17-054

ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

RECEIVED

OCT 11 2017

HEALTH FACILITIES & SERVICES REVIEW BOARD

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Ann & Robert H. Lurie Children's Hospital of Chicago Hematology/Oncology Expansion
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
County: Cook Health Service Area 6 Health Planning Area: A-1

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
Name of Registered Agent: Nancy M. Borders
Registered Agent Street Address: 225 E. Chicago Avenue, Box 261
Registered Agent City and Zip Code: Chicago, IL 60611
Name of Chief Executive Officer: Patrick M. Magoon
CEO Street Address: 225 E. Chicago Avenue
CEO City and Zip Code: Chicago, IL 60611
CEO Telephone Number: 312-227-4327

Type of Ownership of Applicants

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Reagen Atwood
Title: Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312/227-7470
E-mail Address: ratwood@luriechildrens.org
Fax Number: 312/227- 9532

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

Name: Ralph Weber
Title: Consultant

Company Name: Weber Alliance
Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: rmweber90@gmail.com
Fax Number: None

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: Ann & Robert H. Lurie Children's Hospital of Chicago Bed Expansion
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
County: Cook Health Service Area 6 Health Planning Area: A-1

Co- Applicant [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Children's Hospital of Chicago Medical Center
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
Name of Registered Agent: Nancy M. Borders
Registered Agent Street Address: 225 E. Chicago Avenue, Box 261
Registered Agent City and Zip Code: Chicago, IL 60611
Name of Chief Executive Officer: Patrick M. Magoon
CEO Street Address: 225 E. Chicago Avenue
CEO City and Zip Code: Chicago, IL 60611
CEO Telephone Number: 312-227-4327

Type of Ownership of Co-Applicant

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Reagen Atwood
Title: Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312/227-7470
E-mail Address: ratwood@luriechildrens.org
Fax Number: 312/227- 9532

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

Name: Ralph Weber
Title: Consultant
Company Name: Weber Alliance

Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: rmweber90@gmail.com
Fax Number: None

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]**

Name: Reagen Atwood
Title: Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312/227-7470
E-mail Address: ratwood@luriechildrens.org
Fax Number: 312/227- 9532

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Ann & Robert H. Lurie Children's Hospital of Chicago
Address of Site Owner: 225 E. Chicago Avenue, Chicago, IL 60611
Street Address or Legal Description of the Site: **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
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: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Chicago, IL 60611
☒ Non-profit Corporation ☐ Partnership ☐ For-profit Corporation ☐ Governmental ☐ Limited Liability Company ☐ Sole Proprietorship ☐ 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. o **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. ***Certificate of Good Standing already provided as a part of ATTACHMENT 1***

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity 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 4, 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 #2006-5 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 #2006-5 (http://www.hfsrb.illinois.gov).

APPEND DOCUMENTATION AS ATTACHMENT 5, 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 6, 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)]

Part 1110 Classification:

☒ Substantive

☐ Non-substantive

2. Narrative Description

In the space below, provide 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.

Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) and its parent, Children's Hospital of Chicago Medical Center, propose to expand Lurie Children's inpatient hematology/oncology (Hem/Onc) service with the addition of a 24-bed Intensive Care Unit (ICU) adjacent to the existing 24-bed pediatric medical/surgical unit. The proposed 24-bed Hem/Onc ICU will be located on the south side of the 17th floor (17S) at Lurie Children's located at 225 E. Chicago Avenue, Chicago, Illinois.

Currently, Lurie Children's has 92 ICU beds in operation. In May 2017, the Illinois Health Facilities and Services Review Board approved Project 16-050, allowing for the construction of 44 ICU beds on the 22nd floor at Lurie Children's, increasing the ICU bed complement from 92 to 136. These 44 ICU beds are now under construction. The current proposed project to add 24 ICU beds to the Hem/Onc service will increase the ICU bed complement from 136 ICU beds to 160 ICU beds. Total hospital authorized beds will increase from 336 to 360.

Existing office space on 17S will be converted to the proposed 24-bed Hem/Onc ICU. The 32,447 square foot construction project includes 16,398 sq. ft. of clinical space, and 16,049 sq. ft. of non-clinical space.

The anticipated completion date for the project is September 30, 2020.

Total project capital cost is $27,199,281.

The project is substantive because it is an expenditure by a health care facility in excess of the capital expenditure threshold and proposes the addition of beds to an existing category of service.

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-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**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)			
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**	**NONCLINICAL**	**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.			

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 $ N/A.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

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): September 30, 2020

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

☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance.

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

State Agency Submittals [Section 1130.620(c)]

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
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. 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.**

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

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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 the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Ann & Robert H. Lurie Children's Hospital of Chicago			**CITY: Chicago**		
REPORTING PERIOD DATES: From: January 1, 2016 to: December 31, 2016					
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days [4]**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	-	-	-	-	-
Obstetrics	-	-	34,119	-	-
Pediatrics	124	6,454	25,357	-	124
Intensive Care	136 [1]	3,690 [3]	-	24	160
Comprehensive Physical Rehabilitation	-	-	3,442	-	-
Acute/Chronic Mental Illness	12	521	19,686	-	12
Neonatal Intensive Care	64 [2]	862	-	-	64
General Long Term Care	-	-	-	-	-
Specialized Long Term Care	-	-	-	-	-
Long Term Acute Care	-	-	-	-	-
Other ((identify)	-	-	-	-	-
TOTALS:	336	11,527	82,604	24	360

Notes:

(1) Includes 44 ICU beds, approved in Project 16-050 in May 2017, currently under construction. Not yet in operation.

(2) Includes 4 NICU beds, approved in Project 16-050 in May 2017, currently under construction. Not yet in operation.

(3) For consistency with Annual Questionnaire, includes direct admits only; 421 transfers from other units in the hospital are not included in admission total, but transfer patient days are included in patient day total.

(4) Includes observation days, including 869 observation days in intensive care units.

CERTIFICATION - APPLICANT

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

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

This Application is filed on the behalf of Ann & Robert H. Lurie Children's Hospital of Chicago 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 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 fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Patrick M. Magoon
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 2 day of October

Signature of Notary

Seal

Official Seal
Annel Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

SIGNATURE

Ron Blaustein
PRINTED NAME

Chief Financial Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 2 day of October

Signature of Notary

Seal

Official Seal
Annel Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

CERTIFICATION – CO-APPLICANT

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

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

This Application is filed on the behalf of Children's Hospital of Chicago 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 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 fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Patrick M. Magoon
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 2 day of October

Signature of Notary

Seal

Official Seal
Annet Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

SIGNATURE

Ron Blaustein
PRINTED NAME

Chief Financial Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 2 day of October

Signature of Notary

Seal

Official Seal
Annet Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

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

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

Background

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, and certification 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 that the information was 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 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.230 – Purpose of the Project, and Alternatives

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 relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the 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 **as appropriate.**

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

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** 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

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, 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. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

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. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF 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 and certified by the facility's Medical Director.

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

   c. The project involves the conversion of existing space that results in excess square footage.

   d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT 14, 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. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, 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 (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to 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 is 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 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

NO SHELLED SPACE IN PROJECT.

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 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

NO SHELLED SPACE IN PROJECT.

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

This Section is applicable to all projects proposing the establishment, expansion or modernization of categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion, and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

A. Criterion 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

1. Applicants proposing to establish, expand and/or modernize the Medical/Surgical, Obstetric, Pediatric and/or Intensive Care categories of service must submit the following information:

2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
☐ Medical/Surgical		
☐ Obstetric		
☐ Pediatric		
☒ Intensive Care	136*	160

92 in use & 44 under construction (Permit #16-050)

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(c)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.530(c)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.530(c)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.530(c)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.530(c)(5) - Planning Area Need - Service Accessibility	X		
1110.530(d)(1) - Unnecessary Duplication of Services	X		
1110.530(d)(2) - Maldistribution	X	X	

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(d)(3) - Impact of Project on Other Area Providers	X		
1110.530(e)(1), (2), and (3) - Deteriorated Facilities			X
1110.530(e)(4) - Occupancy			X
1110.530(f) - Staffing Availability	X	X	
1110.530(g) - Performance Requirements	X	X	X
1110.530(h) - Assurances	X	X	

APPEND DOCUMENTATION AS ATTACHMENT 19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable **[Indicate the dollar amount to be provided from the following sources]:**

$5,612,550	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
-	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
-	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$21,586,731	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital

	improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions. e) Governmental Appropriations – 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, a copy of a resolution or other action of the governmental unit attesting to this intent; f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt; g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$27,199,281	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			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.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

   A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

   B) 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. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

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	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

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.

A table in the following format must be provided as part of Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost In dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS

File Number 5367-793-2

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

CHILDREN'S HOSPITAL OF CHICAGO 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.

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* SEPTEMBER *A.D.* 2017 .

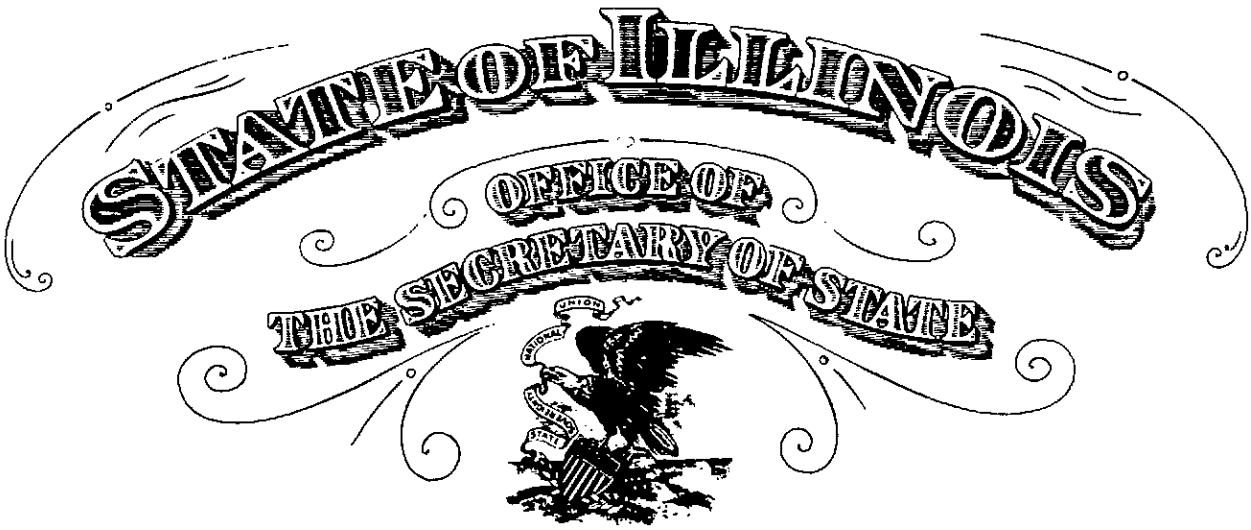
Authentication #: 1726802150 verifiable until 09/25/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

File Number 0666-373-7



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, 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* SEPTEMBER *A.D.* 2017 .

