE POSTED IN A CONSPICUOUS PLACE UPON THE LICENSED PREMISES.





The Joint Commission

July 31, 2009

Patrick Magoon
President and Chief Executive Officer
The Children's Memorial Hospital
2300 Children's Plaza
Chicago, IL 60614

Joint Commission ID #: 7269
Program: Hospital Accreditation
Accreditation Activity: Measure of Success
Accreditation Activity Completed: 07/31/2009

Dear Mr. Magoon:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning November 17, 2007. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit [Quality Check®](#) on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations



March 4, 2008

Patrick Magoon
President and Chief Executive Officer
The Children's Memorial Hospital
2300 Children's Plaza
Chicago, IL 60614

Joint Commission ID #: 7269
Accreditation Activity: Evidence of Standards
Compliance
Accreditation Activity Completed: 3/4/2008

Dear Mr. Magoon:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning November 17, 2007. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit [Quality Check®](#) on the Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that the Joint Commission will keep the report confidential, except as required by law. To ensure that the Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Linda S. Murphy-Knoll
Interim Executive Vice President
Division of Accreditation and Certification Operations



September 21, 2009

Patrick Magoon
President and Chief Executive Officer
The Children's Memorial Hospital
2300 Children's Plaza
Chicago, IL 60614

Joint Commission ID #: 7269
Program: Laboratory Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 09/21/2009

Dear Mr. Magoon:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

Comprehensive Accreditation Manual for Laboratory and Point-of-Care Testing

This accreditation cycle is effective beginning July 11, 2009. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 25 months.

Please visit [Quality Check®](#) on The Joint Commission web site for updated information related to your accreditation decision.

The following laboratory services have been surveyed under Joint Commission standards in accordance with the Clinical Laboratory Improvement Amendments of 1988 :

CLIA# 14D0683455 for the specialties and subspecialties of Bacteriology, Routine Chemistry, Urinalysis, Coagulation and Hematology.

CLIA# 14D0959554 for the specialties and subspecialties of Bacteriology, Coagulation and Hematology.

CLIA# 14D0665386 for the specialties and subspecialties of Bacteriology, Mycology, Virology, General Immunology and Hematology.

CLIA# 14D0680532 for the specialties and subspecialties of Routine Chemistry and Clinical Cytogenetics.

CLIA# 14D1008386 for the specialties and subspecialties of Bacteriology and Virology.

CLIA# 14D0665391 for the specialties and subspecialties of Routine Chemistry, Hematology, Immunohematology and Tissue Banking.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.

Executive Vice President

Accreditation and Certification Operations



The Children's Memorial Hospital
2300 Children's Plaza
Chicago, IL 60614

Organization Identification Number: 7269

Evidence of Standards Compliance (60 Day) Submitted: 9/1/2009

Program(s)
Laboratory Accreditation

Executive Summary

Laboratory Accreditation : As a result of the accreditation activity conducted on the above date(s), there were no Requirements for improvement identified.

If you have any questions, please do not hesitate to contact your Account Representative.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

**The Joint Commission
Summary of Compliance**

Program	Standard	Level of Compliance
LAB	HR.3.10	Compliant
LAB	QC.1.60	Compliant
LAB	QC.1.75	Compliant
LAB	QC.1.77	Compliant
LAB	QC.1.87	Compliant
LAB	WT.1.30	Compliant



Children's Memorial Foundation
Children's Memorial Institute for
Education and Research
Children's Memorial
Home Health, LLC

March 1, 2010

Mr. Dale Galassie
Chair,
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761



A Member of the
McGaw Medical Center of
Northwestern University

Dear Mr. Galassie:

In accordance with Criterion 1110.230(a)(3), I am submitting this letter to certify to the Illinois Health Facilities and Services Review Board ("Review Board") that:

1. The Children's Memorial Medical Center and The Children's Memorial Hospital do not have any "adverse actions", as that term is defined by Review Board rules, against any facility owned or operated by either entity during the three (3) year period prior to the filing of the application; and
2. The Children's Memorial Medical Center and The Children's Memorial Hospital authorize the Review Board and Department of Public Health ("Department") access to information in order to verify documentation or information submitted in response to the requirements of Criterion 1110.230(a)(3) or to obtain documentation or information which the Department finds pertinent to such subsection, including the records of nationally recognized accreditation organizations.

Sincerely,

Patrick Magoon
President and Chief Executive Officer
The Children's Memorial Medical Center and The Children's Memorial Hospital

Criterion 1110.230(b), Purpose of Project

The scope of the proposed project is to renovate portions of the Children's Memorial Outpatient Center for ambulatory clinics, child psychiatry offices, diagnostic cardiology, specialty laboratories, and selected other clinical and non-clinical support services; and provide code corrections and infrastructure improvements to portions of the building.

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The Children's Memorial Outpatient Center provides a broad range of pediatric services with a particular focus on specialized care for children with multi-disciplinary and/or rehabilitative needs, which are more fully described in Attachment 12, Alternatives to the Project. Because these specialized services are not widely available, the facility serves children from throughout the Chicago metropolitan area. Additionally, pediatric primary care to a more local, medically underserved population is provided at the facility through the Continuity Clinic (a pediatric residency training program selected by families who generally have no other primary care provider), and the Dentistry Clinic (also a training program). Child Psychiatry diagnostic and testing services will be added at that location.

Children's Memorial serves as a critically-important provider of health care services to the State of Illinois' neediest children, treating more children insured by the Medicaid program than any other Illinois hospital. In FY 2009, Children's Memorial provided 59% more pediatric inpatient and outpatient Medicaid services than the next highest Illinois hospital. The Children's Memorial Outpatient Center is one key component in this safety net for one of our State's most vulnerable populations, providing access for both primary and specialized care to underserved populations. In FY 2009, over 43% of visits at that location were provided to Medicaid patients. This percentage will increase in 2012 with the proposed relocation of Child Psychiatry services to the Children's Memorial Outpatient Center from Children's Memorial Hospital, where current Medicaid volume is approximately 60%.

2. Define the planning area or market area, per the applicant's definition.

The Children's Memorial Outpatient Center serves both a regional and local patient population. Specialty services at the Children's Memorial Outpatient Center, such as the Spina Bifida Clinic, serve patients throughout the seven-county metropolitan area and beyond, reflecting the broadly-distributed need for pediatric specialty care provided at the facility. The local service area, exemplified by primary care programs such as the Continuity (General Medicine) and Dentistry Clinics, is focused in the City of Chicago's north and northwest sides. Additional patient origin information is provided in Attachment 12.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.

467 W. Deming Place does not meet City of Chicago High Rise Code requirements for life safety and requires correction no later than January 1, 2017. The building is forty years old and does not provide sufficient infrastructure for current needs – including ventilation capacity, elevator service, and information systems. Existing spaces, including those areas currently occupied by leased tenants, do not lend themselves to design requirements of planned occupancies and program needs.

Attachment 11

Issues of access to pediatric primary and specialty medical services, including access by those children who are medically underserved or financially disadvantaged, remain an important challenge facing the State of Illinois, leading to initiatives such as the Healthcare for All Kids program. Children's Memorial Hospital will not be able to maintain its service access to the City of Chicago and beyond without optimizing its limited resources and using its existing facilities to the fullest extent possible. Since initiation of the All Kids program, Children's Memorial Hospital has experienced a 9.5% growth in outpatient Medicaid utilization as of FY 2009.

Finally, without renovations the Children's Memorial Outpatient Center will not be able to accommodate needed services such as Child Psychiatry and Specialty Labs which will need to be relocated in 2012 as a result of closing the existing Children's Memorial Hospital.

4. Cite the sources of the information provided as documentation.

- a. Historical Children's Memorial Hospital data – EPSI, Epic databases
- b. Projections – CMH Business Development, department administrators
- c. Ann & Robert H. Lurie Children's Hospital of Chicago Certificate of Need application, approved as Project 07-134

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being

The project allows Children's Memorial Hospital to complete the process of vacating the existing inpatient hospital in 2012 through relocation of specialty laboratories, Child Psychiatry treatment offices, and employee health, thereby avoiding the high operational costs which would be needed to maintain them in the physical plant in the old hospital or provide for them elsewhere. Proposed additional space in Phlebotomy/General Lab, Diagnostic Cardiology, and Pulmonary Function Testing will allow needed expansion in those departments, and improve access to services. City of Chicago code requirements and basic infrastructure updates will be addressed.

The proposed enhancement of the Children's Memorial Outpatient Center will support overall access to care for pediatric primary and specialty services within the City of Chicago and the surrounding metropolitan area, and for the significant numbers of children covered by the Illinois Medicaid program who are treated at that location.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals.

One important goal of the project is to coordinate the construction for both the Children's Memorial Outpatient Center renovation and the Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's), so that the current Children's Memorial Hospital facility can be vacated in entirety to both facilities simultaneously. Ensuring all services can be relocated to both facilities in a highly coordinated manner is essential to minimizing operational costs of relocation, and in shutting down the existing campus promptly as a part of vacating the property. An implementation chart showing the sequencing and dates of project phases is attached immediately following the Purpose of Project narrative.

Criterion 1110.230.c, Alternatives to the Proposed Project

1. Do Nothing

The Children's Memorial Outpatient Center consists of two adjacent, connected buildings located at 2515 N. Clark Street (built in 1996) and 467 Deming Place (built in 1970). The Children's Memorial Outpatient Center houses ambulatory clinics, ancillary diagnostic and treatment services, medical and administrative office space, and offices leased to healthcare providers unaffiliated with Children's Memorial Hospital. Each building also contains parking on the lower floors. Over the last six years, the volume at this location has more than double, from 57,813 visits in FY 2003 to 121,133 visits in FY 2009, of which 43% were Medicaid-insured.

Since the Deming building is 40 years old and was not built with the needs of the required occupancies in mind, there are a number of functional and infrastructure issues needing to be addressed there, including replacing an obsolete elevator, installing an emergency generator, upgrading sprinklers and fire alarm system, and upgrading information technology infrastructure.

When the new Lurie Children's is completed in 2012, Children's Memorial Hospital will discontinue the license to operate the existing hospital at 2300 Children's Plaza. The specialty labs, a portion of ambulatory child psychiatry services, and employee health, which were not programmed to be housed in the new hospital, will need to move from 2300 Children's Plaza to the Children's Memorial Outpatient Center at that time. Without the proposed renovations, these needed services would be forced to close or require continued use of space in the existing campus or elsewhere at greater long-term cost.

As noted in the application for construction of Lurie Children's, Project 07-134 (Section II Criterion 1110.130), a separate CON application is being filed for the proposed project because the scope and cost of renovation in the Children's Memorial Outpatient Center was not sufficiently known to include in the replacement hospital application at the time. The reference to the proposed project contained in Project 07-134 is copied below:

The Children's Memorial Hospital Permit Application for Replacement Hospital Construction Section II. Discontinuation

"It should also be noted that Children's Memorial will be retaining its Clark/Deming Outpatient Center, located in Lincoln Park, thereby maintaining a facility to serve its current local service area. The Children's Memorial Outpatient Center will provide outpatient clinic services, outpatient psychiatry offices, imaging, laboratory testing, and rehabilitation services, including Physical/Occupational Therapy, Speech Therapy, and the Motion Analysis Laboratory. This facility will provide a convenient option for families and referring physicians who require routine imaging or lab testing for their pediatric patients, and was strongly supported by area pediatric practices in a survey conducted by Children's Memorial. Retention of this facility also provides a less costly alternative than building new space for those services in the proposed Streeterville

location. It is anticipated that future renovations required in that building will require certificate-of-need permit in approximately 2011.”

Making no renovations at the Children’s Memorial Outpatient Center would perpetuate the dysfunctionality and obsolescence of existing space, and reduce access to care for the pediatric primary and specialty services needing to be relocated from Children’s Memorial Hospital. These services are vital for underserved populations who rely on Children’s Memorial for medical care, making it the largest provider of pediatric care in the State of Illinois, and the largest provider of care to children covered by the Illinois Medicaid program.

2. Include Children’s Memorial Outpatient Center services in the new Lurie Children’s

The new Lurie Children’s has a projected construction cost per GSF (including contingency) of \$551 (Project 07-134 Section 1120.310(c)(1)), compared to the average cost of \$176 per GSF (clinical and non-clinical services combined) for renovating the Children’s Memorial Outpatient Center. Based on the relative differences in cost per square foot, it would cost approximately \$81 million to replicate the Children’s Memorial Outpatient Center (excluding parking) in new space, compared to the proposed construction and contingency cost of \$19.1 million, a significant savings of as much as \$55 million (the difference between \$551/sf and \$176/sf times the non-parking building area of 148,000 sf). In light of these cost considerations, and maximizing access to ambulatory care, the new Lurie Children’s was not sized to accommodate services provided at the Children’s Memorial Outpatient Center.

Including these ambulatory services in the new hospital would have required more expensive square footage compared to renovating existing space. Remodeling the Children’s Memorial Outpatient Center is considerably less costly than adding more floors to a complex, high-rise building.

3. Construct a New Ambulatory Medical Clinic

Developing a new, freestanding medical clinic in an urban environment would be more costly than remodeling the current Children’s Memorial Outpatient Center. As shown in Table 1, construction costs as surveyed by the R.S. Means Company are higher for constructing a new medical clinic than the proposed renovation.

Table 1. Construction Cost per SF Comparison*

	CMH Project (Renovation)	R.S. Means (New Space)	CMH Project (New Space + Land)
Cost/GSF – Clinical Only	\$226	\$238	\$276
Cost/GSF – Clinical and Non-Clinical	\$176	\$238	\$276

*See Section 1120.310.c for detailed explanation of construction cost per GSF.

The R.S. Means square foot costs do not take into account the significant additional costs of land/property purchase and associated site preparation which building a new medical clinic in the urban environment of Chicago would require. Based on the assumption of an approximately 1-acre site and a range of real estate costs for the Lincoln Park area between \$100-150/sf to acquire a two-story, 90,000 sf building, hypothetical property costs alone without site preparation would amount to \$11,000,000 (\$125/sf x 90,000 sf), adding \$38/sf to the benchmark R.S. Means construction cost per sf (\$11,000,000 / total Children's Memorial Outpatient Center building area of 286,500 sf). More importantly, if a new medical clinic facility were constructed, the entire building area of 286,500 sf would need to be replaced, rather than remodeling a smaller area. The impact on total construction costs is compared in Table 2.

Table 2: Total Construction Cost Comparison

	CMH Project (Renovation)	R.S. Means (New)	CMH Project (New Space + Land)
Cost/SF	\$176	\$238	\$276
Construction Area	108,790	286,500	286,500
Construction Cost	\$19.1 million	\$68 million	\$79 million

Development of a new medical clinic facility is a more costly alternative than the proposed renovation.

4. (Best alternative) Renovate the Children's Memorial Outpatient Center

The alternative selected was to renovate the Children's Memorial Outpatient Center. This option minimizes the total required capital outlay in the transition to the new Lurie Children's, allows for expansion in the Specialty Labs, Diagnostic Cardiology, and other outpatient services, improves functionality of the existing facility and infrastructure, and maintains access to needed pediatric services for the general population as well as the medically underserved.