Authentication #: 1726802140 verifiable until 09/25/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

Site Ownership

Proof of Ownership or Control

QUITCLAIM DEED

THIS INSTRUMENT PREPARED BY:
THOMAS L. HEFTY
MCDERMOTT, WILL & EMERY LLP
227 WEST MONROE STREET
CHICAGO, ILLINOIS 60606

THIS INSTRUMENT IS EXEMPT FROM TAXATION PURSUANT TO 35 ILCS 200/31-45(e) OF THE REAL ESTATE TRANSFER TAX ACT.

BUYER/SELLER/AGENT

DATE: 4/11/2007

PROPERTY ADDRESS AND PIN:

215 EAST CHICAGO AVENUE
CHICAGO, IL 60610

17-10-200-014-0000
17-10-200-015-0000
17-10-200-030-0000
17-10-200-031-0000
17-10-200-034-0000
17-10-200-035-0000
17-10-200-036-0000
17-10-200-037-0000
17-10-200-038-0000
17-10-200-039-0000
17-10-200-051-0000
17-10-200-052-0000

Doc#: 0711333009 Fee: $34.00
Eugene "Gene" Moore RHSP Fee:$10.00
Cook County Recorder of Deeds
Date: 04/23/2007 07:25 AM Pg: 1 of 6

[The above Space for Recorder's Use Only]

NORTHWESTERN MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, whose address is 251 East Huron Street, Chicago, Illinois 60611-3746 ("Grantor"), for and in consideration of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable consideration in hand paid, **CONVEYS** and **QUITCLAIMS** to **THE CHILDREN'S MEMORIAL HOSPITAL**, an Illinois not-for-profit corporation, whose address is 2300 Children's Plaza, Chicago, Illinois 60614 ("Grantee"), all of Grantor's right, title and interest in and to the real estate situated in the City of Chicago, Cook County in the State of Illinois (the "Property") legally described on Exhibit A attached to and made a part of this instrument by this reference.

TO HAVE AND TO HOLD THE PROPERTY FOREVER, PROVIDED, that by delivering, accepting and recording this instrument, Grantor and Grantee give notice to any person taking any interest in the Property that the Property is subject to the obligation to reconvey the Property to Grantor, upon the occurrence of certain contingencies, pursuant to Section 4.7 of a certain Development Agreement among Grantor, Grantee and others, dated as of March 9, 2007.

[Signature on the following page.]

Box 400-CTCC

ATTACHMENT 2

This Quitclaim Deed is signed this 17 day of [illegible], 2007.

NORTHWESTERN MEMORIAL HOSPITAL,
an Illinois not-for-profit corporation

By: [signature]
Name: Dean M. Harrison
Title: President and Chief Executive Officer

After Recording Return to:

Drinker Biddle Gardner & Carton
191 North Wacker Drive
Chicago, Illinois 60606
Attention: Michael Csar

Send Subsequent Tax Bills to:

The Children's Memorial Hospital
Attention: President
2300 Children's Plaza
Chicago, Illinois 60614

STATE OF _____)

) SS.

COUNTY OF _____)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that DEAN HARRISON, personally known to me to be the President, CEO of NORTHWESTERN MEMORIAL HOSPITAL, an Illinois not-for-profit corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such DEAN HARRISON, he/she signed, sealed and delivered said instrument as President, CEO of said corporation, pursuant to authority, given by the Board of Directors of said corporation as his/her free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and official seal, this 17 day of April, 2007.

OFFICIAL SEAL
ANGELA CAMPHOR
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:10/08/08

Notary Public

My Commission Expires:

10/08/08

Exhibit A to Quitclaim Deed
Legal Description

PARCEL 1.

LOT 10 IN OWNER'S PLAT OF LOTS 4 TO 18, OF OGDEN AND LOMBARD'S SUBDIVISION, TOGETHER WITH THE NORTH 25 FEET THERETO ADJOINING SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED DECEMBER 6, 1889 AS DOCUMENT NUMBER 1194259, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOTS 11, 12, AND 13 IN OGDEN AND LOMBARD'S SUBDIVISION OF ACCRETIONS EAST OF AND ADJOINING LOT 12 IN LEGG'S SUBDIVISION OF BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

ALSO

LOTS "R", "S" AND "T" IN LILL'S CHICAGO BREWERY COMPANY'S SUBDIVISION IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Parcel 3: Intentionally Omitted.

PARCEL 4:

LOTS 8, 9, 14, 15, AND 16 IN OWNER'S PLAT OF LOTS 4 TO 18, IN OGDEN AND LOMBARD'S SUBDIVISION OF THE ACCRETIONS EAST AND ADJOINING LOT 12 IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, TOGETHER WITH THE 25 FEET LYING NORTH AND ADJOINING THERETO BEING LOTS 'K' TO 'Y' OF LILL'S CHICAGO BREWERY COMPANY'S SUBDIVISION OF PART OF SAID BLOCK 54 AND ACCRETIONS THERETO IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 5:

LOTS 4 AND 5 IN OWNER'S PLAT OF LOTS 4 TO 18 IN OGDEN AND LOMBARD'S SUBDIVISION OF THE ACCRETIONS EAST AND ADJOINING LOT 12 IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, TOGETHER WITH THE 25 FEET LYING NORTH AND ADJOINING THERETO, IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 6:

LOTS 1 AND 2 IN SWING'S SUBDIVISION OF PART OF BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 7

LOTS 23 TO 30 BOTH INCLUSIVE IN LILL'S CHICAGO BREWERY COMPANY'S SUBDIVISION IN BLOCK 54 IN KINZIE'S ADDITION TO CHICAGO, IN SECTION 10, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 8:

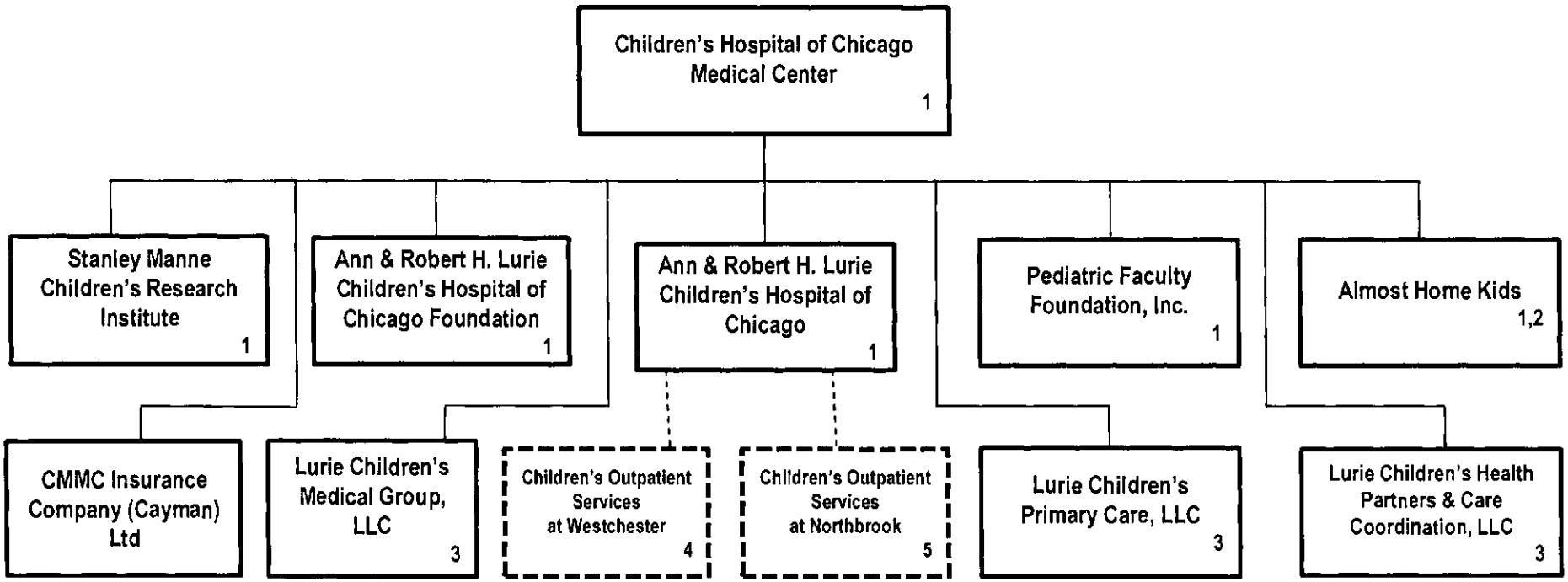
EASEMENT FOR THE BENEFIT OF PARCELS 1 THROUGH 7 AS CREATED BY DECLARATION OF EASEMENTS AND AGREEMENTS RECORDED AS DOCUMENT 25950376 FOR INGRESS AND EGRESS TO AND FROM THE EAST - WEST PUBLIC ALLEY AND THE EASEMENT AREA FOR VEHICULAR WAITING AND TURN AROUND, VEHICULAR ACCESS TO THE TRUCK LOADING DOCKS AS DESCRIBED IN AFORESAID INSTRUMENT.

* * * *

[End of Exhibit A]

Organizational Relationships (Organization Chart)

Ann & Robert H. Lurie
Children's Hospital of Chicago™



1 Illinois not for profit corporation and IRC § 501(c)(3)
2 Licensed under the Illinois Alternative Healthcare Delivery Act as a Children's Community Based Health Care Center
3 Controlled affiliate; Medical Center is sole member and entity is tax exempt
4 Lurie Children's Hospital is the license holder of Children's Outpatient Services at Westchester, an Illinois licensed ASTC
5 CON approved January 24, 2017; facility under construction with opening planned for Summer, 2018. Lurie Children's Hospital will be the license holder

ATTACHMENT 4

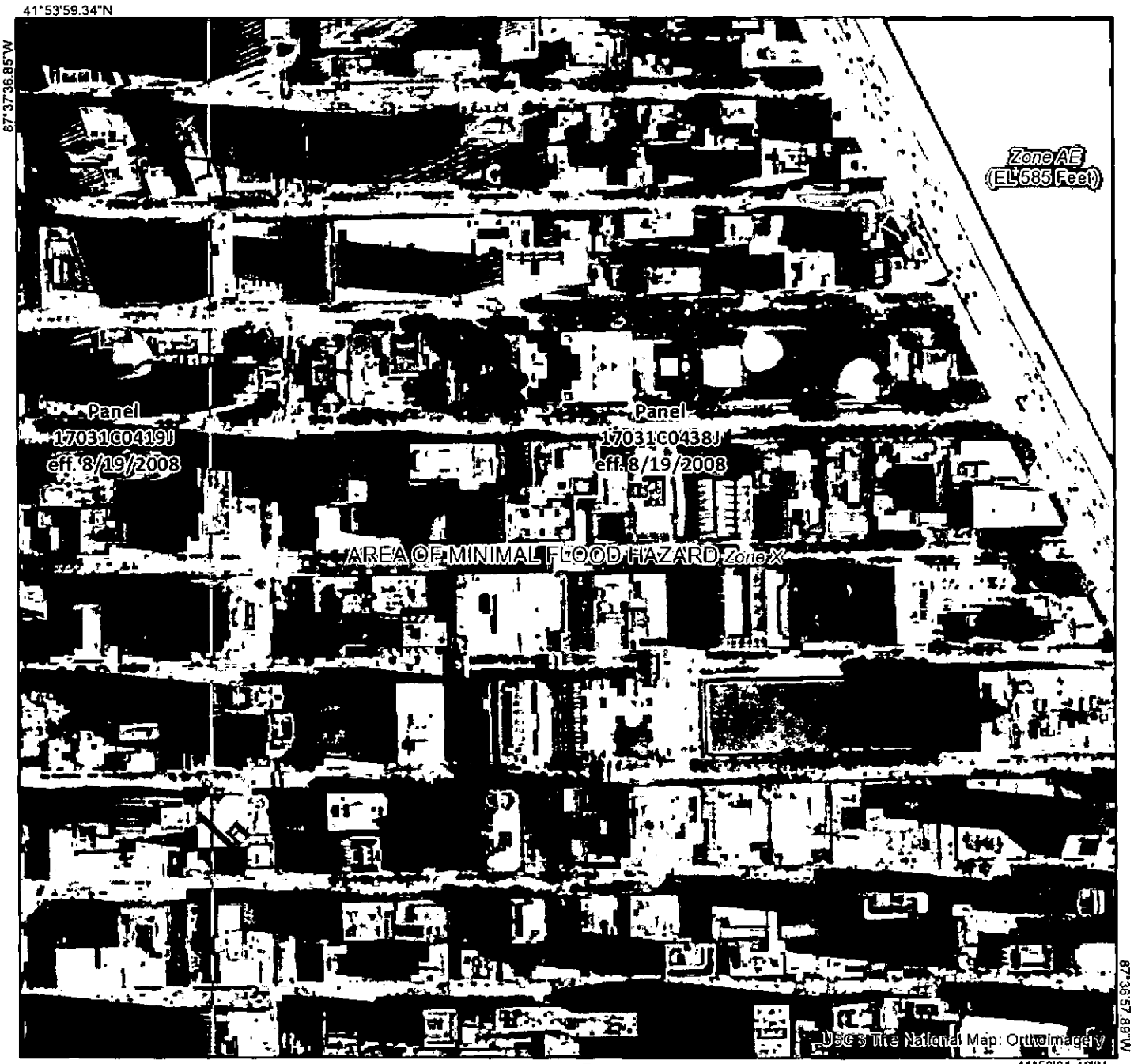
Flood Plain Requirements

The map on the next page shows FEMA National Flood Hazard Map, Panel 17031C0438J. This area contains part of the Streeterville area of the City of Chicago and the Northwestern campus, adjacent to Lake Michigan, the Ogden slip and the Chicago River. The map, dated 8/19/2008, predated the development of the Ann & Robert H. Lurie Children's Hospital of Chicago, which opened in June 2012. The site of Lurie Children's Hospital on Chicago Avenue is noted by the color highlighting.

The map labels the area as an "Area of Minimal Flood Hazard."

ATTACHMENT 5

National Flood Hazard Layer FIRMette



Legend

- Cross-Sections
- Base Flood Elevations

Flood Hazard Zones

- 1% Annual Chance Flood
- Regulatory Floodway
- Special Floodway
- Area of Undetermined Flood Hazard
- 0.2% Annual Chance Flood
- Future Conditions 1% Annual Chance Flood Hazard
- Area with Reduced Risk Due to Levee

LOMRs

- Effective

Map Panels

- Digital Data
- Unmodernized Maps
- Unmapped

This map complies with FEMA's standards for the use of digital flood maps. The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. The base map shown complies with FEMA's base map accuracy standards.

The NFHL is a living database, updated daily, and this map represents a snapshot of information at a specific time.

Flood risks are dynamic and can change frequently due to a variety of factors, including weather patterns, erosion, and new development. FEMA flood maps are continuelly updated through a variety of processes. Users should always verify through the Map Service Center (http://msc.fema.gov) or the Community Map Repository that they have the current effective information.

NFHL maps should not be created for unmapped or unmodernized areas.

FEMA

Date: 9/26/2017 Time: 5:38:12 PM

Historic Resources Preservation Act Requirements

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

Illinois Department of Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271
www.dnr.illinois.gov

Bruce Rauner, Governor
Wayne A. Rosenthal, Director

FAX (217) 524-7525

Cook County
Chicago
CON - Rehabilitation for 24 Additional Hematology/Oncology Intensive Care Patient Beds, Ann and Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave.
SHPO Log #008082917

September 21, 2017

Ralph Weber
920 Hoffman Lane
Riverwoods, IL 60015

Dear Mr. Weber:

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 David Halpin, Cultural Resources Manager, at 217/785-4998.

Sincerely,

Rachel Leibowitz, Ph.D.
Deputy State Historic
Preservation Officer

Project Costs and Sources of Funds
9/27/2017

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Pre-planning Costs	$205,639	$188,586	$394,225
Site Survey and Soil Investigation	$15,404	$14,126	$29,530
Site Preparation	$302,268	$277,202	$579,470
Off Site Work	$0	$0	$0
Modernization Contracts	$0	$0	$0
New Construction Contracts	$9,590,435	$8,795,107	$18,385,543
Contingencies	$573,309	$525,765	$1,099,074
A/E Fees	$420,668	$385,782	$806,450
Consultant Fees	$636,043	$583,296	$1,219,339
Movable Equipment	$1,568,455	$1,438,384	$3,006,839
Bond Issuance Expense	$112,603	$103,265	$215,867
Net Interest Expense During Construction	$0	$0	$0
FMV Leased Space	$0	$0	$0
Other Capital Costs	$763,115	$699,830	$1,462,945
Acquisition of Building	$0	$0	$0
TOTAL USES OF FUNDS	**$14,187,938**	**$13,011,343**	**$27,199,281**

SOURCE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Cash and Securities	$2,927,670	$2,684,880	$5,612,550
Pledges	$0	$0	$0
Gifts and Bequests	$0	$0	$0
Mortgages/Bonds	$11,260,268	$10,326,463	$21,586,731
Leases	$0	$0	$0
Governmental Appropriations	$0	$0	$0
Grants	$0	$0	$0
Other	$0	$0	$0
TOTAL SOURCES OF FUNDS	**$14,187,938**	**$13,011,343**	**$27,199,281**

ATTACHMENT 7

List of Items and Cost

Pre-Planning Costs - $394,225

The pre-planning costs include the preconstruction services provided by the general contractor.

Df the amount, $205,639 is the clinical pre-planning cost. This amount represents 1.75% of the clinical new construction, contingency and moveable equipment costs.

Site Survey and Soil Investigation - $29,530

The site survey and soil investigation costs includes the baseline testing of building mechanical systems, wireless internet coverage, and distributed antenna system coverage.

Df the total amount, $15,404 is the clinical site survey cost. This amount represents 0.15% of the clinical new construction and contingency costs.

Site Preparation - $579,470

The site preparation costs includes the demolition of the interiors of the 17th floor construction areas including the removal of existing flooring, furniture, drywall partitions, finished ceilings, and MEP systems.

Df the total amount, $302,268 is the clinical site preparation cost. This amount represents 2.97% of the clinical new construction and contingency costs.

New Construction Contract - $18,385,543

The new construction contract includes the cost of the construction contract to complete the project, including the general contractor's overhead and profit.

The new construction project consists of the build out of additional patient rooms, clinical support spaces and faculty offices. This work includes the necessary mechanical, electrical, plumbing, fire protection, telecommunications, and security infrastructure to support such additions.

Df the total new construction contract amount, $9,590,435 is the clinical new construction cost. The total clinical DGSF of the project is 16,398 square feet. The clinical cost/square foot is $585.

Contingencies - $1,099,074

The contingencies are an allowance for unforeseen conditions.

Df the total amount, $573,309 is the clinical contingency cost. This amount is 5.98% of the clinical new construction cost.

Together, the clinical new construction and contingency costs are $10,163,744. The total clinical DGSF of the project is 16,398 square feet. The clinical new construction cost + contingency cost/square foot is $620.

Of the $620, approximately $213.15/SF is attributed to construction requirements that aren't associated with a typical project, as outlined below.

Lurie Children's Hematology/Oncalagy (Hem/Onc) unit treats patients with blaod disarders and cancer. These patients are immunacampramised, and any exposure ta enviranmental pathagens, such as mold spores and pneumania bacteria, ar airborne pathogens, such as tuberculasis bacteria and chickenpox virus, can result in seriaus adverse patient autcomes. Lurie Children's implements infection contral measures on its Hem/Onc unit to protect its patients in the form af a positive air pressure environment. In a positive pressure unit, air flow is cantrolled so it flows out af the unit, instead of inta the unit where immunocompromised patients reside. This positive air flow prevents pathogens autside af the unit fram entering inta the unit and harming immunocompromised Hem/Onc patients.

During the construction af the proposed 24-bed Hem/Onc ICU, Lurie Children's will place an emphasis on the safety of its potients, especially its Hem/Onc immunacompromised patients, since canstruction activities can uncover and release environmental pathogens. In arder ta protect these patients against airborne pathogens through the construction phoses, a positive pressure enviranment must be maintained at all times in patient care spaces, which requires the creatian of temparary barriers and ante rooms, cleaning, and ongaing monitoring of air flow. Constantly maintaining this environment is a significant undertaking and contributes to the need far many additional canstruction phases than wauld otherwise be required in a "typical" haspital project, resulting in increased costs.