As the only free-standing general pediatric hospital in the State of Illinois, Children's Memorial Hospital is the largest provider of medical services to children in the Chicago metropolitan area and surrounding regions, with a complete range of medical and surgical specialties available. Its patient care mission focuses on tertiary care provided to a broad geographic area but also includes general medical services provided to underserved local populations. Additionally, Children's Memorial Hospital is also the largest provider of medical services to children covered by the Illinois Medicaid program, providing nearly 60% more inpatient and outpatient services to that population than the next highest hospital in the most recent fiscal year.

In addition to the inpatient hospital located in Planning Area A-1, Children's Memorial Hospital operates specialty ambulatory centers throughout the Chicago metropolitan area, including the Children's Memorial Outpatient Center. Consolidating inpatient and

procedural services at the main hospital creates economies of scale for intensive tertiary services, while locating subspecialty ambulatory care services that can function away from the inpatient hospital provides essential access to pediatric subspecialists in communities throughout the City and metropolitan region. Along with the Children's Memorial Outpatient Center, currently Children's Memorial Hospital operates specialty ambulatory centers in Westchester, Winfield (in conjunction with Central DuPage Hospital), Arlington Heights (Northwest Community Hospital), Lake Forest (Lake Forest Hospital), Glenbrook (Glenbrook Hospital), and New Lenox (Silver Cross Hospital). Children's Memorial Hospital collaborates with selected hospitals across the region to provide specialty pediatric care close to home.

Among these outreach sites, the Children's Memorial Outpatient Center has been organized with a particular focus on serving children with multidisciplinary and/or rehabilitative medical needs. Multidisciplinary clinics promote collaboration between specialists, integration of ancillary services with physician examinations, continuity of care, and effective use of time from the standpoint of the child and family. The Spina Bifida clinic is one such multidisciplinary program located in the Children's Memorial Outpatient Center. Spina bifida patients are able to see Orthopedists, Neurosurgeons, Urologists, Psychologists, and allied health services consecutively and in one location. Imaging, Physical therapy, Occupational therapy, Urodynamics (for treatment of bladder dysfunction) and other rehabilitative services are also easily accessible. Other multi-disciplinary programs located at the facility include Specialized Infectious Diseases, Neurofibromatosis Clinic, Cleft Lip and Palate Clinic, Craniofacial Clinic, Brachial Plexus Clinic, and Cystic Fibrosis Clinic. Specialty clinics are collocated with ancillary services as closely as possible to minimize the patient's total encounter time and/or the need to travel to the inpatient hospital for services. For example, the Cardiopulmonary space combines physician clinics with diagnostic testing facilities where patients will be able to have echocardiogram, electrocardiogram, holter monitoring, cardiac exercise, and pulmonary function testing completed immediately before or during the visit with their Cardiologist or Pulmonologist as needed. A map depicting the metropolitan area-wide patient origin of specialty services offered at the Children's Memorial Outpatient Center is included as Attachment 12.a.

In addition to specialty services, pediatric primary care is provided in the facility through the Continuity Clinic, a pediatric residency training program found in teaching hospitals across the country, which supports children and families without access to other primary care providers. This program serves a more local geographic area, consisting of the north and northwest portions of the City of Chicago. The service area of the Continuity Clinic is included as Attachment 12.b.

Both the Clark and Deming buildings have parking garages located within the facility. Children in wheelchairs or with other mobility limitations are able to exit their car and with a short elevator ride easily access their ambulatory services.

Outpatient pediatric specialty services located in the building will include the following as of project completion, also grouping directly-related ancillary services or multi-disciplinary clinics where applicable:

Allergy

Cardiology

Diagnostic Testing

Child and Adolescent Psychiatry

Dentistry

Endocrinology/Diabetes

Gastroenterology

General Pediatrics and related sub-services

Continuity Clinic (pediatric residency training)

Nutrition Clinic

Lead Clinic

Infectious Diseases – Acquired Immune Disorders

Neurology

Epilepsy

Brachial Plexus

Neurofibromatosis (with Genetics, Dermatology)

Neurosurgery

Orthopedics

Motion Analysis Center

Otolaryngology

Ophthalmology

Plastic Surgery

Cleft Lip and Palate (with Dentistry)

Craniofacial Disorders (with Neurosurgery)

Pulmonary Medicine

Cystic Fibrosis (with Gastroenterology)

Pulmonary Function Testing

Spina Bifida (Neurosurgery, Orthopedics, Urology)

Urology

Urodynamics Lab

Pediatric Imaging

Radiography/Fluoroscopy

Ultrasound

Magnetic Resonance Imaging

Bone Densitometry

Rehabilitation Services

Physical Therapy

Occupational Therapy

Orthotics

Speech

Audiology

Motion Analysis Center

Specialty Clinical Labs

Along with serving as a location for patient care, the Children's Memorial Outpatient Center also serves as a training facility for residents, fellows, and allied health personnel within the

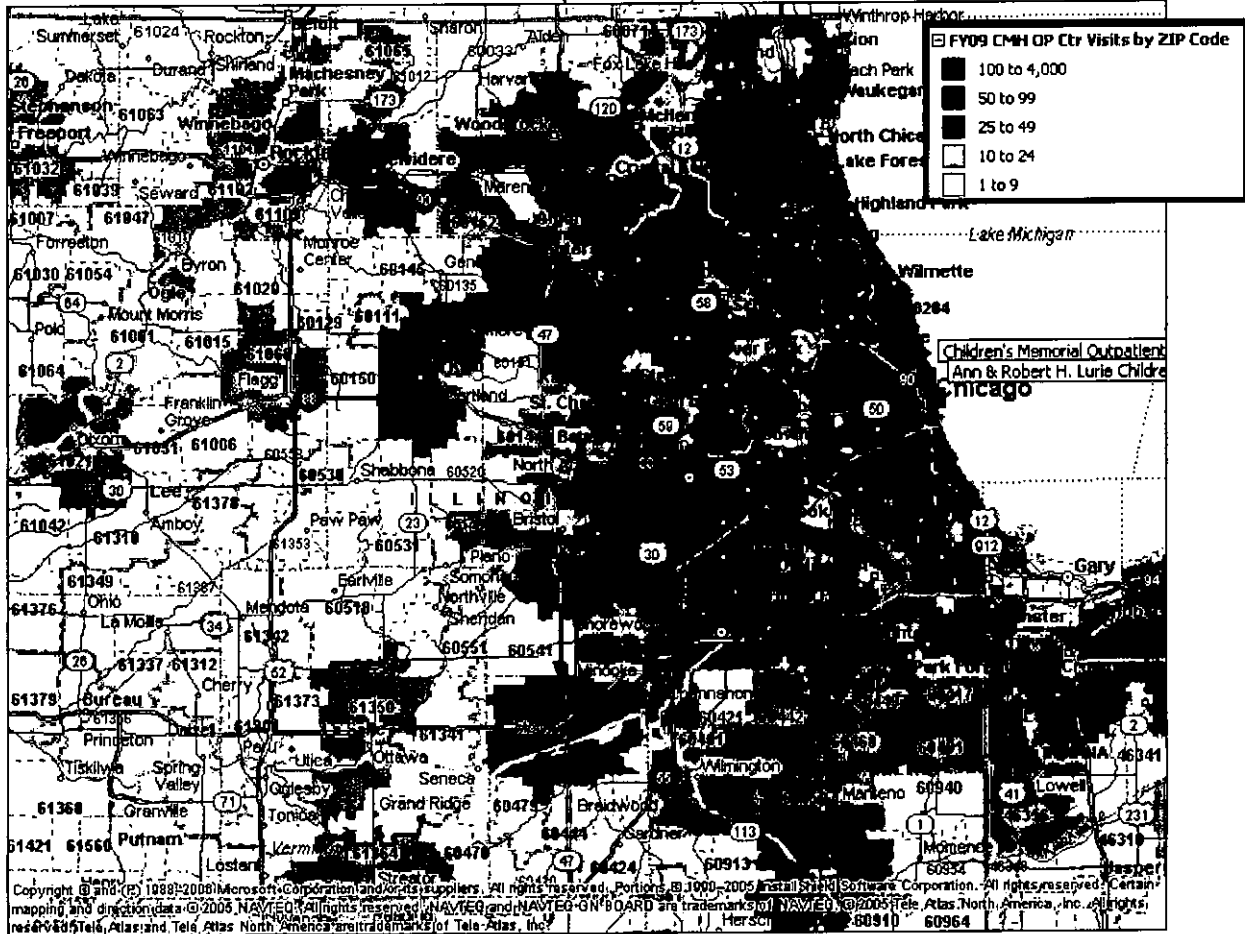
pediatric specialties provided there. Children's Memorial Hospital serves as the primary training site for the Department of Pediatrics in the Northwestern University Feinberg School of Medicine, and also provides undergraduate, graduate and post-graduate training in a variety of surgical specialties, Child and Adolescent Psychiatry, Medical Imaging, Pathology, Anesthesia, Nursing, and a number of allied health services.

The relative costs and benefits of the alternatives discussed above are summarized on the table immediately following.

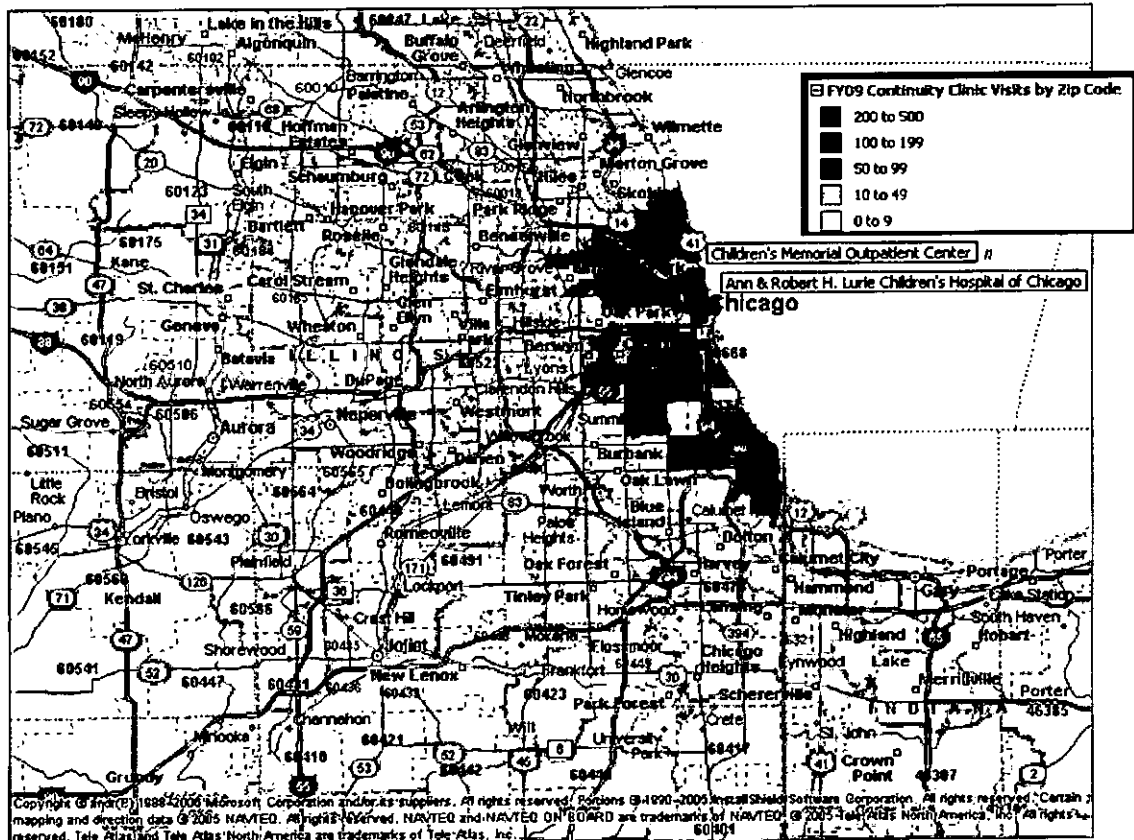
Table 2: Cost/Benefit Summary

ALTERNATIVE	COSTS/LIMITATIONS	BENEFITS
1. Do Nothing	<ol style="list-style-type: none"> 1. High cost to maintain old hospital and/or discontinuation of needed specialty services 2. Access limitations for ambulatory care, including Medicaid-eligible patients 3. No growth potential for diagnostic cardiology and specialty labs 4. High cost to maintain physical plant at old hospital 	
2. Include Ambulatory Services in New Lurie Children's Hospital	<ol style="list-style-type: none"> 1. Additional construction cost estimated at \$60 million over proposed project 	
3. Construct a New Ambulatory Medical Clinic	<ol style="list-style-type: none"> 1. Additional cost of \$60 million compared to proposed project 2. Difficulty locating adequately-sized property 	
4. Renovate the Children's Memorial Outpatient Center (best alternative)	<ol style="list-style-type: none"> 1. Total project cost estimated at \$32M 	<ol style="list-style-type: none"> 1. Cost savings over new space 2. Expansion of specialty labs, cardiopulmonary testing, other selected services 3. Enhancement of building/space functionality 4. Continued access for needed services

Attachment 12.a: FY 09 Children's Memorial Outpatient Center Patient Origin (All visits)



Attachment 12.b: FY 09 Continuity Clinic (Pediatric Residency Training) Patient Origin



SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE**Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space**

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive.
2. If the gross square footage exceeds the GSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
 - c. The project involves the conversion of existing bed space that results in excess square footage.

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B.

APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage of the proposed shell space;
2. The anticipated use of the shell space, specifying the proposed GSF tot be allocated to each department, area or function;
3. Evidence that the shell space is being constructed due to
 - a. Requirements of governmental or certification agencies; or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data are available; and

- b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1110.234.a, Size of the Proposed Project

Table 3 shows the Children’s Memorial Outpatient Center’s proposed areas by department with a comparison to the State norms where applicable.

Table 3: Proposed Departmental Areas

Department	Area (DGSF)	Key Rooms or Other Factor	Area/Room or Other Factor	State Norm
Amb Clinics	30,736	92 rooms	334/room	667/room
Child Psychiatry	10,478			
Orthotics	4,846			
Speech/Audiology	2,445	288 beds**	8.5/bed**	1.8/bed**
PT/OT*	6,014	156 beds**	38.6/bed**	27.3/bed**
Motion Lab	1,921			
Gen Radiology	4,860	3 rooms	1,620/room	1,386/room
MR Scanning	599	1 room	599/room	3,400/room
Ultrasound	382	2 rooms	191/room	1,386/room
Diag Cardiology	4,307			
Pulmonary Lab	1,391			
Phlebotomy/Gen Lab	900			
Specialty Labs	15,345	63.7 FTE	240.9/FTE	225/FTE
Urodynamics Lab	920			
Employee Health	2,040			
Sterile Supply	271	288 beds**	0.9/bed**	18/bed**

* The Physical/Occupational Therapy department space is fully shared between PT and OT, so the areas/bed have been combined for purposes of comparison.

** Bed based criteria, likely inapplicable to outpatient services.

Departments in variance with the State norms are highlighted in Table 4, and will be discussed in the narrative immediately following.