The construction pracess is further complicated by the need, in the spaces where construction is underway, to configure air flow to a negative pressure, meaning that the air is pushed into the space, instead of out. This is ta ensure that any uncovered environmental pathagens da nat spread throughout the unit and hospital into the patient care spaces. Constantly maintaining a negative pressure environment in construction spaces, which involves taking all exteriar windows off the 17th floor and retaining a barrier araund the elevator, also cantributes to the need for additional constructian phases, resulting in increased casts.

1. 17th Floor Under-Slab Plumbing Premium
   Plumbing runs for the current 17th floor reside under the concrete flooring slab in the 16th floor ceiling cavity. The result of this requires extensive demolition and eventual re-installation of interior finishes on the 16th floor in order to access and construct the plumbing that will serve the floor above. The costs associated with this additional work includes $231,432 for interior finishes and re-construction, $102,000 for the removal of exterior glass for ventilation, and $250,000 for the plumbing work that will serve the 17th floor.

   Total Plumbing Costs: $231,432 + $102,000 + $250,000 = $583,432

   $583,432 ÷ 16,398 Clinical DGSF = $35.58/SF

2. Added Phasing and Enabling Premium
   The proposed project is planned to be constructed in the existing Lurie Children's hospital facility. This provides limitations regarding timing and availability of the construction areas due to the proximity of adjacent, active units. Mitigating disruptions will be a key factor in the successful execution of the project. The 16th floor PICU is directly below, the current 17th floor Hematology/Oncology unit is directly adjacent and the 18th floor infusion/outpatient Hematology/Oncology unit is located directly above. With the high level of specialized care occurring in these areas, detailed phasing and enabling is required to keep these units operational during construction. For example, over twenty phases are required to keep the public elevators and lobby accessible to the public on the 17th floor. These types of plans are required to ensure the standard high levels of care are not compromised for interim construction conditions. This phasing-plan has an associated cost of $1,188,218 for the 17th floor and $240,237 for the 16th floor.

   Total Enabling Costs: $1,188,218 + $240,237 = $1,428,455

   $1,428,455 ÷ 16,398 Clinical DGSF = $87.11/SF

3. Infection Prevention and Control Premium
   As mentioned in item #2, there is significant impact to the construction set-up and procedures due to the proximity of the new areas to existing patient care spaces. This direct adjacency to the north halves of both the 16th and 17th floors requires a high level of care with regards to temporary barriers, ante rooms, cleaning and ongoing monitoring. At all times, the patient care spaces must have positive air pressure in relation to the construction areas which requires large maintenance effort to assure all barriers and air movement is intact. The costs associated with this effort includes $98,957 for protection of existing-to-remain areas, $193,004 for equipment/rentals, $436,853 for ongoing maintenance/cleaning and $150,008 for temporary barriers.

   Total Infection Control Costs: $98,957 + $193,004 + $436,853 + $150,008 = $878,822

   $878,822 ÷ 16,398 Clinical DGSF = $53.59/SF

4. Elevator Operator and Re-Programming Premium
   The current elevator system in Lurie Children's does not have a built-in solution to allow for construction crews to isolate a given car for material deliveries and construction activities; this requires re-programming of the system by the elevator contractor. Due to the square footage of the project, local unions require the use of an operator during all project work. The costs associated with this additional work includes $5,000 for elevator re-programming and modifications, $259,652 for a day shift operator and $339,946 for a weekend/off-hour operator.

   Total Elevator Costs = $5,000 + $259,652 + $339,946 = $604,598

   $604,598 ÷ 16,398 Clinical DGSF = $36.87/SF

Summary of Additional Justified Costs

Added Phasing and Enabling Premium: $87.11/SF
Infection Prevention and Control Premium: 53.59/SF
Elevator Operator and Re-Programming Premium: $36.87/SF
17th Floor Under-Slab Plumbing Premium: $35.58/SF

Total: $213.15/SF

Architectural and Engineering Fees - $806,450

The architectural and engineering fees include the design services for preliminary programming, schematic design, design development, the execution of construction documents, and construction administration services. The architectural fees represent $483,870 of the total A/E cost and include design services for the architecture, interior design, engineering coordination, and architectural project management. The engineering fees represent $322,580 of the total A/E cost and include design of all building systems including electrical, mechanical, plumbing, fire protection, telecommunications, and security.

Of the total amount, $420,668 is the clinical Architectural/Engineering Fee. This amount represents 4.14% of the clinical new construction and contingency costs.

Consultant Fees - $1,219,339

The consultant and other fees include services for various types of consulting and professional expertise plus the application costs associated with the required regulatory reviews.

The consulting fees include:

- Project Management Services
- Medical Equipment Planning
- FF&E Design
- IT/IM Project Management Services
- CON Advisory Services

The application costs include the cost associated with the following reviews and permits:

- CON Filing Fee
- IDPH Application Cost
- City of Chicago Permit Application Fee

Of the total amount, $636,043 is the clinical consultant and other fee costs. This amount represents 3.46% of the clinical modernization cost.

Movable Equipment - $3,006,839

The movable equipment cost includes all the equipment, furniture, artwork and fixtures to equip the new additions.

Of the total amount, $1,568,455 is the clinical movable equipment costs. This cost includes the medical equipment for the clinical space and is outlined below:

- Patient Beds & Cribs: $283,653
- Physiological Monitoring, Central Stations and Devices: $674,973
- Medication Carts, Storage and Dispensers: $127,721
- Other (Pumps, IV Stands, Defibrillators, Scales, Wheelchairs, etc): $482,108

The remainder of the total amount, $1,438,384, is associated with non-clinical movable equipment costs and is outlined below:

- Medical Equipment for Non-Clinical Space: $755,279
- Furniture: $564,897
- Artwork: $37,500
- Signage: $33,852
- Security: $46,856

Other Capital Costs - $1,462,945

The other capital costs include the fees for commissioning, furniture removal, moving costs and IT/AV equipment.

Of the total amount, $763,115 is the clinical, other capital cost.

Cost Space Requirements
9/27/2017

Dept / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Sq Ft That Is:			
		Existing	Proposed	New Const	Modernized	As Is	Vacated
REVIEWABLE							
ICU	$9,590,435	-	16,398	16,398	-	-	-
Total Reviewable	**$9,590,435**	**-**	**16,398**	**16,398**	**-**	**-**	**-**
NON-REVIEWABLE							
Break Room / Locker	$567,058	-	909	909	-	-	-
Building System / Support	$2,968,226	-	5,891	5,891	-	-	-
Conference	$314,791	-	654	654	-	-	-
Consultation	$525,447	-	765	765	-	-	-
Office	$1,020,065	-	1,171	1,171	-	-	-
Public Toilet	$216,393	-	419	419	-	-	-
Public / Waiting / Lounge	$2,034,807	-	4,172	4,172	-	-	-
Staff Toilet	$120,814	-	251	251	-	-	-
Workroom	$705,015	-	1,147	1,147	-	-	-
Storage	$322,492	-	670	670	-	-	-
Total Non-Reviewable	**$8,795,107**	**-**	**16,049**	**16,049**	**-**	**-**	**-**
Subtotal New Construction	**$18,385,543**	**-**	**32,447**	**32,447**	**-**	**-**	**-**

OTHER PROJECT COSTS	
Pre-Planning Costs	$394,225
Site Survey and Soil Investigation	$29,530
Site Preparation	$579,470
Off Site Work	$0
Contingencies	$1,099,074
A/E Fees	$806,450
Consultant Fees	$1,219,339
Movable Equipment	$3,006,839
Bond Issuance Expense	$215,867
FMV Leased Space	$0
Other Capital Costs	$1,462,945
Subtotal Other Project Costs	**$8,813,739**

TOTAL PROJECT COSTS	**$27,199,281**

8 of 9

Background of the Applicant

A listing of all health care facilities owned or operated by the applicant, including IDPH licenses and certifications are included in this Attachment.

An updated letter certifying that there have been no adverse actions and authorizing access to information is included in this Attachment.

CRITERION 1110.230 – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

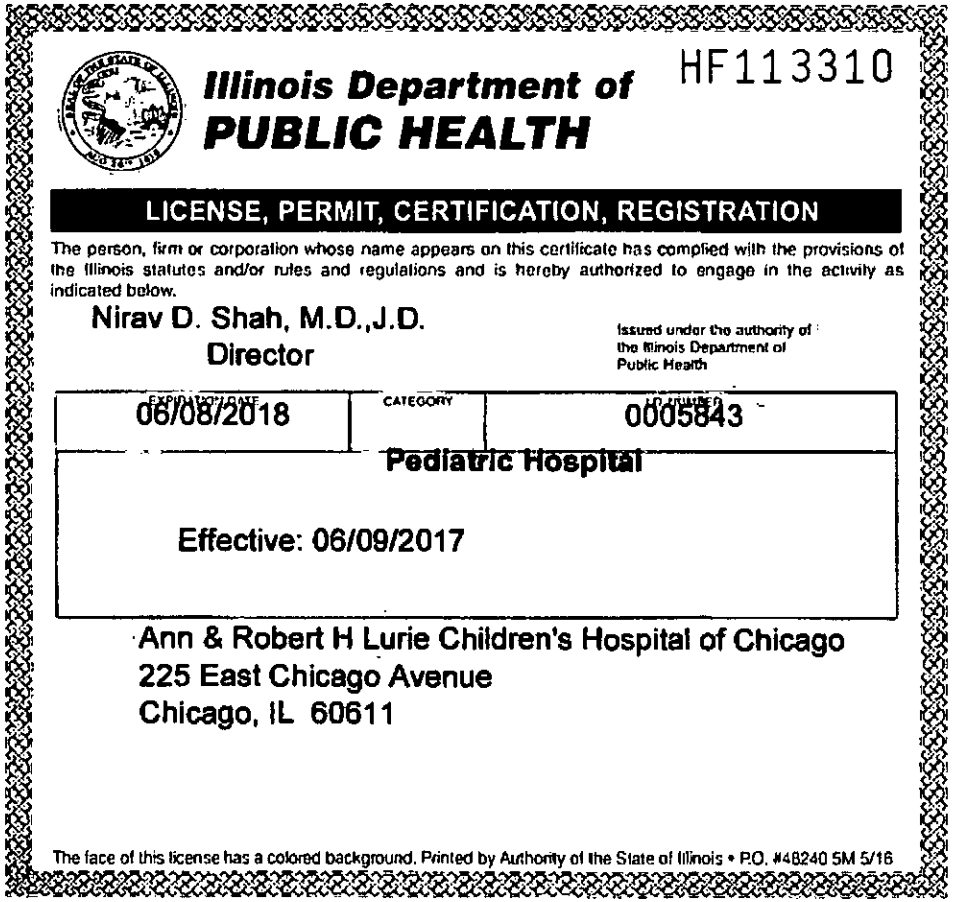
Ann & Robert H. Lurie Children's Hospital of Chicago
225 East Chicago Avenue
Chicago, Illinois 60611
Licensure: Pediatric Hospital

Children's Outpatient Services at Westchester
2301 Enterprise Drive
Westchester, Illinois 60154
Licensure: Ambulatory Surgical Treatment Center

Children's Outpatient Services at Northbrook*
1121 Techny Road
Northbrook, Illinois 60062
Anticipated Licensure: Ambulatory Surgical Treatment Center
**CON (Project #16-044) approved January 24, 2017; facility under construction with opening planned for Summer 2018. Lurie Children's Hospital will be the license holder.*

Almost Home Kids
211 East Grand Avenue
Chicago, Illinois 60611
Licensure: Children's Community Based Health Care Center

Almost Home Kids
7S. 721 Route 53
Naperville, Illinois 60540
Chicago, Illinois 60611
Licensure: Children's Community Based Health Care Center



Illinois Department of PUBLIC HEALTH

HF113310

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.

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	LIC. NUMBER
06/08/2018		0005843

Pediatric Hospital

Effective: 06/09/2017

Ann & Robert H Lurie Children's Hospital of Chicago
225 East Chicago Avenue
Chicago, IL 60611

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 06/08/2018
Lic Number 0005843
Date Printed 04/21/2017
Validation Num

Ann & Robert H Lurie Children's Hospit

225 East Chicago Avenue
Chicago, IL 60611

FEE RECEIPT NO.

ATTACHMENT 11

HF113462

Illinois 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

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/25/2018		7001555

Ambulatory Surgery Treatment Center

Effective: 06/26/2017

Children's Outpatient Services at Westchester
2301 Enterprise Drive
Westchester, IL 60154

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 06/25/2018

Lic Number 7001555

Date Printed 05/19/2017

Children's Outpatient Services at West

2301 Enterprise Drive
Westchester, IL 60154

FEE RECEIPT NO.

ATTACHMENT 11

HF113598

Illinois 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

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
08/01/2018		4000020

Children's Community Based Health Care Center

Licensed Beds: 12

Almost Home Kids
7S. 721 Route 53
Naperville, IL 60540

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 08/01/2018

Lic Number 4000020

Date Printed 06/19/2017

Almost Home Kids

7S. 721 Route 53
Naperville, IL 60540

FEE RECEIPT NO.

ATTACHMENT 11

HF113937

Illinois 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

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
9/7/2018		4000024

Children's Community Based Health Care Center

Licensed Beds: 12

Almost Home Kids
211 East Grand Avenue
Chicago, IL 60611

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 9/7/2018

Lic Number 4000024

Date Printed 7/28/2017

Almost Home Kids

FEE RECEIPT NO.

ATTACHMENT 11

Ann & Robert H. Lurie
Children's Hospital of Chicago

October 2, 2017

Ms. Kathryn J. Olson
Chairperson
Illinois Health Facilities and
Services Review Board
525 W. Jefferson Street, 2nd floor
Springfield, IL 62761

Re: Criterion 1110.230: Background – No Adverse Action Certification and Access to Information

Dear Ms. Olson:

I hereby certify that no adverse action has been taken against Children's Hospital of Chicago Medical Center (the "Medical Center") or Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's"), or any facility owned or operated by the Medical Center or Lurie Children's, directly or indirectly, within three (3) years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Services Review Board ("Board") and the Illinois Department of Public Health ("IDPH") to access any information they find necessary to verify any documentation or information submitted, including, but not limited to, official records of IDPH or other State agencies and records of nationally recognized accreditation organizations. I further authorize the Board and IDPH to obtain any additional documentation or information the Board or IDPH deems necessary to process the application.

If you have any questions, please contact Reagen Atwood, Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago at 312-227-7470 or RAtwood@luriechildrens.org.

Sincerely,

Patrick M. Magoon
President and Chief Executive Officer
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Avenue, Box 261
Chicago, IL 60611

Subscribed and sworn to before me
this 2 day of October, 2017.

Signature of Notary Public

Seal

Official Seal
Annel Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

55

ATTACHMENT 11

PURPOSE OF THE PROJECT

Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) has a long history of delivering advanced pediatric cancer care and now accounts for 40.4% of all pediatric hematology/oncology discharges in the 7-county Chicago metropolitan area. (COMPdata, 2016). Lurie Children's is also at the forefront of research to develop new cancer treatments and other advances.

Great strides have been made nationally and locally in treating pediatric cancers, but significant challenges remain. While the overall 5-year survival rate for children's cancer now approaches nearly 90%, the rates are much lower for those with aggressive or recurring cancers.

The proposed 24-bed hematology/oncology (Hem/Onc) ICU project will help Lurie Children's continue its leadership role in caring for children with cancer by meeting the demand of patients referred for tertiary level cancer care.

1. The addition of 24 Intensive Care Unit (ICU) beds to the existing complement of 136 authorized ICU beds will improve access to the population in northeastern Illinois by: a) adding intensive care capacity to meet increasing demand, and b) specifically addressing the intensive care needs of hematology/oncology patients at Lurie Children's.

a. *Assure the availability of intensive care at Lurie Children's.* ICU patient days have risen from 12,707 in Calendar Year (CY) 2009 to 25,357 in CY 2016. This 99.6% increase over 7 years equates to an annual average increase of 14.2%. ICU bed occupancy was 68% in CY 2015, and 75.5% in CY 2016, which exceeds the State ICU occupancy standard of 60%. Ongoing growth is expected to continue due to the expansion of referral relationships with hospitals throughout the Chicago metropolitan area for specialized pediatric care and the further development of specialized cancer services and interventions at Lurie Children's.

   Over the past 5 years, transports of pediatric cases to Lurie Children's increased by 43%, from 3,556 in Fiscal Year (FY) 2012 (ending August 31, 2012) to 5,074 in FY 2017 (ending August 31, 2017). This represents an average increase of 7.2% per year. This trend is also expected to continue. Approximately 50% of these transports are directly to the ICU. The trends are evidence of the fact that physicians and hospitals in northeastern Illinois increasingly refer to Lurie Children's as a regional resource for tertiary and quaternary pediatric inpatient care.

   When Lurie Children's relocated in June 2012 from Lincoln Park to the Streeterville neighborhood of Chicago, the new facility had an authorized capacity of 72 ICU beds. In June 2014, increased patient volumes led to the conversion of 20 pediatric medical/surgical beds to 20 ICU beds, resulting in an authorized ICU bed count of 92 ICU beds. The construction of 44 additional ICU beds at Lurie Children's is underway, based on the approval of Project 16-050 by the Health Facilities and Services Review Board in May 2017. This project will increase the ICU bed complement at Lurie Children's to 136 ICU beds. The addition of 44 ICU beds will accommodate a projected annual increase of 5.5% in ICU patient days through CY 2021, which is considerably less than the historic average growth of 14.2% for the past 7 years.

   The purpose of the proposed 24-bed Hem/Onc ICU project is to add capacity to meet the forecasted conservative annual growth of 5.5% in ICU patient days at Lurie Children's, to accommodate a projected volume of almost 35,000 ICU days in CY 2022.

b. *Assure the availability of ICU capacity for Hem/Onc patients at Lurie Children's.*

The existing 24-bed Hem/Onc pediatric medical/surgical unit on the north side of the 17th floor (17N) of Lurie Children's has been serving the Hem/Onc patient population by providing care through clinical staff with specialized training and experience. The special needs of this population have also required low nurse-to-patient ratios. A critically important feature of this unit is the positive air pressure which helps protect patients who are immunocompromised due to chemotherapy and susceptible to infections. This feature is not typical in an ordinary pediatric medical/surgical or ICU.

As the treatments available for cancer patients become more complex, the medical acuity of these patients is also changing. An increasing number of patients on the 24-bed Hem/Onc pediatric medical/surgical unit now require a higher level of care, beyond what is provided in typical pediatric medical/surgical units. About two-thirds of annual admissions to Hem/Onc involve planned chemotherapy; these patients require frequent monitoring of vital signs and other tests.

Many of these patients now require ICU level services, for all or a part of their hospital stay. The following diagnosis-related groups (DRGs) are associated with Hem/Onc patients qualifying for and requiring intensive care that would be best addressed by Hem/Onc specialists rather than pediatric internists in Lurie Children's pediatric ICU. Based on the first ten months of FY 2017, these pediatric "medical/surgical patients with eligibility for ICU level care" constituted 29.7% of patient days in the 24-bed Hem/Onc pediatric medical/surgical unit:

- bone marrow transplant
- craniotomy except for trauma
- major OR procedure for lymphatic/hematopoietic/other neoplasms
- septicemia and disseminated infections
- major GI and peritoneal infections
- malfunction, reaction, and complication of cardiac or vascular device or procedure
- pulmonary embolism

In FY 2017 (ending August 31, 2017), there were 9,480 pediatric medical/surgical Hem/Onc patient days at Lurie Children's. 7,536 of these patient days were accommodated on the 24-bed Hem/Onc pediatric medical/surgical service at Lurie Children's, resulting in an occupancy of 86.0% on that unit; 1,945 were spillovers to other units. 29.7% of these 9,480 pediatric medical/surgical patients meet the requirement for intensive care that would be best addressed by Hem/Onc specialists rather than pediatric internists in Lurie Children's pediatric ICU. 29.7% of the 9,480 patient days in FY 2017 equates to 2,815 "ICU eligible" patient days. The growth of "ICU eligible" patients in the Hem/Onc pediatric medical/surgical unit has increased by 17 – 20% annually for the past several years.

Therefore, the purpose of the proposed 24-bed Hem/Onc ICU project is two-fold: a) to create an ICU in space adjacent to the Hem/Onc pediatric medical/surgical unit on the south side of the 17th floor (17S) to accommodate cancer patients requiring intensive care who are now being hospitalized in the pediatric medical/surgical unit; and b) to reduce occurrences of spillover of pediatric medical/surgical patients to other units of by treating those ICU-eligible patients in the

proposed Hem/Onc ICU on 17S. This will allow the pediatric medical/surgical unit on 17N to treat more traditional pediatric "medical/surgical" patients, and the adjacent ICU (to be dedicated to Hem/Onc patients) to meet the demand for intensive care.