Table 4: Proposed Departmental Areas - Variance with State Area Norms

Department	Existing Area (DGSF)	Proposed Area (DGSF)	Key Rooms or Other Factor	Area/Room or Other Factor	State Norm
Speech/Audiology	2,445	2,445	288 beds**	8.5/bed **	1.8/bed**
PT/OT*	6,014	6,014	156 beds**	38.6/bed **	27.3/bed**
Gen Radiology	4,860	4,860	3 rooms	1,620/room	1,386/room
Specialty Labs	10,416	15,345	63.7 FTE	240.9/FTE	225/FTE

* The Physical/Occupational Therapy department space is fully shared between PT and OT, so the areas/bed have been combined for purposes of comparison

** Bed based criteria, likely inapplicable to outpatient services.

As per Section 110.234(a)(2), the Children's Memorial Outpatient Center's existing configuration "requires an architectural design that results in a size exceeding the standards of Appendix B." For Speech/Audiology, PT/OT, and General Radiology, the space and/or number of key rooms already exists and is not increasing. Demolishing existing space or rooms to conform to the State size norms would not be economically prudent.

1. Speech Therapy/Audiology

The Speech Therapy area will remain the same size with no remodeling proposed, and is therefore not part of the proposed project. Discussion of departmental size in comparison with State norms is being provided for informational purposes. Currently the clinicians located there are utilizing scheduled hours for patient visits 70% of their total worked time, achieving what is considered a common productivity standard for this service.

The State norm for Speech Therapy/Audiology is 1.8 gsf/Bed compared to Children's Memorial Hospital's projected 8.5 gsf/bed (2,445 departmental gsf divided by 288 total beds). The State norm, utilizing inpatient beds as the denominator, would translate to a need for 518 square feet (1.8 gsf/bed times 288 total beds). This standard appears to be directed towards an inpatient hospital setting, primarily providing administrative office space needed for speech therapists and audiologists on the assumption that the bulk of patient care services is provided in patient rooms. Speech Therapy/Audiology at the Children's Memorial Outpatient Center operates with all care being provided in the therapists' offices or audiology booth, amounting to over 6,800 visits in FY 09. The State standard is therefore likely not applicable to space needs required in an outpatient facility.

An Audiology booth and testing room totaling 242 gsf will be installed to support Otolaryngology and other clinics located in the building, as well as walk-in appointments. Currently Otolaryngology does not provide clinics in the Children's Memorial Outpatient Center but is scheduled to do so beginning in 2012. On-site Audiology services will also be required at that time to support the Otolaryngology clinic.

2. Physical/Occupational Therapy

This department is not being expanded or renovated and is therefore not part of the project. Size comparisons with State norms are being provided for informational purposes. Physical and Occupational Therapy have a combined total of 6,014 dgsf which is completely shared between the two services. This translates to 38.6 dgsf/pediatric bed (based on the "lowest denominator" of 156 beds per the State norm for Physical Therapy) while the State norm is 27.3 dgsf/bed for both services together (4.3 dgsf + 23.0 dgsf). As with Speech and Audiology, the State norm appears to be a measure of inpatient-oriented programs delivering a substantial amount of care in patient rooms, while the Children's Memorial Outpatient Center currently accommodates almost 14,000 outpatient visits annually in the department. The space, like Speech Therapy, is considered fully utilized by the department for scheduling purposes.

3. General Radiology

General Radiology currently provides 3 imaging rooms in 4,402 dgsf, an average of 1,467 dgsf/room, and is proposed to add 458 departmental gsf to provide expanded staff office space, increasing the space per room to 1,620 dgsf. This allocated departmental area includes space in support of all three modalities provided in the building, General Radiology, Ultrasound, and MR Scanning, and would be below the State norm if common areas were prorated among all three modalities.

4. Specialty Labs

The State norm for laboratory space is 225 dgsf/full-time equivalent. The Children's Memorial Outpatient Center will have 240.9 dgsf/FTE. The specialty labs (Special Infectious Disease, Cytogenetics, Biochemical Genetics, HLA/Molecular Pathology, Immunology, and Mass Spectrometry), consistent with clinical labs in general, have over time shifted to a more automated process involving a larger complement of laboratory equipment while the number of laboratory technicians needed to operate and monitor the equipment has stayed the same or even decreased in some instances. The result is a shift in the mix of laboratory space use from staff work space to equipment space, coupled with increased overall efficiency to process an increasing number of tests without adding staff. However, the area/FTE formula being used for the state norm may not fully factor in this shift in use of space, in effect not fully recognizing the relatively lower number of staff per test or per square foot today than would have been the case previously.

As an academic medical center, the laboratory includes additional space for students and research & development in every lab. Students have not been factored in to the area/FTE calculations and would lower the area/FTE figure of 240.9.

Criterion 1110.234.b, Utilization of the Proposed Project

Table 5 details the projected clinical volumes by department and the corresponding State norms where applicable.

Table 5: Projected Departmental Utilization

Department	Historical Experience				Projections			Volume/ Metric	State Norm
	FY06	FY07	FY08	FY09	FY13	Rooms	Area (DGSF)		
Ambulatory Clinics	59,466	63,548	67,527	71,227	65,300	92	30,736	710	2,000/room
Child Psychiatry Offices	17,845	19,295	19,171	18,400	8,000		10,478		
Orthotics	5,173	4,995	4,551	4,478	6,075		4,846		
Speech Therapy	4,599	5,302	5,702	6,616	7,659		2,203		
PT/OT	38,982	41,362	44,683	52,756	61,072		6,014	10.2	7.5/DGSF*
Motion Analysis Lab	193	197	149	169					
Audiology	3,783	3,775	4,306	4,767	600		242		
Imaging									
General Radiology	12,160	11,354	10,702	10,663	11,626	3	4,860	3,875	6,500/room
MR Scanning	0	0	584	1,685	1,854	1	599	1,854	2,000/room
Ultrasound	2,559	2,419	2,251	1,944	1,944	2	382	972	2,000/room
Diagnostic Cardiology							4,307		
Echo	4,281	4,419	4,410	5,604	4,164	6			
ECG	6,841	6,893	5,525	5,520	5,000	2			
Holter	0	0	936	1,499	899	1			
Event Monitor	0	0	250	343	67				
Stress lab/exercise	390	573	504	631	475	1			
Pacer	1,625	1,634	1,677	1,952	600				
Pulmonary Function Lab	1,648	1,648	1,695	1,963	1,500	3	1,391		
Lab	0	0	1,165	7,402	7,402		900		
Specialty Labs							15,345		
Urodynamics Lab	963	942	847	673	673		920		
Employee Health							2,040		
Sterile Supply							271		

* The Physical/Occupational Therapy department space is fully shared between PT and OT, so the combined PT/OT treatments/dgsf are compared against the State norm of 7.5 treatments/dgsf.

Table 6 focuses on the departments not meeting the State norm followed by narrative descriptions on each of those departments.

Table 6: Projected Departmental Utilization - Variance with State Norm Volumes

Department	Historical Experience				Projections			Volume/ Metric	
	FY06	FY07	FY08	FY09	Rooms	FY13	Rooms		Area (DGSF)
Ambulatory Clinics	59,466	63,548	67,527	71,227	97	65,300	92	30,736	710
General Radiology	12,160	11,354	10,702	10,663	3	11,626	3	4,860	3,875
MR Scanning	0	0	584	1,685	1	1,854	1	599	1,854
Ultrasound	2,559	2,419	2,251	1,944	2	1,944	2	382	972

1. Ambulatory Clinics

Currently the Children's Memorial Outpatient Center has 97 exam rooms, which will be reduced to 92. The existing and projected ambulatory clinic volume of 710 visits/room is below the State norm of 2,000 visits/room. The projected volume of 65,300 visits would justify 32 rooms instead of the planned 92. Primary factors in this utilization differential are as follows.

The Children's Memorial Outpatient Center houses specialty clinics which are intensive in the number of medical personnel who see each child on average, in comparison to a primary care practice. This multi-disciplinary model leads to significantly longer appointment times and has a major impact on exam room utilization and capacity requirements. As also noted in the application for Project 07-134, construction of Lurie Children's, Children's Memorial Hospital defines a "visit" as a single episode of care incurred by a patient even though the patient may be seen by multiple providers (depending on the needs of the child). Clinic visits generally include a physician visit, a physician trainee, an advanced practice nurse, and very often visits with allied health providers such as social workers, dieticians, and/or physical therapists. Consequently, a typical visit to one of the specialty clinics is more typically 2-3 "provider visits" per scheduled appointment. The multidisciplinary clinics concentrated in the facility would carry even higher numbers of providers per patient visit. This translates to longer average appointments, and consequently fewer patients per room per day, than would be found in a general medical or primary care setting.

Table 6 shows the breakdown of provider visits for the projected clinics at the Children's Memorial Outpatient Center, differentiating between specialty clinics and the resident-staffed Continuity Clinic. Specialty clinics, at an average of 2.5 providers per visit (physician, physician trainee, and advanced nursing or allied health personnel) are at a utilization level of approximately 95% of the State norm for visits per room. The Continuity Clinic rooms display a lower utilization rate due to the nature of the training that takes place there. Further discussion is provided following Table 7.

Table 7: Provider Visits Calculated as Visits per Exam Room

	Patient Visits Only	MD + Trainee	MD + Trainee + Allied Health	State Norm
Providers per Visit	1	2	2.5	2.6
Specialty Visits	55,600	111,200	139,000	142,000
Proposed rooms	71	71	71	71
Visits per Room	783	1,566	1,958	2,000
Providers per Visit	1	2	2.5	4.3
Continuity Visits	9,700	19,400	24,250	42,000
Proposed rooms	21	21	21	21
Visits per Room	462	924	1,155	2,000
Providers per Visit	1	2	2.5	2.8
Total Visits	65,300	130,600	163,250	184,000
Proposed Rooms	92	92	92	92
Visits per Room	710	1,420	1,774	2,000

Attachment 14

As noted above, the Continuity Clinic is a pediatric resident-staffed clinic that provides primary medical care to an underserved population. It is a program found in medical schools across the country and is an important part of a pediatrician's training in office-based medical practice. By national protocol, residents are limited in the number of patients they are able to see per clinic session. First year residents may see no more than 5 patients/session (1/2 day or 4 hour clinic) and second and third are limited to 6. This ensures residents have enough time to consult with attending faculty on diagnosis and treatment plans. In actual practice, the visit/resident levels encountered at Children's Memorial Hospital are considerably lower than these mandated guidelines. This circumstance further reduces the number of patient appointments per room for the 21 exam rooms dedicated to this program, which is nearly 25% of the total in the building. Additionally, as noted above with the specialty clinics, Continuity Clinic patients are also often seen in the same exam room by social workers and other allied health personnel. The practical limits on throughput, and the additional time needed for multiple provider visits during the course of the encounter, also serve to reduce the Continuity Clinic's overall utilization below the State norm.

Projected visits are based on an assumed 5% annual growth rate from FY 09 volumes, along with a programmed split of activity between the new Lurie Children's and the Children's Memorial Outpatient Center. Actual increases for the last two years have averaged 6-7% for the specialty clinics in question. Although renovation involving ten exam rooms is proposed, the overall number of exam rooms is decreasing by five from the current number of 97 rooms.

2. General Radiology

No increase in general radiology rooms is proposed. The projected general radiology volume is 3,875 procedures/room, which is below the State norm of 6,500 procedures/room. With 11,626 projected procedures, the State norm would justify 2 radiology rooms instead of the existing and proposed 3 rooms.

The Children's Memorial Outpatient Center currently has 3 general radiology rooms. Two of the radiology rooms are dedicated to the Orthopedic Clinic, with physical adjacency to that area, and are located on a separate floor from the main radiology suite. The third general radiology room, located within the radiology suite on a separate floor, must serve all other specialty clinics in the building as well as walk-in appointments.

The Children's Memorial Outpatient Center is not open 24/7 and does not serve inpatients or an emergency department. Consequently, the imaging rooms in the building are not able to reach the same use levels as equipment located in an inpatient hospital. The two Orthopedic Clinic radiology rooms are not available to other services. The third general radiology room sometimes serves all other specialty clinics but becomes unavailable to those clinics due to equipment malfunction or scheduled appointments (see the example in the following paragraph).

Urodynamic imaging studies done in conjunction with the Urodynamics Lab are a good example of scheduled procedures in the radiology suite which limits ancillary support

available to other clinics. Voiding cystourethrogram (VCUG) is an x-ray of a child's bladder utilizing urodynamics and fluoroscopy. The test typically takes 2 hours and ties up one of the three general radiology rooms 2 days/week when VCUG tests are scheduled. This unique diagnostic test ties up the 3rd radiology room during those times of the week and makes support for other specialty services in the building unavailable.

3. MR Scanning

No increase in MR scanning rooms or change in space is proposed. Discussion of utilization is being provided for informational purposes. The existing MR scanner was installed in Children's Memorial Outpatient Center in FY08, provided 1,685 visits its second year of operation, and will have 1,854 projected visits in FY13. The unit is an important support service for the specialty clinics located in the building, particularly Neurology, Neurosurgery, Orthopedics, and multidisciplinary clinics such as Spina Bifida and Craniofacial. While not currently operating at the State norm of 2,000 visits per year, the existing unit has improved convenience and efficiency of care by eliminating trips to the inpatient hospital for MR scans. The existing and projected volume justifies the single unit which is now in place.

4. Ultrasound

No increase in ultrasound rooms is proposed, and no renovation is taking place in that space. Discussion of utilization is being provided for informational purposes. The State norm for ultrasound is 2,000 visits per room compared to the existing and projected 972 visits/room. The projected volume justifies 1 room based on the State norm, instead of the existing 2 rooms.

As noted, the Children's Memorial Outpatient Center is not open 24/7 and does not serve inpatients or an emergency department. As such, additional ultrasound volume will not be incorporated in off-hours as an inpatient hospital with an emergency department would do. As with the other imaging modalities discussed above, ultrasound provides diagnostic support for medical/surgical clinics in the facility, with Urology, Orthopedics, and Kidney Diseases being the highest users. Having a second room available improves the ability to handle peak utilization periods during the week based on scheduling of clinics, as well as providing a back-up unit in the event of malfunction.

Criterion 1110.234.c, Shell Space

There is no shell space proposed in the project.

Criterion 1110.234.d, Assurances

No shell space is proposed. This criterion is not applicable.

R. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms	# to Establish	# to Expand	# to Modernize
<input type="checkbox"/> See Attachment 71.a					
<input type="checkbox"/>					
<input type="checkbox"/>					

3. READ the applicable review criteria outlined below and SUBMIT all required information:

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) -	Need Determination - Establishment
Service Modernization	(c)(1) -	Deteriorated Facilities
		and/or
	(c)(2) -	Necessary Expansion
		PLUS
	(c)(3)(A) -	Utilization - Major Medical Equipment
		Or
	(c)(3)(B) -	Utilization - Service or Facility

APPEND DOCUMENTATION AS INDICATED BELOW, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM:

APPLICABLE REVIEW CRITERIA	Attachment Number
Need Determination - Establishment	62
Service Demand	63
Referrals from Inpatient Base	64
Physician Referrals	65
Historical Referrals to Other Providers	66
Population Incidence	67
Impact of Project on Other Area Providers	68
Utilization	69
Deteriorated Facilities	70
Necessary Expansion	71
Utilization -Major Medical Equipment	72
Utilization - Service or Facility	73

Criterion 1110.3030, Clinical Service Areas Other than Categories of Service: Ambulatory Care Services

Service Modernization

1. Deteriorated Equipment or Facilities

A number of infrastructure issues in the Children's Memorial Outpatient center exist, including required upgrades to sprinklers and fire alarm systems, replacement of the obsolete Deming building elevator, provision of an emergency generator to support the Deming Building, and upgrades to information system support.

The City of Chicago High Rise Code requires updating of the fire safety systems in the Deming Building, which will be done as part of the proposed project. This will include replacing the fire alarm system and sprinklering the entire building. A copy of the High Rise Code referencing pertinent safety requirements and timeframes for compliance is attached to this section. It references a requirement for buildings over 80 feet in height to be 100% sprinklered by January 1, 2017.

The Deming elevator equipment is approximately forty years old, provides inadequate service, and is costly to maintain and repair. The project will include replacement of the elevator equipment in that building.

The proposed construction in the Deming Building requires an emergency generator in order to provide: 1) uninterrupted power to freezers holding patient specimens in the Specialty Laboratories in the event of a power failure; 2) emergency lighting; and 3) uninterrupted power to one elevator in both the Deming and Clark buildings. The project will provide an emergency generator to support the facility.

The facility does not provide the information systems infrastructure to support current and planned applications. The project will provide expanded data servers and related equipment to bring the facility up to capacities required for Electronic Medical Records, Physician Order Entry, PACS/Medical Imaging, and clinical laboratory systems.

SUBSTITUTE

ORDINANCE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new Section 13-196-203, as follows:

13-196-203 Life safety data sheet—Required.

(A) No later than April 1, 2005, any owner of an existing building exceeding 80 feet in height above grade shall file with the fire department a life safety data sheet containing the following information about the building: (1) the name of the building owner of record, and, if applicable, the building manager; (2) the address of the building; (3) whether the building is residential or commercial or of mixed use; (4) if the building is residential or of mixed use, the number of dwelling units in the building; (5) the number of stories in the building; (6) whether the building is equipped with an automatic sprinkler system meeting any or all of the requirements of Chapter 15-16 of this code, and identifying the areas so protected; and (7) whether the building is equipped with a standard inside standpipe system, a fire pump and a smokeproof tower.

(B) All information contained in the life safety data sheet shall be kept current. Any change in required information shall be reported by the building owner to the fire department within 14 days after the change. This subsection shall be enforceable against the building owner and against any subsequent owner.

Any person who violates the requirements of this section shall be fined not less than \$200 nor more than \$500 for each offense. Each day that a violation continues shall constitute a separate and distinct offense.

SECTION 2. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new Section 13-196-204, as follows:

13-196-204 Voice communication systems in existing buildings.

(A) Subject to the exceptions listed below, no later than January 1, 2012, every existing building exceeding 80 feet in height above grade shall be equipped with the following: (i) a one-way voice communication system meeting the requirements of section 13-76-050(b); and (ii) a two-way voice communication system meeting the requirements of section 13-76-050(a); provided, however, that a telephone or other two-way communication system connected to an approved station, and installed pursuant to and in accordance with Option 2 of section 13-196-084(a), shall be deemed to satisfy the requirements of item (ii) of this section

(B) Neither a one-way nor a two-way voice communication system shall be required in the following buildings:

Exception No. 1: Buildings that are classified as Class A-2, Multiple Dwellings, and are for non-transient residential use and are fully protected by automatic sprinklers.

Exception No. 2: Institutional buildings and schools that have an approved standard fire alarm system as required by Section 15-16-110.

(C) A one-way voice communication system shall not be required in the following buildings:

Exception No. 1: Non-transient residential buildings with an existing occupant notification system if a detailed description of the existing occupant notification system is submitted to and approved by the commissioner of buildings and the fire commissioner or by their designated representatives. In order to be considered for approval under this exception, and if approved under this exception, the existing occupant notification system shall meet the following criteria:

- (a) The system must be in continuous use and must be tested on a monthly basis, or the system must have electronic supervision to indicate operational deficiencies in the system including, but not limited to, shorts, grounds and breaks in the circuit wiring; and
- (b) The system must be audible throughout all required areas of the building, or must produce within all dwelling units a minimum sound level of 45 dBA within 10 feet of any existing occupant notification system device; and
- (c) The system must be able to transmit voice instructions without delay; and
- (d) The system must be able to transmit voice instructions to all required areas or to all dwelling units at the same time; and
- (e) The system must be available for fire department use from a central command location; and
- (f) The system is subject to field testing; and
- (g) Replacement or modification of system components *to meet the above criteria* is limited to 50% of the reproduction cost of the existing occupant notification system.

(D) A two-way voice communication system shall not be required in the following buildings:

Exception 1: Buildings that are classified as Class A-2, Multiple Dwellings, and are for non-transient residential use if the building does not exceed 15 stories in height and contains 60 or fewer dwelling units as defined in section 13-4-010.

(E) For purposes of this section, "non-transient residential" means a residential use other than a hotel, motel, bed-and-breakfast establishment, dormitory, transitional shelter, emergency shelter or other temporary residential use.

(F) This section shall be enforceable against the building owner and against any subsequent owner.

SECTION 3. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new Section 13-196-205, as follows:

13-196-205 Automatic sprinkler system installation in existing high rise buildings.

Subject to the exceptions listed below, every existing building exceeding 80 feet in height above grade shall be protected throughout by an approved automatic sprinkler system meeting the requirements of Chapter 15-16 of this code unless otherwise provided by section 13-196-207. The owner of each such building shall, no later than September 1, 2005, submit for approval to the bureau of fire prevention a plan for compliance with the requirements of this section. The requirements of this section shall be enforceable against the building owner and against any subsequent owner.

Every building subject to the provisions of this section shall comply with the following schedule for installation of an approved automatic sprinkler system: one-third of the gross square footage of the building shall be equipped with automatic sprinklers by January 1, 2009; two-thirds of the gross square footage of the building shall be equipped with automatic sprinklers by January 1, 2013; and the entire gross square footage of the building shall be equipped with automatic sprinklers by January 1, 2017. Buildings subject to any of the following exceptions 3 through 7, inclusive, shall comply with the requirements of section 13-196-206.

Exception No. 1: An open-air parking facility meeting the requirements of section 13-96-920 of this code.

Exception No. 2: The open-air *portions* of a stadium.

Exception No. 3: A building that is classified as a Class A-2, Multiple Dwelling, and that is a non-transient residential use. *This exception includes (a) all approved auxiliary use areas of the building other than parking garages; and (b) any parking garage in the building that is used exclusively by the building's non-transient residential occupants and their guests or by persons who, pursuant to a written lease agreement, rent space in the building's parking garage for use by a designated motor vehicle in time increments of at least one month in duration.*

Exception No. 4: The following portions of a building classified as a mixed occupancy building:

- (A) Any portion of a mixed occupancy building that is classified as a Class A-2, non-transient residential use;
- (B) Any approved auxiliary use area wholly contained within a Class A-2, non-transient residential use portion of a mixed occupancy building;
- (C) Any parking garage in a mixed occupancy building that *is used exclusively by the building's non-transient residential occupants and their guests or by persons who, pursuant to a written lease agreement, rent space in the building's parking garage for use by a designated motor in time increments of at least one month in duration.*
- (D) Any portion of a mixed occupancy building, other than those portions of the building classified as a Class A-2, non-transient residential use, if all of the following criteria are met:

(1) The cumulative total of the building's floor areas not classified as a Class A-2, non-transient residential use does not exceed 10% of the total floor area of the building. The floor areas of parking garages used exclusively by the building's non-transient residential occupants and their guests shall be excluded from the calculation of the building's total floor areas not classified as a Class A-2, non-transient residential use and from the calculation of the total floor area of the building; and

(2) Occupancy separations are provided in accordance with Table 13-56-280 as set out in section 13-56-280 of this code; and

(3) The mixed occupancy building must be either of Type I, fire-resistive construction or of Type II, non-combustible construction; and

(4) All of the exempted areas within the mixed occupancy building, other than those portions of the building classified as a Class A-2, non-transient residential use, are located in the building at a floor level elevation that does not exceed 80-feet in height above average grade.

Exception No. 5: A building designated as a Chicago Landmark pursuant to Article XVII of Chapter 2-120 of this code unless the landmarked building is required to be equipped with an automatic sprinkler system by other provisions of this code.

Exception No. 6: A building within a landmark district designated pursuant to Article XVII of Chapter 2-120 of this code and determined to be a contributing building unless the contributing building is required to be equipped with an automatic sprinkler system by other provisions of this code.

Exception No. 7: A building color-coded red or orange in the Chicago Historic Resources Survey, published in 1996, unless the building is required to be equipped with an automatic sprinkler system by other provisions of this code.

For purposes of this section, "non-transient residential" means a residential use other than a hotel, motel, bed-and-breakfast establishment, dormitory, transitional shelter, emergency shelter or other temporary residential use.

SECTION 4. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new Section 13-196-206, as follows:

13-196-206 Life safety evaluation of existing high rise buildings.

(A) No later than January 1, 2005, the commissioner of buildings shall adopt by rule and publish criteria for life safety evaluations of all existing buildings exceeding 80 feet in height above grade that are not required by section 13-196-205 to be protected throughout by an approved automatic sprinkler system. The criteria adopted pursuant to this subsection shall provide sufficient protection to life and safety of building occupants. The criteria shall be developed based on a review of available resources, including standardized building and safety codes and the practices of other municipalities.

(B) The owner of any building qualifying for any exception 3 through 7, inclusive, of section 13-196-205 shall have the building evaluated for life safety by a licensed professional engineer or by a licensed architect; provided, however, that this requirement shall not apply to any building which is protected throughout by a previously approved automatic sprinkler system. The licensed engineer or architect shall prepare a life safety evaluation of the building in accordance with the requirements of this section and with any rules and regulations promulgated thereunder. The life safety evaluation shall be signed and sealed by the person who prepared it and shall contain an explicit statement acknowledging that the information contained therein is true and complete.

(C) If, based on the use of a scoring system described by rule to conduct the life safety evaluation, the licensed professional engineer or licensed architect determines that the building achieves the minimum score required on the life safety evaluation, the licensed engineer or architect shall certify the evaluation as a life safety compliance plan and shall give the life safety compliance plan to the building owner. No later than January 1, 2006, the building owner shall submit the life safety compliance plan to the department of buildings and the bureau of fire prevention. The life safety compliance plan shall be enforceable against the building owner and against any subsequent owner.

(D) If, based on the use of a scoring system described by rule to conduct the life safety evaluation, the licensed professional engineer or licensed architect determines that the building does not achieve the minimum score required on the life safety evaluation,

the building owner shall, no later than January 1, 2006, submit the life safety evaluation to the department of buildings and the bureau of fire prevention along with either: (1) a proposal to protect the building throughout with an automatic sprinkler system meeting the requirements of Chapter 15-16 of this code unless otherwise provided by section 13-196-207, notwithstanding any exceptions for which the building may have otherwise qualified pursuant to section 13-196-205, and using the schedule for installation described in section 13-196-205; or (2) a proposal for achieving the minimum score required on the life safety evaluation by making specified modifications to the building.

Any proposal submitted pursuant to this subsection shall be signed and sealed by a licensed professional engineer or by a licensed architect. In addition, any proposal submitted pursuant to item (2) of this subsection shall contain (i) an explicit statement by the licensed engineer or architect certifying that if the modifications identified in the proposal are fully implemented, the building will receive the minimum score required on the life safety evaluation; and (ii) a timetable for completion of those modifications to be phased in over a stipulated period of years, but no later than **January 1, 2012**, at which time the modifications identified in the proposal shall be fully implemented. Any schedule for installation or timetable required by this subsection shall be enforceable against the building owner and against any subsequent owner.

If, after reviewing the certified proposal, the commissioner of buildings and the deputy commissioner of the bureau of fire prevention determine that the certified proposal, when fully implemented, will enable the building to achieve the minimum score required on the life safety evaluation, the commissioner and deputy commissioner shall jointly accept the certified proposal as a life safety compliance plan. The life safety compliance plan shall be enforceable against the building owner and against any subsequent owner.

(E) No permit shall be issued for work on any existing building that is the subject of a life safety compliance plan unless the licensed architect or licensed engineer of

record identified in the permit application certifies in writing that the permitted work will not reduce or otherwise negatively impact the score of the life safety evaluation on which the life safety compliance plan is based; nor shall any permit be issued for work on a building whose owner is in violation of any of the requirements of this section unless the permit is necessary to cure the violation.

(F) Nothing in this section shall be construed to waive any provision of the Municipal Code of Chicago applicable to existing buildings or to relieve any person from full compliance with those provisions.

SECTION 5. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new Section 13-196-207, as follows:

13-196-207 Materials and installation standards for retrofit fire protection systems.

In every existing high rise building subject to the requirements of sections 13-196-204, 13-196-205 or 13-196-206 of this code, the following materials and installation standards shall apply to newly installed fire protection systems:

- (A) An existing water supply that serves an existing fire department wet-standpipe system may also serve as the water supply for retrofit sprinkler systems, provided the water supply meets, non-simultaneously, the larger of either the standpipe demand at the time of the original installation, or the new sprinkler system demand including hose stream allowance.
- (B) Notwithstanding the requirements of sections 18-28-602.2.1 and 15-16-370, sprinkler piping and sprinklers shall meet or exceed the requirements of NFPA 13-2002 and their respective product listings issued by an approved independent laboratory or agency.
- (C) Automatic sprinkler systems shall meet or exceed the requirements of NFPA 13-2002 except that at least one sprinkler shall be provided within the stairway enclosure at the landing serving the door(s) to each floor.
- (D) If repairs or minor modifications are made to existing dry-pipe sprinkler systems, the zoning of the system may remain as originally installed.
- (E) Low-voltage electrical wiring risers for fire detection and fire alarm notification systems may be installed in stairways, notwithstanding the requirements of section 15-8-180, if the wiring is in conduit and does not obstruct the required egress width of a stairwell.

- (F) Low-voltage electrical branch wiring in horizontal runs for voice communication systems may be installed without conduit, unless required by other sections of this code, if the wiring (i) is limited combustible FHC 25/50 CMP; and (ii) has a maximum Class 1 flame spread rating as defined in section 15-12-040; and (iii) has a smoke developed rating not to exceed 50 when tested in accordance with ASTM E-84.
- (G) Low-voltage electrical wiring for fire detection systems may be run in the same conduit as low-voltage electrical wiring for fire alarm notification systems, as permitted by NFPA 72-2002 and the product listings of the wire and the conduit issued by an approved independent laboratory or agency.
- (H) Low-voltage fire detection equipment panels and low-voltage fire alarm notification equipment panels may be installed in the same panel box, as permitted by NFPA 72-2002 and the product 's listing issued by an approved independent laboratory or agency.
- (I) Central station monitoring of fire alarm systems may use digital alarm communicators with constant supervision, as permitted by NFPA 72-2002.

SECTION 6. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new section 13-196-208, as follows.

13-196-208 Smokeproof towers in existing high rise buildings–Fire shields.