2. For purposes of this project, the Planning Area is composed of the 7 county SMSA, the source of 89.2% of inpatients cared for at Lurie Children's. The remaining 10.8% come from Illinois outside the SMSA (6.0 %), other States (4.4%), and foreign countries (0.4%, or 46 patients)

The table at the end of this section shows patient origin data for the zip codes in the SMSA. Also included is a map of the 7-county area.

3. Issues that need to be addressed by the development and implementation of this project are:

a. *Quality of care*. Pressures on Hem/Onc and ICU bed capacity are driven by the role that Lurie Children's plays in the regional health care delivery system. Lurie Children's provides more pediatric patient care than any other hospital in Illinois in nearly every pediatric and surgical specialty. Its emergency room is a Level 1 trauma center, which had more than 56,800 patient visits in FY 2016. Lurie Children's Level III Neonatal Nursery serves as a regional referral center for the State of Illinois' Perinatal Network. This nursery has cared for more than twice the number of children with life-threatening conditions than any other pediatric hospital in Illinois.

The Hem/Onc service is one of the fastest growing clinical services at Lurie Children's. This is the result of several factors. Lurie Children's holds the position as a regional referral center for complex pediatric cases, especially for patients with cancer who may have other clinical disorders. As a regional, national and international referral site, Lurie Children's treats more than 300 new cancer patients each year. Lurie Children's sees more infants, children, and teens with cancer and blood disorders than any other hospital in Illinois.

Sufficient bed capacity needs to be available for pediatric patients requiring specialized Hem/Onc care. Having a special unit equipped with positive air pressure allowing patients to leave their rooms, social/emotional support from patients with same diagnosis and knowing their caregivers who are trained to address this population's special needs/issues is critical to the optimal care of these patients. The increasing daily census at Lurie Children's Hem/Onc pediatric medical/surgical unit and its ICUs have resulted in bed occupancy levels exceeding State standards, and increasing occurrences of spillovers from the 17N Hem/Onc pediatric medical/surgical unit to other pediatric medical/surgical units. Occupancy of the existing 24-bed Hem/Onc pediatric medical/surgical unit has been over 80% for each of the past four years, and 86% for FY 2017. These utilization levels do not count Hem/Onc patients treated on other pediatric medical/surgical units; for example, in FY 2017, there were 1,945 spillover patient days to other units. In FY 2017, ICU utilization of the entire complement of the current 92 ICU beds was 75.5%.

There are several factors that have contributed to the growth in referrals to Lurie Children's over the past decade. Lurie Children's now serves as the pediatric referral center for 16 outreach partner hospitals, 7 of which were added in the last 5 years. Another factor is the

growth of specialty clinical programs at Lurie Children's, such as Hem/Onc (42.2% increase in inpatient pediatric medical/surgical days from FY 2013 to FY 2017) and fetal health services. Meanwhile, hospitals in the metropolitan area have reduced general pediatric beds since 2012 by a total of over 170 beds. As a result, many of the patients who would have been seen at these hospitals are now transferred to Lurie Children's or other pediatric centers in the Chicago area. A more complete analysis of these factors is included in Section 1110.530 (c) (4) Service Demand – Expansion of an Existing Category of Service.

b. *Patient satisfaction*. Patients and their families, as well as their physicians in the community, expect that care will be available when referral for pediatric specialty and subspecialty inpatient services is required. Bed availability should not be a limiting factor when immediate treatment is necessary. Parents of patients express frustration when admission to the new Lurie Children's, which opened in mid-2012, is unavailable due to lack of bed capacity. The Hem/Onc patients who are able to be admitted frequently express great satisfaction with their caregivers and the environment of the existing 17N Hem/Onc pediatric medical/surgical unit. But, when lack of capacity on 17N has required a Hem/Onc patient to be placed in a bed in another unit, patients have noted their disappointment. In addition to missing their caregivers and other patients who are going through similar experiences, these displaced Hem/Onc patients miss the ability to leave their rooms and explore the common areas of their unit, which the positive air pressure environment in the Hem/Onc unit allows. A positive air pressure environment minimizes the risk of transmission of airborne pathogens, which is vital for immunocompromised patients.

4. Sources of Information:

- IDPH Annual Hospital Questionnaires and Hospital Profiles (2009 – 2016).
- Internal Lurie Children's medical records (patient origin tables).
- Medical Administrative Advisory Council Report (Lurie Children's patient days).
- Population Projections: Illinois, Chicago and Illinois Cook Counties, by Age and Sex, July 1, 2010 to July 1, 2025 (2014 Edition), released by IDPH, Office of Health Informatics, Illinois Center for Health Statistics.
- Claritas (population estimates by zip code).
- COMPdata (2016).

5. The project will improve access for patients by providing additional bed capacity needed to accommodate patients requiring specialized and subspecialized pediatric inpatient care.

6. Goals/measures for the project:

a. Increase ICU bed capacity to accommodate the projected level of approximately 35,000 inpatient patient days by 2022, two years after project completion.

b. Reduce occurrences of spillovers to other pediatric medical/surgical units of pediatric medical/surgical patients from the 17N Hem/Onc pediatric medical/surgical unit, from 1,945 patient days in FY 2017 to, as a last resort, no more than 200 patient days in FY 2022.

c. Complete modernization of 17S to allow completion of the proposed 24-bed Hem/Onc ICU project by September 30, 2020.

Inpatient Admissions Patient Origin, study, FY2016 (through August 31, 2016)

Zip Code	Municipality	FY2016 Inpatient Admissions	% of Total	Cumulative %	2015 Pediatric Population
60639	Chicago	429	3.5%	3.5%	26,766
60618	Chicago	283	2.3%	5.7%	22,080
60647	Chicago	275	2.2%	7.9%	19,938
60651	Chicago	261	2.1%	10.0%	17,608
60625	Chicago	218	1.8%	11.8%	17,908
60632	Chicago	217	1.7%	13.5%	29,332
60641	Chicago	207	1.7%	15.2%	17,346
60629	Chicago	181	1.5%	16.7%	35,350
60645	Chicago	179	1.4%	18.1%	12,367
60634	Chicago	177	1.4%	19.5%	15,941
60623	Chicago	169	1.4%	20.9%	29,482
60626	Chicago	166	1.3%	22.2%	10,134
60614	Chicago	157	1.3%	23.5%	9,689
60085	Waukegan	153	1.2%	24.7%	20,987
60804	Cicero	150	1.2%	25.9%	27,586
60630	Chicago	139	1.1%	27.0%	11,742
60640	Chicago	134	1.1%	28.1%	10,141
60644	Chicago	124	1.0%	29.1%	12,466
60608	Chicago	121	1.0%	30.1%	18,780
60622	Chicago	120	1.0%	31.1%	9,623
60659	Chicago	119	1.0%	32.0%	9,216
60609	Chicago	113	0.9%	32.9%	19,672
60624	Chicago	109	0.9%	33.8%	10,552
60616	Chicago	108	0.9%	34.7%	8,254
60617	Chicago	103	0.8%	35.5%	21,278
60657	Chicago	100	0.8%	36.3%	8,132
60660	Chicago	98	0.8%	37.1%	6,355
60402	Berwyn	97	0.8%	37.9%	16,878
60707	Elmwood Park	88	0.7%	38.6%	9,374
60613	Chicago	80	0.6%	39.2%	6,631
60638	Chicago	80	0.6%	39.9%	12,969
60610	Chicago	77	0.6%	40.5%	4,091
60615	Chicago	77	0.6%	41.1%	7,996
60035	Highland Park	72	0.6%	41.7%	6,700
60201	Evanston	72	0.6%	42.3%	7,883
60505	Aurora	72	0.6%	42.8%	25,040
60612	Chicago	69	0.6%	43.4%	8,345
60202	Evanston	67	0.5%	43.9%	6,948
60506	Aurora	67	0.5%	44.5%	13,785
60073	Round Lake	65	0.5%	45.0%	18,245
60411	Chicago Heights	65	0.5%	45.5%	16,149
60074	Palatine	62	0.5%	46.0%	10,051
60099	Zion	62	0.5%	46.5%	8,558
60620	Chicago	62	0.5%	47.0%	16,331
60653	Chicago	59	0.5%	47.5%	7,975
60076	Skokie	58	0.5%	48.0%	7,008

Attachment 12

Inpatient Admissions Patient Origin, Study, FY2016 (through August 31, 2016)

Zip Code	Municipality	FY2016 Inpatient Admissions	% of Total	Cumulative %	2015 Pediatric Population
60628	Chicago	58	0.5%	48.4%	16,919
60586	Plainfield	57	0.5%	48.9%	15,158
60440	Bolingbrook	55	0.4%	49.3%	13,539
60004	Arlington Heights	53	0.4%	49.8%	10,643
60636	Chicago	53	0.4%	50.2%	10,692
60087	Waukegan	52	0.4%	50.6%	7,441
60302	Oak Park	52	0.4%	51.0%	7,009
60090	Wheeling	51	0.4%	51.4%	8,784
60611	Chicago	51	0.4%	51.8%	2,286
60564	Naperville	50	0.4%	52.2%	12,167
60649	Chicago	50	0.4%	52.6%	10,222
60056	Mount Prospect	49	0.4%	53.0%	12,268
60435	Joliet	48	0.4%	53.4%	11,888
60077	Skokie	47	0.4%	53.8%	5,198
60091	Wilmette	47	0.4%	54.2%	6,870
60181	Villa Park	47	0.4%	54.6%	6,509
60025	Glenview	46	0.4%	54.9%	9,002
60067	Palatine	46	0.4%	55.3%	8,062
60101	Addison	46	0.4%	55.7%	9,931
60137	Glen Ellyn	46	0.4%	56.0%	9,440
60646	Chicago	46	0.4%	56.4%	5,964
60030	Grayslake	45	0.4%	56.8%	9,485
60123	Elgin	44	0.4%	57.1%	12,042
60126	Elmhurst	44	0.4%	57.5%	11,434
60631	Chicago	44	0.4%	57.8%	5,890
60169	Hoffman Estates	43	0.3%	58.2%	7,580
60441	Lockport	43	0.3%	58.5%	8,661
60619	Chicago	42	0.3%	58.9%	13,244
60045	Lake Forest	41	0.3%	59.2%	4,133
60048	Libertyville	41	0.3%	59.5%	6,717
60005	Arlington Heights	40	0.3%	59.8%	6,535
60103	Bartlett	40	0.3%	60.2%	10,850
60637	Chicago	40	0.3%	60.5%	11,871
60642	Chicago	40	0.3%	60.8%	3,070
60185	West Chicago	39	0.3%	61.1%	10,827
60607	Chicago	38	0.3%	61.4%	3,455
60014	Crystal Lake	37	0.3%	61.7%	11,440
60188	Carol Stream	37	0.3%	62.0%	10,146
60643	Chicago	36	0.3%	62.3%	10,696
60046	Lake Villa	35	0.3%	62.6%	8,958
60139	Glendale Heights	35	0.3%	62.9%	9,108
60540	Naperville	35	0.3%	63.2%	9,986
60031	Gurnee	34	0.3%	63.4%	9,539
60148	Lombard	34	0.3%	63.7%	11,058
60187	Wheaton	34	0.3%	64.0%	6,768
60107	Streamwood	33	0.3%	64.3%	10,430

Attachment 12

Zip Code	Municipality	FY2016 Inpatient Admissions	% of Total	Cumulative %	2015 Pediatric Population
60189	Wheaton	33	0.3%	64.5%	6,376
60010	Barrington	32	0.3%	64.8%	9,793
60015	Deerfield	32	0.3%	65.0%	6,247
60193	Schaumburg	32	0.3%	65.3%	8,184
60423	Frankfort	32	0.3%	65.5%	7,699
60467	Orland Park	32	0.3%	65.8%	5,507
60521	Hinsdale	32	0.3%	66.1%	5,048
60605	Chicago	32	0.3%	66.3%	3,322
60044	Lake Bluff	31	0.2%	66.6%	1,828
60093	Winnetka	31	0.2%	66.8%	5,066
60453	Oak Lawn	31	0.2%	67.1%	11,917
60462	Orland Park	31	0.2%	67.3%	7,475
60477	Tinley Park	31	0.2%	67.6%	8,033
60510	Batavia	31	0.2%	67.8%	6,774
60062	Northbrook	30	0.2%	68.1%	7,891
60120	Elgin	30	0.2%	68.3%	15,406
60515	Downers Grove	30	0.2%	68.5%	6,117
60652	Chicago	30	0.2%	68.8%	10,847
60110	Carpentersville	29	0.2%	69.0%	12,580
60432	Joliet	29	0.2%	69.2%	6,390
60504	Aurora	29	0.2%	69.5%	12,238
60002	Antioch	28	0.2%	69.7%	6,078
60064	North Chicago	28	0.2%	69.9%	4,547
60177	South Elgin	28	0.2%	70.2%	6,452
60466	Park Forest	28	0.2%	70.4%	5,065
60654	Chicago	28	0.2%	70.6%	1,678
60047	Lake Zurich	27	0.2%	70.8%	9,664
60089	Buffalo Grove	27	0.2%	71.0%	8,074
60621	Chicago	27	0.2%	71.3%	9,671
60016	Des Plaines	26	0.2%	71.5%	12,147
60050	Mchenry	26	0.2%	71.7%	7,177
60304	Oak Park	26	0.2%	71.9%	4,486
60446	Romeoville	26	0.2%	72.1%	11,343
60061	Vernon Hills	25	0.2%	72.3%	6,427
60108	Bloomingdale	25	0.2%	72.5%	4,439
60130	Forest Park	25	0.2%	72.7%	2,533
60160	Melrose Park	25	0.2%	72.9%	7,764
60448	Mokena	25	0.2%	73.1%	5,555
60563	Naperville	25	0.2%	73.3%	8,793
60565	Naperville	25	0.2%	73.5%	9,454
60656	Chicago	25	0.2%	73.7%	5,962
60068	Park Ridge	24	0.2%	73.9%	8,145
60102	Algonquin	24	0.2%	74.1%	7,716
60164	Melrose Park	24	0.2%	74.3%	5,335
60428	Markham	24	0.2%	74.5%	3,286
60436	Joliet	24	0.2%	74.7%	4,500

Attachment 12

Zip Code	Municipality	FY2016 Inpatient Admissions	% of Total	Cumulative %	2015 Pediatric Population
60473	South Holland	24	0.2%	74.9%	4,745
60007	Elk Grove Village	23	0.2%	75.0%	6,155
60053	Morton Grove	23	0.2%	75.2%	4,316
60104	Bellwood	23	0.2%	75.4%	4,491
60491	Homer Glen	23	0.2%	75.6%	4,989
60525	La Grange	23	0.2%	75.8%	7,090
60527	Willowbrook	23	0.2%	76.0%	5,651
60706	Harwood Heights	23	0.2%	76.2%	3,585
60060	Mundelein	21	0.2%	76.3%	9,183
60084	Wauconda	21	0.2%	76.5%	4,316
60106	Bensenville	21	0.2%	76.7%	4,876
60133	Hanover Park	21	0.2%	76.8%	10,117
60134	Geneva	21	0.2%	77.0%	7,816
60153	Maywood	21	0.2%	77.2%	6,204
60516	Downers Grove	21	0.2%	77.3%	5,873
60543	Oswego	21	0.2%	77.5%	11,299
60544	Plainfield	21	0.2%	77.7%	7,434
60070	Prospect Heights	20	0.2%	77.8%	3,400
60119	Elburn	20	0.2%	78.0%	2,790
60136	Gilberts	20	0.2%	78.2%	2,237
60172	Roselle	20	0.2%	78.3%	5,197
60459	Burbank	20	0.2%	78.5%	6,791
60517	Woodridge	20	0.2%	78.6%	7,477
60661	Chicago	20	0.2%	78.8%	843
60008	Rolling Meadows	19	0.2%	79.0%	5,360
60175	Saint Charles	19	0.2%	79.1%	6,515
60445	Midlothian	19	0.2%	79.3%	5,632
60451	New Lenox	19	0.2%	79.4%	8,653
60559	Westmont	19	0.2%	79.6%	5,627
60013	Cary	18	0.1%	79.7%	6,540
60142	Huntley	18	0.1%	79.9%	6,296
60165	Stone Park	18	0.1%	80.0%	1,700
60173	Schaumburg	18	0.1%	80.1%	2,603
60176	Schiller Park	18	0.1%	80.3%	2,566
60406	Blue Island	18	0.1%	80.4%	7,452
60431	Joliet	18	0.1%	80.6%	6,203
60538	Montgomery	18	0.1%	80.7%	7,807
60601	Chicago	18	0.1%	80.9%	1,124
60426	Harvey	17	0.1%	81.0%	8,189
60433	Joliet	17	0.1%	81.1%	4,324
60438	Lansing	17	0.1%	81.3%	6,628
60447	Minooka	17	0.1%	81.4%	-
60156	Lake In The Hills	16	0.1%	81.5%	8,494
60171	River Grove	16	0.1%	81.7%	2,095
60305	River Forest	16	0.1%	81.8%	2,462
60409	Calumet City	16	0.1%	81.9%	9,192