If fire shields in smokeproof towers are provided to protect openings of balconies or vestibules in existing buildings exceeding 80 feet in height above grade, such fire shields shall comply with the requirements of this section.

(A) Fire shields shall comply with all applicable requirements for fire windows as provided in section 15-12-160.

(B) Fire shields shall have an opening sash having a clear area not less than as required in section 13-160-380(c), arranged to open automatically in case of fire to the full limit and to be held securely in such open position. Provision shall be made for the manual opening or closing of the sash.

(C) The automatic opening of the sash shall be actuated by approved devices located inside the building within five feet of the door from the building to the vestibule or balcony and located also on the ceiling of the vestibule or balcony. Such devices shall be designed to operate as a result of rate of temperature rise or when the surrounding air reaches a temperature of 120 degrees Fahrenheit.

(D) Each fire shield sash shall be tested annually to verify automatic operation as required in-subsection (c) of this section. Testing shall be performed by an individual or organization approved by the deputy commissioner in charge of the bureau of fire prevention. Reports of the testing shall be filed with the bureau by June 30th of each year.

SECTION 7. Chapter 13-196 of the Municipal Code of the City of Chicago is hereby amended by inserting a new section 13-196-209, as follows:

13-196-209 High rise buildings–Stairways–Doors–Frames.

No later than January 1, 2012, doors and frames in stairways in all existing residential buildings and buildings of mixed residential occupancy exceeding 80 feet in height above grade shall have a fire resistance rating of at least one hour.

SECTION 8. Section 15-16-610 of the Municipal Code of the City of Chicago is hereby amended by inserting the language underscored, as follows:

15-16-610 Retroactivity.

The provisions of sections 15-16-170 to 15-16-600, both inclusive, shall apply to all automatic sprinkler systems hereafter installed in any preordinance buildings, existing buildings and buildings hereafter constructed and shall also apply to any automatic sprinkler systems installed prior to the passage of this ordinance which were not installed in accordance with approved plans and permits; provided, however, that existing high rise buildings subject to the requirements of sections 13-196-205 or 13-196-206 may deviate from these provisions to the extent permitted by section 13-196-207.

SECTION 9. Section 13-200-310 of the Municipal Code of the City of Chicago is hereby amended by inserting the language underscored, as follows:

13-200-310 Building over 80 feet in height.

Any building over 80 feet in height which is altered or repaired, the cost of which in any consecutive 30 months exceeds 50 percent of the reproduction cost of the building, shall comply with requirements of Chapter 13-76 for high rise buildings, and Chapter 15-8 for stair, elevator and shaft enclosures.

SECTION 10. Section 13-196-038 of the Municipal Code of the City of Chicago is hereby amended by inserting the language underscored, as follows:

13-196-038 Fines and penalties.

Any violation of or interference with the enforcement of any ~~provisions~~ provision of section 13-196-031 through and including section 13-196-037, and of section 13-196-204 through and including 13-196-209, shall be punishable by a fine of not less than \$500 and not more than \$1000 for each offense. Each day that a violation ~~shall continue~~ continues shall constitute a separate and distinct offense for which a fine as herein provided shall be imposed.

SECTION 11. This ordinance shall be in full force and effect from and after its passage and approval.

Criterion 1110.3030, Clinical Service Areas Other than Categories of Service: Ambulatory Care Services

Service Modernization

2. Necessary Expansion

a. Overview

Clinical services which are receiving increased space as a result of the proposed project include Phlebotomy/General Lab, Specialty Labs, Diagnostic Cardiology, Pulmonary Function Testing, Audiology, Employee Health, and Sterile Processing. The project will provide needed expansion, improved access, and/or improved operating efficiencies following the relocation of Children's Memorial Hospital's inpatient facility, as described below.

b. Phlebotomy

The existing Phlebotomy space in the Children's Memorial Outpatient Center, which provides two specimen draw rooms, is inadequate to accommodate both scheduled clinic appointments and unscheduled/walk-in visits, resulting in long wait times for service at various points. In addition, the Phlebotomy facility will need to accommodate more patients due to the relocation of Children's Memorial Hospital to Lurie Children's in 2012, since some "walk-in" testing is currently done at the main hospital today and will be directed to the Children's Memorial Outpatient Center in the future. The Phlebotomy/General Lab area is proposed to expand from 214 dgsf to 900 dgsf, increasing the number of blood draw rooms from two to four, along with a patient toilet, staff work room, and storage.

c. Specialty Labs

Specialty Labs to be located in the building include Cytogenetics, Biochemical Genetics, Special Infectious Disease, HLA/Molecular Diagnostics, Immunology, and Mass Spectroscopy. These labs, currently located in Children's Memorial Hospital, have been constrained in achieving sufficient space for new equipment associated with innovative testing services, and consequently have become increasingly crowded in their current location. The number of cases utilizing these services has increased by 13% over the last three years. The proposed relocation of these labs to the Children's Memorial Outpatient Center will increase the departmental area from 10,416 dgsf to 15,345 dgsf and eliminate existing space deficiencies.

d. Diagnostic Cardiology and Pulmonary Function Testing

Diagnostic Cardiology and Pulmonary Function services will support the specialty clinics which will relocate to the Children's Memorial Outpatient Center when the Children's Memorial Hospital's Lincoln Park inpatient facility is discontinued in 2012. These services have grown in volume by 8% over the last three years. The proposed Cardiology area will provide 9 testing rooms for ECG, Echo, and exercise studies, accommodating a projected 9,164 tests, or 1,018 tests/room/year. The Pulmonary Function Lab will provide 3 testing rooms, accommodating a projected 1,500 tests annually, or 500 tests/room/year. These key room capacities were planned on a basis of average procedure time and peak throughput

considerations as a result of specialty clinic scheduling in Cardiology and Pulmonary Medicine, the primary users of these diagnostic services. Currently Cardiology and Pulmonary Medicine have their specialty clinics located in the main Children's Memorial Hospital facility, which will be vacated in 2012.

e. Audiology

The proposed Audiology space of 242 dgsf will provide a single small sound booth and a room for hearing aid fittings, in support of the Otolaryngology clinic which will be located on the 9th floor of the Children's Memorial Outpatient Center. Having on-site Audiology testing greatly improves the efficiency of the Otolaryngology clinic. Otolaryngology does not currently provide outpatient services in the Children's Memorial Outpatient Center.

f. Employee Health

Employee Health will be relocating from the inpatient facility, and is proposed to increase from 931 dgsf to 2,040 dgsf. The existing facility does not provide sufficient office space for departmental staff, accounting for the increase in departmental area. Clinical services to patients will not be provided in this space.

g. Sterile Supply

A small sterile processing area of 271 dgsf is proposed to facilitate the on-site cleaning of medical equipment rather than sending those items to the main hospital as currently occurs today. This is being provided in anticipation of the greater distance to the inpatient hospital following the 2012 relocation.

**The Children's Memorial
Hospital
Criterion 1110.3030, Clinical Service Areas
other than Categories of Service**

Service	# Existing Key Rooms	# Proposed Key Rooms	# to Establish	# to Expand	# to Modernize
Ambulatory Clinics	97	92			18
Child Psychiatry Offices	30*	30			30
PT/OT	NA	NA			
Orthotics	NA	NA			
Speech Pathology/Audiology	10	11		1	
General Radiology	3	3			
MR Scanning	1	1			
Ultrasound	2	2			
Diagnostic Cardiology	**	9		9	
Pulmonary Function Lab	3*	3			3
Phlebotomy/General Lab	NA	NA			
Specialty Labs	NA	NA			
Motion Analysis Lab	NA	NA			
Urodynamics Lab	4	4			4
Employee Health	3*	3			3
Sterile Supply	NA	NA			

* Services relocating from Children's Memorial Hospital.

** Services currently provided on a portable basis.

Criterion 1110.3030, Clinical Service Areas Other than Categories of Service: Ambulatory Care Services

Service Modernization

3. Utilization

a. Major Medical Equipment

This criterion is not applicable – there is no major medical equipment proposed as part of the project as defined by Review Board rules.

Criterion 1110.3030, Clinical Service Areas Other than Categories of Service: Ambulatory Care Services

Service Modernization

3. Utilization

b. Service or Facility Standards Specified in Appendix B

Utilization of space in relationship to the state norms included in Appendix B is fully discussed under Criterion 1110.234.b, Utilization of the Proposed Project.

c. Services without Standards Specified in Appendix B

The utilization of remaining clinical services which are being expanded, and the rationale for their growth, is discussed under Necessary Expansion in Attachment 71.

T. Financial Feasibility

This section is applicable to all projects subject to Part 1120.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)

Does the applicant (or the entity that is responsible for financing the project or is responsible for assuming applicant's debt obligations in case of default) have a bond rating of "A" or better?
 Yes No

If yes is indicated, submit proof of the bond rating of "A" or better (that is less than two years old) from Fitch's, Moody's or Standard and Poor's rating agencies and go to Section XXVI. If no is indicated, submit the most recent three years' audited financial statements including the following:

1. Balance sheet
2. Income statement
3. Change in fund balance
4. Change in financial position

A. Criterion 1120.210(a), Financial Viability

1. Viability Ratios

If proof of an "A" or better bond rating has not been provided, read the criterion and complete the following table providing the viability ratios for the most recent three years for which audited financial statements are available. Category B projects must also provide the viability ratios for the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization (per Part 1100), whichever is later.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each. Insert the worksheets after this page.

2. Variance

Compare the viability ratios provided to the Part 1120 Appendix A review standards. If any of the standards for the applicant or for any co-applicant are not met, provide documentation that a person or organization will assume the legal responsibility to meet the debt obligations should the applicant default. The person or organization must demonstrate compliance with the ratios in Appendix A when proof of a bond rating of "A" or better has not been provided.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)
(continued)

B. Criterion 1120.210(b), Availability of Funds

If proof of an "A" or better bond rating has not been provided, read the criterion and document that sufficient resources are available to fund the project and related costs including operating start-up costs and operating deficits. Indicate the dollar amount to be provided from the following sources:

_____ Cash & Securities

Provide statements as to the amount of cash/securities available for the project. Identify any security, its value and availability of such funds. Interest to be earned or depreciation account funds to be earned on any asset from the date of application submission through project completion are also considered cash.

_____ Pledges

For anticipated pledges, provide a letter or report as to the dollar amount feasible showing the discounted value and any conditions or action the applicant would have to take to accomplish goal. The time period, historical fund raising experience and major contributors also must be specified.

_____ Gifts and Bequests

Provide verification of the dollar amount and identify any conditions of the source and timing of its use.

_____ Debt Financing (indicate type(s) _____)

For general obligation bonds, provide amount, terms and conditions, including any anticipated discounting or shrinkage) and proof of passage of the required referendum or evidence of governmental authority to issue such bonds;

For revenue bonds, provide amount, terms and conditions and proof of securing the specified amount;

For mortgages, provide a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated;

For leases, provide a copy of the lease including all terms and conditions of the lease including any purchase options.

_____ Governmental Appropriations

Provide a copy of the appropriation act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, provide a resolution or other action of the governmental unit attesting to such future funding.

_____ Grants

Provide a letter from the granting agency as to the availability of funds in terms of the amount, conditions, and time or receipt.

_____ Other Funds and Sources

Provide verification of the amount, terms and conditions, and type of any other funds that will be used for the project.

_____ TOTAL FUNDS AVAILABLE

C. Criterion 1120.210(c), Operating Start-up Costs

If proof of an "A" or better bond rating has not been provided, indicate if the project is classified as a Category B project that involves establishing a new facility or a new category of service? Yes No . If yes is indicated, read the criterion and provide in the space below the amount of operating start-up costs (the same as reported in Section I of this application) and provide a description of the items or components that comprise the costs. Indicate the source and amount of the financial resources available to fund the operating start-up costs (including any initial operating deficit) and reference the documentation that verifies sufficient resources are available.

APPEND DOCUMENTATION AS ATTACHMENT 75, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1120.210, Financial Feasibility

Criterion 1120.210(a), Financial Viability

Children's Memorial Hospital currently holds a bond rating of "A". Documentation of this rating from the Fitch Ratings Service is included as Attachment 75.a.

Criterion 1120.210(b), Availability of Funds

This criterion is not applicable.

Criterion 1120.210(c), Operating Start-up Costs

This criterion is not applicable.

Health Care
New Issue

The Children's Memorial Hospital, Chicago, Illinois

Ratings

New Issues

\$210,000,000 Illinois Finance Authority Revenue Bonds (The Children's Memorial Hospital), Series 2008A ^{ab}	AA-
\$170,000,000 Illinois Finance Authority Revenue Bonds (The Children's Memorial Hospital), Series 2008B ^{ab}	AA-
\$174,700,000 Illinois Finance Authority Variable-Rate Demand Revenue Bonds (The Children's Memorial Hospital), Series 2008C and D ^{cc}	AA-

See page 2 for Outstanding Debt.

^aUnderlying rating. ^bThe bonds are expected to be insured by Assured Guaranty, whose insurer financial strength is rated 'AAA' by Fitch Ratings. ^cFitch expects to assign ratings on the variable-rate demand bonds based on the letter of credit providers on a date closer to pricing.

Rating Outlook

Stable

Analysts

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New Issue Details

Sale Information: Series 2008A and B, expected to sell during the week of April 28, and Series 2008C and D, during the week of May 12, both via negotiation.
Security: Pledge of gross receipts.
Purpose: Provide funds for the costs of construction for 22-story replacement hospital, fund approximately 24 months of capitalized interest and a debt service reserve fund on the series 2008A and B bonds, and pay associated costs of issuance including the bond insurance premium on the series 2008A bonds.
Final Maturity: 2047.

Rating Rationale

- The Children's Memorial Hospital (CMH, or the hospital) is the only freestanding, independent children's hospital in the state of Illinois. As such, CMH is the leading provider of tertiary/quaternary pediatric services in the Chicago metropolitan area.
- CMH is the primary pediatric teaching hospital for Northwestern University's Feinberg School of Medicine (FSOM; Northwestern University's long-term debt is rated 'AAA' by Fitch Ratings). Fitch believes the association with FSOM provides CMH valuable benefits in clinical care and physician recruitment.
- CMH's strong solid liquidity indicators provide adequate cushion should development of the new facility experience construction delays and/or cost overruns. CMH's unrestricted cash and investments as of Jan. 31, 2008 totaled \$484.5 million, which translates into a strong 336 days cash on hand.
- CMH enjoys substantial philanthropic and community support, as indicated by its \$463.0 million of donor-restricted investments. As of Jan. 31, 2008, \$351 million of the \$600 million Heroes for Life campaign goal had been pledged.
- Although the size and cost of CMH's replacement hospital project amplify the risk to bondholders, Fitch believes that the advance planning, philanthropic support, relationships with FSOM and Northwestern Memorial Hospital (NMH), and the experience of the development team sufficiently mitigate those risks.

Key Rating Drivers

- CMH's capital-related ratios will weaken substantially upon closing of the series 2008 bonds. Assuming early redemption of the \$175.1 million series 2008C and D bonds, net pro forma maximum annual debt service (MADS) equals a high 4.3% of fiscal 2007 revenues and pro forma debt to capitalization increases to 39.4% as compared with the respective Fitch 'AA' category medians of 2.7% and 32.8%.
- As is typical with many children's hospitals, Medicaid represented a very high 45.1% of gross revenues in fiscal 2007. A reduction in reimbursement from the state of Illinois could have a materially negative effect on CMH's financial results.
- Given CMH's increased utilization trends, management will be challenged to squeeze greater operating efficiencies and throughput from the current facility given the limitation on major capital investment prior to opening the new replacement facility.

Credit Summary

CMH is the only freestanding, independent pediatric hospital in the state of Illinois. Located approximately four miles north of downtown Chicago, the hospital operates 247 beds (270 licensed beds) on a four-acre parcel in the Lincoln Park neighborhood of Chicago. CMH is a designated Level I pediatric trauma center for the city of Chicago, with a Level III neonatal nursery that serves as a regional referral center in the state of Illinois perinatal network. CMH serves as the primary pediatric teaching site for FSOM and provides the pediatric clinical training of FSOM's resident physicians, fellows, and medical students.

Related Research

- 2008 Nonprofit Hospitals and Health Care Systems Outlook, Jan. 23, 2008
- Northwestern University, Sept. 15, 2006

Rating History

Rating	Action	Outlook/ Watch	Date
AA-	Affirmed	Stable	4/11/08
AA-	Assigned	Stable	2/4/08

The 'AA-' rating and Stable Rating Outlook reflect CMH's position as the leading provider of tertiary/quaternary pediatric services in the Chicago metropolitan area, its associations with FSoM and NMH, substantial liquidity indicators, and excellent philanthropic and community support. Within the seven-county Chicago metropolitan area, CMH is recognized as the leading pediatric facility for complex/high-risk clinical procedures. In 2006, CMH's leading 12.1% inpatient market share for pediatric services was nearly double that of its next closest competitor, Christ Hospital (part of Advocate Health Network, whose revenue bonds are rated 'AA' by Fitch) at 6.2%. In addition, CMH maintains a leading inpatient market share position in nearly every pediatric specialty and subspecialty clinical line. As the primary pediatric teaching facility for Northwestern University (NU), CMH maintains a relationship with FSoM and currently has approximately 111 full-time pediatric residents and 90 fellowship appointments. In addition, virtually all of CMH's more than 400 hospital-based physicians (excluding fellows) hold faculty appointments at FSoM. CMH's unrestricted cash and investments as of Jan. 31, 2008 totaled \$484.5 million, which translates into a strong 336 days cash on hand and 270% of long-term debt. Finally, CMH enjoys substantial philanthropic and community support as indicated by CMH's \$463.0 million of donor-restricted investments. The hospital recently increased its comprehensive "Heroes for Life" campaign fund-raising goal related to the new hospital from \$400 million to \$600 million. As of Jan. 31, 2008, \$351 million of the \$600 million goal had been pledged, a portion of which will be used to fund construction of the new hospital.

Credit concerns include CMH's increased debt burden upon issuance of the series 2008 bonds, a heavy exposure to Illinois Medicaid, and the need to expand capacity until the new hospital is projected to become operational in 2012. Upon closing of the series 2008 bond issue, CMH's capital-related ratios will weaken substantially. Including the entire \$570 million of debt expected to be issued, CMH's pro forma debt to capitalization as of Aug. 31, 2007 weakens to 49.4% from 23.6%, and MADS as a percentage of fiscal 2007 revenues increases to a high 7.5% from 2.3%. Historical coverage of pro forma debt service (\$42.6 million) in fiscal 2007 drops to 2.1x from 6.6x coverage of historical MADS (\$13.3 million). Management intends to redeem the series 2008C and D bonds prior to fiscal 2013 with the sale proceeds of the existing hospital facilities and philanthropy. Fitch believes this to be a reasonable assumption in which case pro forma MADS equals \$24.6 million reflecting a more reasonable 4.3% of fiscal 2007 revenues and pro forma coverage of 3.6x. As is typical with many children's hospitals, Medicaid represented a very high 45.1% of gross revenues in fiscal 2007, which makes CMH vulnerable to potential changes in reimbursement policies and budgetary pressures. CMH's current physical plant cannot adequately accommodate growing demand for services. Fitch believes management will be challenged to squeeze

Outstanding Debt

\$11,685,000 Illinois Health Facilities Authority Revenue Bonds (The Children's Memorial Hospital), Series 1993 ^a	AA-
\$3,415,000 Illinois Health Facilities Authority Revenue Bonds (The Children's Memorial Hospital), Series 1999A ^b	AA-
\$62,050,000 Illinois Health Facilities Authority Variable-Rate Demand Revenue Bonds (The Children's Memorial Hospital), Series 1999B (PARS) ^b	AA-
\$30,750,000 Illinois Health Facilities Authority Variable Rate Demand Revenue Bonds (The Children's Memorial Hospital), Series 2003A (PARS) ^b	AA-
\$24,975,000 Illinois Health Facilities Authority Variable-Rate Demand Revenue Bonds, (The Children's Memorial Hospital), Series 2003B (PARS) ^b	AA-
\$54,725,000 Illinois Finance Authority Variable-Rate Demand Revenue Bonds (The Children's Memorial Hospital), Series 2004 (PARS) ^b	AA-

^aThese bonds are insured by MBIA Insurance Corporation, whose insurer financial strength is rated 'AA' by Fitch Ratings. ^bThese bonds are insured by Ambac Assurance Corp., whose insurer financial strength is rated 'AA' by Fitch.

out operating efficiencies and greater throughput from the current facility given the limitation on major capital investment prior to opening the replacement facility. Furthermore, Fitch expects decreased operating profitability as accelerated depreciation expenses are booked before vacating the current facility.

New Issue Details

CMH expects to issue a total of \$555 million series 2008 bonds in four series through the Illinois Finance Authority. A total of \$380 million bonds are expected to be structured as fixed-rate debt, of which \$210 million series 2008A bonds will be insured by Assured Guaranty and \$170 million series 2008B bonds will be uninsured. Approximately \$175 million of series 2008C and D bonds are expected to be structured as weekly variable demand bonds secured by an irrevocable direct pay letter of credit from J.P. Morgan. Fitch expects to assign ratings on series 2008C and D bonds based on the letters of credit at a date nearer to closing.

Proceeds from the series 2008A and B bonds will be used to: fund a portion of the costs to construct and equip a 22-story, 1.25 million square foot (sf) replacement hospital in the Streeterville neighborhood of Chicago; fund approximately 24 months of capitalized interest; fund debt service reserve accounts on the series A and B bonds; and pay the costs of issuance on the series A and B bonds including the bond insurance premium on the series A bonds. Proceeds from the series 2008C and D bonds, together with other funds, will be used to; refund CMH's outstanding series 1993 bonds, series 1999A/B bonds, series 2003A/B bonds, and series 2004 bonds, which approximates \$172 million; fund swap termination payments; and pay the costs of issuance of the series C and D bonds.

Repayment of the series 2008 bonds will be governed by a master trust indenture (MTI) dated May 1, 2008 and are secured by a pledge of the obligated group's gross receipts. The bonds will not be secured by a mortgage on property or equipment. Operating covenants under the MTI are standard and include the following: a 1.10x rate covenant tested annually; incurrence of additional long-term debt limited by 67% debt to capitalization or 1.25x historical pro forma coverage in the prior year or 1.10x historical debt service coverage and an officer's certificate projecting 1.20x coverage of pro forma debt service in stabilized year; permitted encumbrances allowed on up to 25% of book value of property and transfer of assets of 10%. As long as the insured series A are outstanding, all bondholders will benefit from the insurer covenants, which tighten the additional debt test; limits transfer of assets on cash and creates a days cash on hand covenant of 75 tested semi-annually. CMH's continuing disclosure agreement requires audited annual financial statements and utilization statistics within 150 days of each fiscal year-end and quarterly financial and utilization data within 60 days of each fiscal quarter-end. Financial disclosure is expected to be disseminated through DAC at www.dacbond.com, which is viewed favorably by Fitch.

Pro forma debt service schedules were provided by Goldman Sachs and Morgan Stanley. For purposes of this report, Fitch used pro forma MADS of \$24.6 million, which assumes prepayment of series 2008C and D prior to 2013 from the sale proceeds of CMH's current hospital location and/or philanthropy.

Replacement Hospital

In 2004, management and the board commenced an in-depth, strategic analysis of the feasibility of replacing its current facility due to capacity constraints that has forced the hospital to deny a significant number of admissions each year. The current facility is landlocked in a densely populated neighborhood that does not allow for expansion of CMH's current facility. The existing facility suffers from an inadequate bed composition that has caused a significant number of admissions to be denied to critically ill children each year. Moreover, the current facility is aging and has space limitations, and

replacement of the current facility will enable the hospital to implement fully technological advances and allow the hospital to offer private rooms.

In April 2006, the Board of Directors of the Parent approved the location of the "Ann & Robert H. Lurie Children's Hospital of Chicago" at a site located on the campus of its partner medical school, FSoM. The new hospital will consist of approximately 1.25 million sf of space on 22 floors and will include 288 private rooms, including 156 pediatric beds, a 60-bed pediatric intensive care unit, a 60-bed neonatal intensive care unit, and 12 acute mental illness beds. At an average of 290 sf, the patient rooms will be more than double the size of the patient rooms in CMH's current facility. The increase in the number of beds (as compared to the hospital's existing facility) and a shift to all private rooms will increase the hospital's overall capacity by approximately 30%. Management expects to break ground for construction of the new hospital in spring 2008 and substantially complete construction in early 2012.

The new hospital's 60-bed pediatric intensive care unit and 60-bed neonatal intensive care unit represent increases of 12 and seven beds, respectively, from the numbers in the existing hospital. A subset of these 120 critical care beds will include a 36-bed cardiovascular intensive care unit (CCU), which will provide the expertise, technology, and comprehensive resources necessary to treat the most seriously ill children with cardiac ailments, particularly in neurosurgery, plastic surgery, heart transplantation, and comprehensive surgical services. Of the 36 CCU beds, 20 will be pediatric cardiac intensive care beds and 16 will be neonatal cardiac intensive care beds. The new hospital's 25 new operating rooms and 11 imaging rooms are an increase of five and four, respectively, and will accommodate the most advanced imaging and treatment technology. Similarly, capacity in the emergency department (ED) will increase from 26 treatment rooms to 40 treatment rooms with an estimated capacity of 67,500 ED visits annually.

To facilitate the relocation of CMH, both Northwestern University (revenue bonds rated 'AAA' by Fitch) and NMH have pledged financial support to the project. In addition, NMH has donated vacant land with an appraised value of \$27.5 million on which the new hospital will be constructed.

Fitch views the project development team positively. The general contractor (GC) is Mortensen/Power Joint Venture (MP). Power Construction, through another joint venture, is the GC that successfully constructed NMH's Prentice Women's Hospital. According to management, the leadership team from Power, including the site superintendent, that led the Prentice Women's Hospital construction will help lead the construction on the new hospital. The construction budget is currently estimated at \$633 million including a contractors' contingency of \$32 million. A guaranteed maximum price contract, is expected to be executed in the first quarter of 2009. The lead architects are Zimmer Gunsul Frasca Architects LLP, which has experience with the design of children's hospitals including design work on Doernbecher Children's Hospital in Portland, OR, Children's Hospital of Los Angeles, The Children's Hospital in Denver, CO, and the National Institutes of Health's Clinical Research Center in Bethesda, MD. Management has engaged a joint venture comprised of Rise Group, LLC (Rise) and Morgan Construction Consultants (Morgan) as program manager to ensure that construction of the new hospital is delivered in accordance with the set program, cost, schedule, and quality objectives. The two companies have collectively worked on hundreds of projects for more than 80 hospitals in the Chicago area, including all the major teaching hospitals. Representatives from the hospital's project team meet with the program manager weekly to review all aspects of relating to project cost and schedule. Any change in costs and scope require approval by management of the Hospital.

Governance and Management

The Board of the Hospital consists of between 99 and 104 directors, of whom between 87 and 92 are at-large members. There are 12 ex-officio members with voting rights, which includes among others the president of the parent, the dean of FSoM, the chief medical officer of the hospital, the chair and vice-chair of the department of medicine, the president and vice president of the medical and dental staff, the president of The Children's Memorial Research Center, and the head of one of the Departments of Anesthesia, Child and Adolescent Psychiatry, Pathology, or Medical Imaging.

The standing committees include executive, finance, investment, audit, governance, committee on directors, public policy, and quality management and professional services. Overall oversight is provided by the 22-member executive committee, which has the authority to act on behalf of the full board, subject to certain limitations. The executive committee meets five times per year in months when the board does not meet, while the full board meets at least four times per year.

Day-to-day management of hospital is lead by CEO, Patrick Magoon, who has been in his current position since 1997. Other members of senior management have generally been in their positions for more than eight years. Bruce Komiske joined CMH in June 2007 in the newly created position of chief of new hospital design and construction. Mr. Komiske has 30 years of experience designing and building children's hospitals. Most recently Mr. Komiske was executive director of the University of California San Francisco, Mission Bay Project, a \$1.2 billion children's, women's and cancer hospital.

Medical and Nursing Staff

As of Jan. 31, 2008, the medical and dental staff of the hospital was composed of 1,070 physicians and dentists, including 408 hospital-based staff and 662 community-based physicians. Virtually all members of the full-time hospital-based medical staff (excluding fellows) and a majority of the 290 active community-based attending medical staff hold faculty appointments at FSoM. Of the 408 hospital-based medical staff members roughly 337 or 82.5% are employees of affiliates of the parent, while the balance are members of faculty practices contractually affiliated with the hospital.

Utilization Data

(Fiscal Years Ended Aug. 31)

	2003	2004	2005	2006	2007	Five Mos. Ended 1/31/08
Licensed Beds	270	270	270	270	270	270
Operated Beds	223	236	240	247	247	247
Acute Discharges/Admissions Excluding Newborn Births	9,050	9,089	9,294	9,184	9,549	4,364
Acute Patient Days Excluding Newborn Days	60,904	61,196	63,279	64,982	65,954	28,994
Average Length of Stay (Days)	6.7	6.7	6.8	7.1	6.9	6.6
Average Daily Census	167	168	173	178	181	191
Occupancy (%)	75	71	72	72	73	77
Outpatient Surgeries	10,117	9,276	10,152	9,601	9,812	4,200
Net Emergency Room (ER) Visits (Excluding ER Admissions)	46,834	48,512	53,603	53,258	57,914	26,438
Clinic Visits	324,814	326,872	350,417	356,396	376,043	136,903
Full-Time Equivalents (FTEs)	2,378	2,506	2,639	2,788	2,840	—
FTEs/Adjusted Occupied Bed	8.9	9.2	9.3	9.4	9.3	—

The hospital has focused on the retention and recruitment of pediatric subspecialists. As one means of meeting its demand for pediatric subspecialists, the hospital has focused on recruiting from its fellowship program. The hospital has been successful at retaining pediatric subspecialty fellows as full-time faculty. From fiscal 2005 to March 31, 2008, the number of full-time faculty appointments at the hospital for pediatric subspecialists has increased overall from 225 to 272. The hospital continues its efforts to recruit in areas where there are needs.

Payor Mix

(As % of Gross Revenues, Fiscal Years Ended Aug. 31)

	2003	2004	2005	2006	2007	Five Mos. Ended 1/31/08
Medicare	0.5	0.7	0.8	1.2	0.7	0.6
Medicaid	40.8	42.3	41.6	42.3	45.1	44.2
Blue Cross	1.0	0.6	0.5	0.4	0.4	0.4
Managed Care	52.5	52.2	54.7	53.3	51.0	52.0
Self-Pay	1.5	1.4	1.0	1.3	0.9	0.8
Other	3.7	2.8	1.4	1.5	1.9	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Numbers may not add due to rounding.

Since fiscal 1998, CMH has reduced its nurse turnover rate from 15% to 7.2% in calendar year 2007, which compares favorably to the national average of about 13%. Management has implemented a successful one-year pediatric registered nurse program in 2003 aimed to specifically transition new graduate nurses from the academic to the clinical setting serving acutely ill pediatric patients. This program is intended to support the transition to and improve the competency of nurses in pediatric critical setting. Since the inception of the program, the nurse turnover rate in the first year of employment has been reduced by 50%.

In December 2001, the hospital became the first pediatric hospital in the nation and the first hospital in Illinois to receive the Magnet Award from the American Nurses Credentialing Center. This award was redesignated to the hospital in November 2005.

Service Area and Competition

CMH's primary and secondary service areas consist of the city of Chicago, suburban Cook County, and the six collar counties (including DuPage, Kane, Kendall, Lake, McHenry, and Will counties), which has a total estimated pediatric population in excess of 2.2 million. In calendar year 2006, approximately 55% of CMH's total patient discharges were residents of Chicago, while 22% were from suburban Cook County, 6.5% were from DuPage County, and 17.1% were from Kane, Kendall, Lake, McHenry and Will counties. In calendar 2006, CMH improved its leading market share position in pediatric discharges in the seven-county metropolitan Chicago area to 12.1% from 11.4% in 2005. Next closest competitors in 2006 were Christ Hospital (part of Advocate Health Network, whose revenue bonds are rated 'AA' by Fitch), University of Chicago Medical Center and Lutheran General Hospital (part of Advocate Health Network) with 6.2%, 5.5%, and 4.3% market shares, respectively. Moreover, the hospital had leading market shares in 14 medical sub-specialties and in nine surgical subspecialties.

CMH has pursued an outreach strategy over the past decade to improve the level and reach of CMH's pediatric care in the community, to open additional inpatient capacity at the main campus, and to create a tertiary referral network throughout the greater metropolitan area. Currently the hospital operates five outpatient satellites in the suburbs, including one ambulatory surgery center in Westchester, Illinois. A major component of the hospital's regional network has been the development of affiliations with suburban community hospitals

to provide physician coverage for their neonatal and/or pediatric units. Currently, CMH partners with Central DuPage Hospital in Winfield, IL (revenue bonds rated 'AA' by Fitch), Lake Forest Hospital in Lake Forest, IL (revenue bonds rated 'A' by Fitch; Northwest Community Hospital in Arlington Heights, IL; NMH's Prentice Women's Hospital; Sherman Hospital in Elgin, IL; Silver Cross Hospital in Joliet, IL (revenue bonds rated 'A' by Fitch); Swedish Covenant Hospital in Chicago, IL (revenue bonds rated 'A-' by Fitch) and West Suburban Medical Center in Oak Park, IL (part of Resurrection Health System, revenue bonds rated 'A' by Fitch). Fitch views CMH's affiliation strategy positively as it extends CMH's clinical reach driving high acuity, specialty inpatient cases into CMH's downtown location.

Market Share Comparison For Key Specialty Programs

(%, As of Dec. 31, 2006)

Clinical Specialty	Children's Memorial Hospital	Next Leading Competitor
Cardiovascular Surgery	37.8	Christ Hospital (22.4)
Neurosurgery	27.7	University of Chicago Medical Center (13.6)
Otolaryngology	19.2	Christ Hospital (5.9)
Urology	19.2	Christ Hospital (7.0)
Gastroenterology	18.7	University of Chicago Medical Center (8.8)
Hematology/Oncology	24.3	Christ Hospital (10.5)
Immunology/Rheumatology	26.9	University of Chicago Medical Center (7.0)
Infectious Diseases	22.7	University of Chicago Medical Center (9.6)
Nephrology	27.7	University of Chicago Medical Center (7.8)
Neurology	16.1	University of Chicago Medical Center (12.0)
Pulmonary Medicine	20.1	University of Chicago Medical Center (10.7)
Heart Transplants	75.0	University of Chicago Medical Center (25.0)
Kidney Transplants	56.4	University of Chicago Medical Center (12.8)
Liver Transplants	65.0	University of Chicago Medical Center (5.0)
Stem Cell Transplants	82.1	University of Chicago Medical Center (10.3)

Source: Illinois Hospital Association Database, CompData.

Financial Performance

CMH's historical financial profile is characterized by strong liquidity indicators, modest operating profitability, substantial philanthropic support to support programs, and solid debt service coverage. Issuance of the series 2008 bonds will cause CMH's capital related ratios to weaken below many of Fitch's 'AA' category medians.

Fitch views CMH's substantial liquid reserves as a primary credit strength. As of Jan 31, 2008, CMH's unrestricted cash and investments totaled \$484.5 million, which translates into a strong 336 days cash on hand. Furthermore, restricted cash and investments consisting primarily of donor-restricted funds totaled \$499.4 million as of Jan 31, 2007. Combined donor-restricted funds provide major support to the various programs at CMH. In fiscal 2007, approximately 10% (\$60.5 million) of CMH's total revenues represented contributions, grants, philanthropy, and other restricted income. The hospital expects to use up to \$198 million of its currently available unrestricted cash and investments to fund a portion of the costs of constructing and equipping the new hospital. However, management has projected unrestricted cash from operations to grow every year during the construction period.

Due to its substantial liquid reserves, CMH realized substantial investment income in fiscal years 2006 and 2007 of \$20.6 million and \$21.5 million, respectively. The investment committee monitors investment performance and develops and approves

asset allocation. As of Jan. 31, 2008, CMH's asset allocation target consisted of 60% equities, 15% fixed income, 5% inflation-protected securities, 10% absolute return and

Financial Summary

(\$000, Audited Fiscal Years Ended Aug. 31)

	2003	2004	2005	2006	2007	Five Mos. Ended 1/31/08*
Balance Sheet Data						
Unrestricted Cash	234,747	293,671	352,609	438,515	511,371	484,520
Restricted Cash	319,025	344,845	377,570	410,509	480,098	499,414
Trustee-Held Cash	23,645	23,898	24,931	24,351	26,300	26,305
Net Patient Accounts Receivable	43,189	34,148	55,001	49,791	49,599	49,452
Gross Property, Plant, and Equipment (PP&E)	427,921	455,014	488,617	523,062	603,381	620,496
Accumulated Depreciation	217,592	222,458	242,502	271,247	314,385	336,117
Net PP&E	210,329	232,556	246,115	251,815	288,996	284,379
Total Assets	951,425	1,069,303	1,247,182	1,385,542	1,673,937	1,605,470
Current Liabilities	128,356	151,347	211,548	181,969	194,286	135,382
Due to Third-Party Payors	4,043	4,870	5,163	7,729	10,069	10,189
Long-Term Debt	168,095	200,018	193,631	187,035	180,033	179,617
Unrestricted Net Assets	265,856	308,474	376,645	500,352	584,114	548,971
Income and Cash Flow Data						
Net Patient Revenue	294,376	309,414	405,058	417,997	488,857	197,340
Other Revenue	65,171	81,621	60,710	66,586	80,154	41,130
Total Revenue	359,547	391,035	465,768	484,583	569,011	238,470
Salaries, Wages, Fees, and Benefits	190,752	207,546	260,471	279,879	301,666	130,487
Depreciation and Amortization	24,425	25,783	29,423	37,564	47,859	21,426
Interest Expense	7,107	6,528	7,201	7,804	8,349	3,079
Provision for Bad Debts	5,905	5,371	5,590	5,340	6,092	3,044
Total Expenses	353,209	386,657	461,528	498,043	573,855	243,231
Income/(Loss) from Operations	6,338	4,378	4,240	(13,460)	(4,844)	(4,761)
Operating Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	37,870	36,689	40,864	31,908	51,364	19,744
Non-Operating Gains/(Losses)	968	8,271	31,536	28,215	36,183	11,430
Excess Income	7,306	12,649	35,776	14,755	31,339	6,669
Total Investment Income	3,197	19,257	24,676	20,663	21,531	15,768
Net Unrealized Gains/(Losses)	23,372	8,097	43,468	9,591	20,515	(35,368)
Net Change in Fair Market Value of Derivative Instruments	0	0	0	4,326	241	(7,723)
Cash Flow from Operations	2,034	30,383	17,670	(26,946)	2,439	(182)
Net PPE Acquisitions	42,990	48,035	37,123	40,091	57,710	16,915
EBITDA	38,838	44,960	72,400	60,123	87,547	31,174
Cash Flow From Operations Before Interest (CFFOBI)	9,141	36,911	24,871	(19,142)	10,788	2,897
Free Cash Flow	(40,956)	(17,652)	(19,453)	(67,037)	(55,271)	(17,097)
Pro Forma Maximum Annual Debt Service (MADS) Assuming Redemption of Series 2008C and D Bonds ^b	24,600	24,600	24,600	24,600	24,600	24,600
Pro Forma MADS ^c	42,400	42,400	42,400	42,400	42,400	42,400
Liquidity Ratios						
Days Cash on Hand	265.4	301.5	301.8	351.7	359.0	336.8
Days in Accounts Receivable	53.6	40.3	49.6	43.5	37.0	38.1
Days in Current Liabilities	145.1	155.4	181.0	145.9	136.4	94.1
Cushion Ratio (x)	9.5	11.9	14.3	17.8	20.8	19.7
Cash to Debt (%)	139.7	146.8	182.1	234.5	284.0	269.8

Financial Summary

(\$000, Audited Fiscal Years Ended Aug. 31)

	2003	2004	2005	2006	2007	Five Mos. Ended 1/31/08*
Profitability and Operational Ratios (%)						
Operating Margin	1.8	1.1	0.9	(2.8)	(0.9)	(2.0)
Operating EBITDA Margin	10.5	9.4	8.8	6.6	9.0	8.3
Excess Margin	2.0	3.2	7.2	2.9	5.2	2.7
EBITDA Margin	10.8	11.3	14.6	11.7	14.5	12.5
Cash Flow Margin	0.6	7.6	3.6	(5.3)	0.4	(0.1)
Investment Income as % of Excess Income	43.8	152.2	69.0	140.0	68.7	236.4
Personnel Cost as % of Revenues	53.1	53.1	55.9	57.8	53.0	54.7
Bad Debt Expense as % of Revenues	1.6	1.4	1.2	1.1	1.1	1.3
Capital-Related Ratios						
Pro Forma MADS Coverage by EBITDA (x) ^b	1.6	1.8	2.9	2.4	3.6	3.0
Pro Forma MADS Coverage by EBITDA (x) ^c	0.9	1.1	1.7	1.4	2.1	1.8
MADS Coverage by CFFOBI (x)	0.4	1.5	1.0	(0.8)	0.4	0.3
MADS as % of Revenue	6.8	6.3	5.3	5.1	4.3	4.3
Debt to EBITDA (x)	4.3	4.4	2.7	3.1	2.1	2.4
Debt to Capitalization (%)	38.7	39.3	34.0	27.2	23.6	24.7
Average Age of Plant (Years)	8.9	8.6	8.2	7.2	6.6	6.5
Capital Expenditures as % of Depreciation Expense	176.0	186.3	126.2	106.7	120.6	78.9
Capital Expenditures as % of EBITDA	110.7	106.8	51.3	66.7	65.9	54.3
Capital Expenditures as % of Total Revenue	12.0	12.3	8.0	8.3	10.1	7.1

*Unaudited. ^bPro forma MADS assumes redemption of \$175.1 million of series 2008C and D bonds. ^cPro forma MADS assumes \$175.1 million of series 2008C and D bonds remain outstanding. Note: Fitch Ratings may have reclassified certain financial statement items for analytical purposes.

10% hedged equity. The targets are set to allow for growth of the portfolio balanced against the hospital's short- and long-term financial requirements.

Philanthropy has traditionally been a major source of funding for CMH. As mentioned earlier, CMH and its patients benefit from the programs which are supported from contributions and donations. In fiscal 1992, total gift support amounted to just more than \$12 million. In fiscal 2006, the philanthropic support was \$85.4 million. In November 2004, the board authorized the \$400 million "Heroes for Life" capital campaign in connection with the new hospital. In March 2008, the board increased the fund-raising goal to \$600 million, of which \$375 million would be available for the new hospital and \$185 million would be allocated to personnel, programs, and research. As of Jan. 31, 2008, \$351 million of the \$600 million goal had been pledged, including an \$80 million gift from philanthropist Ann Lurie.

Given CMH's mission and its location, the hospital's payor mix is heavily weighted toward Medicaid payors. In fiscal 2007, Medicaid payors represented 45% of gross revenues while managed care payors represented 51% of gross revenues. Not surprisingly, operating profitability has traditionally been weak. In fiscal 2006, CMH experienced a \$13.5 million loss from operations (negative 2.8% operating margin). However, fiscal 2006 results were negatively affected by \$4.8 million of accelerated depreciation related to the decision to construct a new hospital and nonreceipt of Illinois provider tax revenues. In fiscal 2007, CMH's \$4.8 million loss from operations (negative 0.9% operating margin) was negatively affected by \$8.7 million of accelerated depreciation. However, CMH recognized a net benefit of \$21.5 million during the year, of which \$1.6 million relates to fiscal 2005. The amounts related to fiscal years 2006

and 2007 are both \$9.9 million each. Operating earnings before interest, taxes, depreciation, and amortization margins in fiscal years 2005, 2006, and 2007 were a solid 8.9%, 6.6 %, and 9.0%, respectively.

With the issuance of the series 2008 bond issue, CMH's capital-related ratios will weaken substantially. Including the entire \$570 million of debt expected to be issued, CMH's pro forma debt to capitalization as of Aug. 31, 2007 weakens to 49.4% from 23.6%, and MADS as a percentage of fiscal 2007 revenues increases to high 7.5% from 2.3%. Historical coverage of pro forma MADS (\$42.6 million) in fiscal 2007 drops to 2.1x from 6.6x coverage of historical MADS (\$13.3 million). Management intends to redeem the series 2008C and D bonds prior to fiscal 2013 with the sale proceeds of the existing hospital facilities and philanthropy. Fitch believes this to be a reasonable assumption in which case pro forma MADS equals \$24.6 million, reflecting a more reasonable 4.3% of fiscal 2007 revenues and pro forma coverage of 3.6x.

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U. Economic Feasibility

This section is applicable to all projects subject to Part 1120.

SECTION XXVI. REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON)

A. Criterion 1120.310(a), Reasonableness of Financing Arrangements

Is the project classified as a Category B project? Yes No . If no is indicated this criterion is not applicable. If yes is indicated, has proof of a bond rating of "A" or better been provided? Yes No . If yes is indicated this criterion is not applicable, go to item B. If no is indicated, read the criterion and address the following:

Are all available cash and equivalents being used for project funding prior to borrowing? Yes No

If no is checked, provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following:

1. a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or
2. borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Criterion 1120.310(b), Conditions of Debt Financing

Read the criterion and provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following as applicable:

1. The selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term (years) financing costs, and other factors;
2. All or part of the project involves the leasing of equipment or facilities and the expenses incurred with such leasing are less costly than constructing a new facility or purchasing new equipment.

B. Criterion 1120.310(c), Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE											
Department (list below)	A	B	C		D	E		F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)			
								0.00	0.00	0.00	
Contingency								0.00	0.00	0.00	
TOTALS								0.00	0.00	0.00	

* Include the percentage (%) of space for circulation

2. For each piece of major medical equipment included in the proposed project, the applicant must certify one of the following:

REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON)
(continued)

- a. that the lowest net cost available has been selected; or
 - b. that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
3. List the items and costs included in preplanning, site survey, site preparation, off-site work, consulting, and other costs to be capitalized. If any project line item component includes costs attributable to extraordinary or unusual circumstances, explain the circumstances and provide the associated dollar amount. When fair market value has been provided for any component of project costs, submit documentation of the value in accordance with the requirements of Part 1190.40.

D. Criterion 1120.310(d), Projected Operating Costs

Read the criterion and provide in the space below the facility's projected direct annual operating costs (in current dollars per equivalent patient day or unit of service, as applicable) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. If the project involves a new category of service, also provide the annual operating costs for the service. Direct costs are the fully allocated costs of salaries, benefits, and supplies. Indicate the year for which the projected operating costs are provided.

E. Criterion 1120.310(e), Total Effect of the Project on Capital Costs

Is the project classified as a category B project? Yes No . If no is indicated, go to item F. If yes is indicated, provide in the space below the facility's total projected annual capital costs as defined in Part 1120.130(f) (in current dollars per equivalent patient day) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Indicate the year for which the projected capital costs are provided.

F. Criterion 1120.310(f), Non-patient Related Services

Is the project classified as a category B project and involve non-patient related services? Yes No . If no is indicated, this criterion is not applicable. If yes is indicated, read the criterion and document that the project will be self-supporting and not result in increased charges to patients/residents or that increased charges are justified based upon such factors as, but not limited to, a cost benefit or other analysis that demonstrates the project will improve the applicant's financial viability.

APPEND DOCUMENTATION AS ATTACHMENT -76, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1120.310, Economic Feasibility

Criterion 1120.310(a), Reasonableness of Financing Arrangements

This criterion is not applicable. Documentation of an "A" bond rating has been provided in Section 1120.210.

Criterion 1120.310(b), Conditions of Debt Financing

A notarized statement from two authorized representatives attesting to the debt financing for the project and leasing of equipment is included as Attachment 76.a.

Criterion 1120.310(c), Reasonableness of Project and Related Costs

1. Cost and Gross Square Feet by Department or Service

The construction cost and gross square footage by department for the proposed project is included in the chart immediately following this section.

2. Major Medical Equipment

There is no major medical equipment associated with the project as defined by the Review Board rules.

3. Basis for Project Costs

The content of line item costs for the proposed project is as follows:

Preplanning	
Certificate of Need application fee	\$ 70,000
Site Preparation	
Asbestos abatement	\$ 75,000
Consulting	
Bid Document/Construction Administration	\$ 567,600
Interior Design	\$ 74,400
Equipment planning/procurement	\$ 100,000
Community relations	\$ 100,000
CON preparation	<u>\$ 80,000</u>
Total	\$ 922,000
Other Costs to be Capitalized	
Reimbursable Expenses	\$ 208,000
Testing & Inspection services	\$ 50,000
Moving costs	\$ 60,000
Miscellaneous	<u>\$ 50,000</u>
Total	\$ 368,000
Equipment	
Ophthalmology/ENT clinic	\$ 160,000
Audiology	\$ 85,000
Cardiology/Pulmonary labs	\$1,232,000
Specialty labs	\$1,500,000
IT	\$1,200,000
Furniture, all areas	<u>\$1,935,000</u>
Total	\$6,112,000

Extraordinary Circumstances

a. Construction Costs per Square Foot

The proposed construction cost exceeds the adjusted third quartile cost per square foot for medical clinics published by the R.S. Means Company. The reason for that variance is discussed below.

Basis of Construction Cost Budget

The construction costs included in the application have been provided by the M.A. Mortenson Construction Company, based on design development drawings. A contingency allowance of 7%, consistent with state standards for this stage of the design process, has been added to the Mortenson construction cost estimate in the total project cost, and has been factored in to the construction cost analysis which follows.

Comparison with R.S. Means Construction Cost Data

Section 1120.310.c.1 of the Review Board rules provides that "construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economics of scale, and mix of service) third quartile as provided for in Means Building Construction Cost publications, unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities."

The unadjusted third quartile Means number for medical clinics as of January, 2010, is \$183.00 for new construction. Using the state guideline of 70% as the conversion factor for remodeling projects, the Chicago area factor of 116.0, and 3% annual inflation for 4 years through project completion, the adjusted third quartile Means cost per square foot appears to be **\$167.25** as of 2013 ($\$183.00 \times 70\% \times 116\% \times 3\%$ inflation over 4 years, to project completion in December, 2013).

The proposed cost per square foot for clinical services including 7% contingency is **\$226.04**, a variance of \$58.79 from the adjusted third quartile Means cost per square foot. The primary reason for this variance is the significant component of Specialty Laboratories in the project, which would not normally be included in an outpatient medical clinic. The Specialty Laboratories proposed in the building include Immunology, Genetics, HLA/Molecular Biology, Special Infectious Disease, and Mass Spectroscopy. In total, they would occupy 15,345 dgsf, or 29% of the entire clinical services area. Per the Mortenson Construction Company analysis, the cost per square foot for the Specialty Labs, including 7% contingency, is **\$381.28**. When the Specialty Laboratories are removed from the total, the remaining construction cost and project area for clinical services are \$6,139,185 and 37,698 dgsf respectively. (Still included in these costs is a small general lab and phlebotomy area.) This construction cost, which would be more consistent with the service mix of a typical medical clinic project, translates to \$162.85 per square foot, which is less than the adjusted Means cost per square foot noted above.

Although the Specialty Laboratory space is expensive compared to the rest of the project, it is a less costly solution than housing them in the new Lurie Children's, where the cost per square foot for clinical labs was estimated at \$583.00 in the Certificate of Need application for Project 07-134.

Other factors impacting the cost of construction for the project include: 1) the circumstance of working in an occupied building, necessitating a phased construction schedule and premiums for evening and weekend work that cannot be done while patient care is being delivered; and 2) the age of the Deming Building and the significant amount of infrastructure improvements which are required to update 40-year old mechanical, elevator, and life safety systems in that facility.

b. Architectural/Engineering Fees

The architectural/engineering fees for the project total \$2,150,000, or 11.23% of construction and contingency. This percentage exceeds the state standard of 3.75% - 8.00% for construction projects between \$15,000,000 and \$20,000,000 based on the Capital Development Board schedule included in Appendix A of Chapter 1120. The factors causing the percentage to exceed the state standard for architectural fees are as follows:

Necessity of multiple design schemes

Additional architectural time and expense has been required during both schematic design and design development due to uncertainty over the ability to discontinue an existing sub-lease in the building based on the tenant's willingness to voluntarily terminate their lease early. When it appeared that an early termination was not going to be possible, alternate design schemes were developed which contained significant changes in space use, and consequently required significant additional fee expense to complete.

Complex infrastructure requirements

As noted above, the Deming Building is 40 years old, does not meet City of Chicago High Rise Code for life safety systems, and requires replacement of outdated mechanical, electrical, and plumbing support. The placement of sophisticated specialty labs in the building, while less costly than locating them in new space, has required an increased level of engineering evaluation and design beyond a typical medical clinic project. Similarly, the design entails removing an existing parking floor to provide specialized laboratory space, involving a more sophisticated structural evaluation than a typical remodeling project. In addition to impacting construction costs, these complex systems requirements associated with specialized spaces and overall building support have also increased the design fees required for the project.

Complex phasing of construction

The proposed remodeling will be taking place in an occupied building providing patient care

throughout the duration of the project. Consequently it has been necessary to design the project in a series of individual components which will require over three years to implement. As with the infrastructure issues discussed above, the extended phasing of the project has resulted in increased design time and costs beyond a conventional renovation.

The Children's Memorial Hospital
 Criterion 1120.310.c, Reasonableness of Project and Related Costs
 Cost and Gross Square Feet by Department

Department	A		B		C		D		E		F		G		H		Total \$
	Cost/SF		Gross SF		Gross SF		Gross SF		Gross SF		% Circ		New Const \$	Modernization \$			
	New	Mod	New	% Circ	Mod	% Circ	New	% Circ	Mod	% Circ							
Ambulatory Clinics	\$	129.96			16,247	30%	\$	-	\$	2,111,460	\$	2,111,460	\$	2,111,460	\$	2,111,460	
Child Psychiatry Offices	\$	198.59			10,478	30%	\$	-	\$	2,080,826	\$	2,080,826	\$	2,080,826	\$	2,080,826	
PT/OT/Orthotics	\$	-			0	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Speech Therapy	\$	-			0	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Audiology	\$	214.71			242	0%	\$	-	\$	51,960	\$	51,960	\$	51,960	\$	51,960	
Imaging																	
General Radiology	\$	108.12			902	20%	\$	-	\$	97,524	\$	97,524	\$	97,524	\$	97,524	
CT Scanning	\$	-			0	-	\$	-	\$	-	\$	-	\$	-	\$	-	
MR Scanning	\$	-			0	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Diagnostic Cardiology	\$	113.42			4,307	30%	\$	-	\$	488,500	\$	488,500	\$	488,500	\$	488,500	
Pulmonary Function Lab	\$	113.42			1,391	30%	\$	-	\$	157,767	\$	157,767	\$	157,767	\$	157,767	
Phlebotomy/General Lab	\$	243.91			900	30%	\$	-	\$	219,519	\$	219,519	\$	219,519	\$	219,519	
Specialty Labs	\$	356.34			15,345	30%	\$	-	\$	5,468,037	\$	5,468,037	\$	5,468,037	\$	5,468,037	
Motion Analysis Lab	\$	-			0	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Urodynamics Lab	\$	127.98			920	30%	\$	-	\$	117,742	\$	117,742	\$	117,742	\$	117,742	
Occupational Health	\$	187.02			2,040	30%	\$	-	\$	381,521	\$	381,521	\$	381,521	\$	381,521	
Sterile Supply	\$	113.42			271	0%	\$	-	\$	30,737	\$	30,737	\$	30,737	\$	30,737	
Total Clinical	\$	211.25			53,043					11,205,593	\$	11,205,593	\$	11,205,593	\$	11,205,593	
Family Support Services	\$	148.47			302	0%	\$	-	\$	44,838	\$	44,838	\$	44,838	\$	44,838	
Faculty Offices	\$	148.47			3,721	20%	\$	-	\$	552,457	\$	552,457	\$	552,457	\$	552,457	
Admin Offices	\$	148.47			3,433	20%	\$	-	\$	509,698	\$	509,698	\$	509,698	\$	509,698	
Storage	\$	63.82			696	0%	\$	-	\$	44,419	\$	44,419	\$	44,419	\$	44,419	
Public	\$	112.53			302	0%	\$	-	\$	33,984	\$	33,984	\$	33,984	\$	33,984	
Staff Support	\$	112.54			271	0%	\$	-	\$	30,498	\$	30,498	\$	30,498	\$	30,498	
Circulation/Infrastructure	\$	120.30			26,621	-	\$	-	\$	3,202,506	\$	3,202,506	\$	3,202,506	\$	3,202,506	
Receiving/Maintenance	\$	-			0	-	\$	-	\$	-	\$	-	\$	-	\$	-	
Mechanical	\$	57.32			2,350	-	\$	-	\$	134,702	\$	134,702	\$	134,702	\$	134,702	
Parking	\$	118.28			18,051	-	\$	-	\$	2,135,005	\$	2,135,005	\$	2,135,005	\$	2,135,005	
Total Non-Clinical	\$	119.97			55,747					6,688,107	\$	6,688,107	\$	6,688,107	\$	6,688,107	
Total Construction	\$	164.48			108,790					17,893,700	\$	17,893,700	\$	17,893,700	\$	17,893,700	
Contingency	\$	11.52			108,790					1,252,800	\$	1,252,800	\$	1,252,800	\$	1,252,800	
Total Construction/Contingency	\$	176.00			108,790					19,146,500	\$	19,146,500	\$	19,146,500	\$	19,146,500	

Criterion 1120.310(d), Projected Operating Costs

	2009	2013
Equivalent patient days	104,464	124,082
Direct costs (salaries, benefits, supplies)	\$316,142,000	\$434,091,240
Direct costs per equivalent patient day	\$3,026	\$3,498
Constant annual growth rate*		3.69%

* Increases primarily related to average annual inflation costs

Criterion 1120.310(e), Total Effect of the Project on Capital Costs

	2013
Equivalent patient days	124,082
Project cost	\$32,256,000
Useful life (years)	20
Project depreciation/amortization	\$1,612,800
Project interest expense	\$1,750,000
Total project costs	\$3,362,800
Project cost per equivalent patient day	\$27.10

Criterion 1120.310(f), Non-patient Related Services

This criterion is not applicable. The proposed project does not involve non-patient related services.



Children's Memorial Foundation
Children's Memorial Institute for
Education and Research
Children's Memorial
Home Health, I.I.C

March 1, 2010

Mr. Dale Galassie
Chair,
Illinois Health Facilities and Services Review Board
525 West Jefferson St., 2nd Floor
Springfield, IL 62761



A Member of the
McGaw Medical Center of
Northwestern University

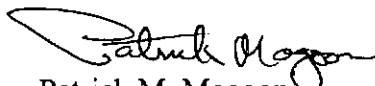
Dear Mr. Galassie:


As authorized representatives of Children's Memorial Hospital, we hereby attest that borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The selected form of debt financing the project will be at the lowest net cost available, or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, access to additional debt, term (years) financing costs, and other factors.


Additionally, if any part of the project involves the leasing of facilities, the expenses incurred with such leasing are less costly than constructing a new facility or purchasing new equipment.

Sincerely,

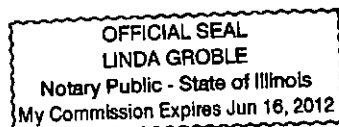

Patrick M. Magoon
President and CEO


Paula Noble
Chief Financial Officer

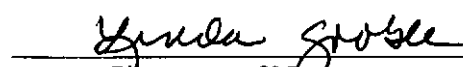
Notarization:
Subscribed and sworn to before me
This 1 day of March, 2010


Signature of Notary

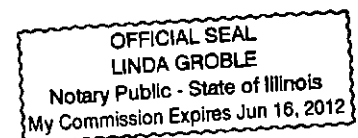
Seal



Notarization:
Subscribed and sworn to before me
This 1 day of March, 2010


Signature of Notary

Seal



After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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