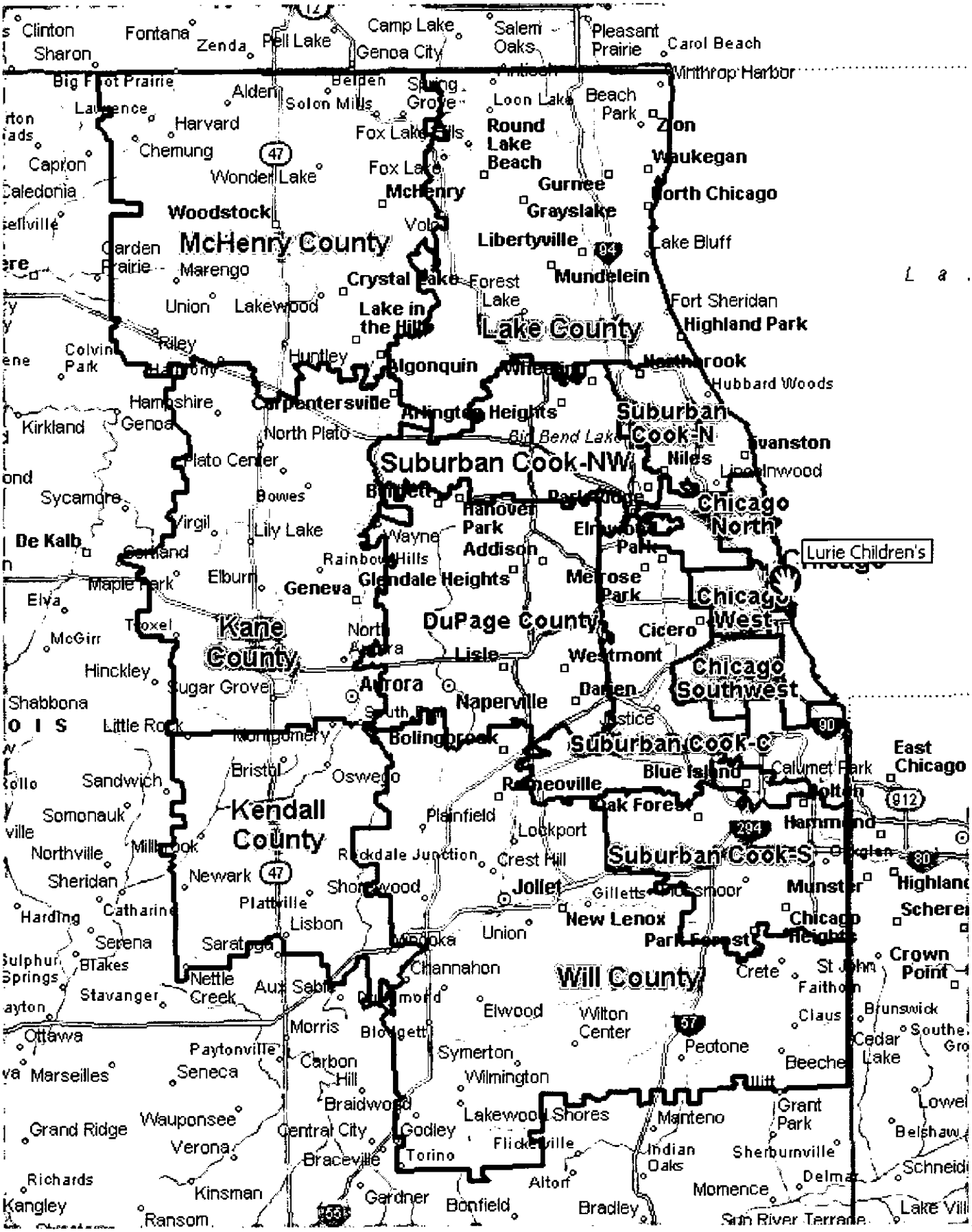
Attachment 12

Zip Code	Municipality	FY2016 Inpatient Admissions	% of Total	Cumulative %	2015 Pediatric Population
60419	Dolton	16	0.1%	82.1%	5,350
60429	Hazel Crest	16	0.1%	82.2%	3,662
60430	Homewood	16	0.1%	82.3%	4,213
60490	Bolingbrook	16	0.1%	82.5%	6,450
60018	Des Plaines	15	0.1%	82.6%	7,111
60022	Glencoe	15	0.1%	82.7%	2,199
60098	Woodstock	15	0.1%	82.8%	7,577
60118	Dundee	15	0.1%	82.9%	3,404
60478	Country Club Hills	15	0.1%	83.1%	3,891
60542	North Aurora	15	0.1%	83.2%	4,960
60546	Riverside	15	0.1%	83.3%	3,452
60655	Chicago	15	0.1%	83.4%	6,679
60051	Mchenry	14	0.1%	83.5%	5,476
60443	Matteson	14	0.1%	83.6%	5,005
60534	Lyons	14	0.1%	83.8%	2,600
60633	Chicago	14	0.1%	83.9%	3,147
60712	Lincolnwood	14	0.1%	84.0%	2,520
60714	Niles	14	0.1%	84.1%	4,948
60152	Marengo	13	0.1%	84.2%	2,794
60174	Saint Charles	13	0.1%	84.3%	6,528
60403	Crest Hill	13	0.1%	84.4%	3,905
60422	Flossmoor	13	0.1%	84.5%	1,940
60452	Oak Forest	13	0.1%	84.6%	6,204
60476	Thornton	13	0.1%	84.7%	471
60487	Tinley Park	13	0.1%	84.8%	6,241
60532	Lisle	13	0.1%	84.9%	5,066
60560	Yorkville	13	0.1%	85.0%	6,917
60585	Plainfield	13	0.1%	85.1%	8,270
60449	Monee	12	0.1%	85.2%	2,199
60471	Richton Park	12	0.1%	85.3%	3,521
60558	Western Springs	12	0.1%	85.4%	3,531
60561	Darien	12	0.1%	85.5%	3,975
60124	Elgin	11	0.1%	85.6%	5,249
60439	Lemont	11	0.1%	85.7%	4,972
60442	Manhattan	11	0.1%	85.8%	2,699
60502	Aurora	11	0.1%	85.9%	6,513
60514	Clarendon Hills	11	0.1%	86.0%	2,712
60194	Schaumburg	10	0.1%	86.0%	4,339
60404	Shorewood	10	0.1%	86.1%	4,824
60415	Chicago Ridge	10	0.1%	86.2%	3,467
60465	Palos Hills	10	0.1%	86.3%	3,274
60481	Wilmington	10	0.1%	86.4%	2,173
60526	La Grange Park	10	0.1%	86.4%	3,265
60555	Warrenville	10	0.1%	86.5%	3,168
Total SMSA Zips with <10 Admissions		**332**	2.7%	89.2%	
Total SMSA		**11,086**	89.2%	89.2%	1,998,938

Attachment 12

Zip Code	Municipality	FY2016 Inpatient Admissions	% of Total	Cumulative %	2015 Pediatric Population
Other Illinois Counties w/10+ Admissions					
	Winnebago	138	1.1%	90.3%	
	De Kalb	86	0.7%	91.0%	
	Kankakee	81	0.7%	91.7%	
	Grundy	47	0.4%	92.0%	
	La Salle	43	0.3%	92.4%	
	Mclean	42	0.3%	92.7%	
	Lee	37	0.3%	93.0%	
	Champaign	31	0.2%	93.3%	
	Boone	26	0.2%	93.5%	
	Iroquois	23	0.2%	93.7%	
	Stephenson	21	0.2%	93.8%	
	Whiteside	18	0.1%	94.0%	
	Rock Island	16	0.1%	94.1%	
	Ogle	15	0.1%	94.2%	
	Bureau	13	0.1%	94.3%	
	Peoria	13	0.1%	94.4%	
	Livingston	12	0.1%	94.5%	
	Tazewell	12	0.1%	94.6%	
Other Illinois Counties with <10 Admissions		73	0.6%	95.2%	
Total Other Illinois Counties		**747**	6.0%	**95.2%**	
Total Indiana Admissions		341	2.7%	98.0%	
Total Wisconsin Admissions		45	0.4%	98.3%	
Total Admissions from Other US States		163	1.3%	99.6%	
Total International Admissions		46	0.4%	100.0%	
Total Admissions		**12,428**			

Planning Area



ATTACHMENT 12

ALTERNATIVES

The proposed project, if approved, will establish a 24-bed hematology/oncology (Hem/Onc) Intensive Care Unit (ICU) on the south side of the 17th floor (17S) at Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's). The unit will complement the existing 24-bed Hem/Onc pediatric medical/surgical service on the north side of the 17th floor (17N). The proposed project will increase the number of ICU beds from 136 (including the 44 bed addition approved in Project 16-050) to 160 ICU beds. These 160 ICU beds will accommodate a projected 34,963 patient days in Calendar Year (CY) 2022 at the required 60% occupancy. The projected 34,963 patient days shows an annual growth rate of 5.5% from CY 2016. This growth rate is just half of the experienced annual 14.2% growth in ICU patient days from CY 2009 through CY 2016.

The total project cost of the proposed project is $27,199,281.

Alternatives that were considered and rejected are as follows:

Alternative 1: Add 24 pediatric medical/surgical (instead of ICU) beds on the 17th floor.

Consideration was given to expanding the existing 24-bed Hem/Onc pediatric medical/surgical unit on 17N by building an additional 24-bed pediatric medical/surgical unit in adjacent space. The existing 24-bed Hem/Onc pediatric medical/surgical unit had 7,536 patient days in Fiscal Year (FY) 2017 (ending August 31), which equates to an occupancy level of 86%. When the existing 24-bed Hem/Onc pediatric medical/surgical unit on 17N was at high occupancy, an additional 1,945 patient days were transferred to other units. While this was not ideal, availability on other pediatric medical/surgical units has been able to accommodate increasing demand.

The option of adding 24 pediatric medical/surgical beds would increase the current authorized pediatric medical/surgical bed capacity at Lurie Children's from 124 beds to 148. There were 34,119 pediatric medical/surgical patient days in CY 2016 at Lurie Children's. This translates to 75% occupancy of the 124 current beds and is below the required 85% to justify additional beds. The addition of 24 pediatric medical/surgical beds is not justified based on historic or projected growth. However, an increasing number of patients on the existing pediatric medical/surgical unit on 17N qualify for treatment in an intensive care unit.

The estimated cost of this project is $25,759,281.

This alternative was rejected because an increasing number of patients in Hem/Onc require an intensive care level of service.

Alternative 2: Convert an existing 24-bed pediatric medical/surgical unit on another floor to a 24-bed ICU.

Such a conversion would reduce the pediatric medical/surgical bed count from 124 to 100. If future year pediatric medical/surgical utilization remained at the CY level of 34,119, occupancy of the 100 beds would be 93.5%, which is far above the State standard of 85% for medical/surgical units. The reduced supply of pediatric medical/surgical beds would be insufficient to meet current service level requirements, let alone projected future pediatric medical/surgical case volume increases.

Moreover, any converted ICU would not be adjacent to the existing 24-bed Hem/Onc pediatric medical/surgical unit on 17N. This would make it difficult to achieve specialized staffing currently offered on 17N and other staffing efficiencies that will be accomplished with an ICU adjacent on 17S. Also, this option would not provide the psychological and social benefits to patients and families that are achieved from proximity of the Hem/Onc units. Moreover, other existing pediatric medical/surgical units do not have the positive air flow required by Hem/Onc patients with compromised immune systems.

The estimated cost of converting an existing 24-bed pediatric medical/surgical unit on another floor into a 24-bed ICU is $14,949,281.

This option was rejected for the reasons above and because it would reduce the authorized medical/surgical bed count at Lurie Children's below the level needed for current patient day census.

Alternative 3: Convert an existing ICU for exclusive use by hematology/oncology intensive care.

With the approval of Project 16-050 in May 2017 to build 44 additional ICU beds, there will be 136 ICU beds at Lurie Children's. This complement of ICU beds was justified to meet the projected CY 2021 forecast of 32,300 patient days (page 68 of the permit application for Project 16-050). The extended forecast through 2022 is for a volume of 34,963 patient days (see 1110.530 (c) (4) later in this permit application for the 24-bed 17S project). 34,963 patient days equates to an average daily census (ADC) of 96 patients. This ADC is an average occupancy of over 70% for the 136 ICU beds. An additional 24 beds are needed to assure the availability of ICU beds and maintain an average utilization of the State standard of 60%.

Also, converting an ICU on another floor would make it difficult to achieve the staffing synergies and efficiencies that will be accomplished with the ICU on 17S, adjacent to the existing 24-bed pediatric medical/surgical unit on 17N.

The estimated cost of converting an existing ICU on a different floor to have positive air flow to meet the needs of hematology/oncology patients is $12,955,321.

This alternative was rejected because without the addition of 24 ICU beds, there would be insufficient ICU bed capacity to meet the projected utilization of almost 35,000 in CY 2022 and beyond.

Alternative 4: Utilize capacity at area community hospitals with pediatric intensive care units.

Over the past 15 years, Lurie Children's has contracted with area hospitals in Chicago and its suburbs to place Lurie Children's pediatric specialists in these hospitals to expand pediatric capability and expertise geographically. The goal is to build clinical capability throughout the area and keep patients in their communities. New telemedicine capabilities further enhance care in distributed settings.

At the same time, a number of Chicago and suburban hospitals are closing or reducing the size of their pediatric units. Since 2012, hospitals in the Chicago metropolitan area have reduced their pediatric bed complement by over 170 beds. By the end of 2017, 9 hospitals will have discontinued all of their pediatric beds.

Given the focus on research, the limited availability of many pediatric subspecialists and other highly-trained clinical staff, and the specialized facilities requirements, it is not feasible to disperse services such as Hem/Onc throughout the metropolitan area. These services are better concentrated in regional centers.

The cost of developing pediatric intensive care capability at area hospitals was not developed because it is better to concentrate such investments at regional centers. Concentration, rather than dispersion of ICU resources, is needed to meet requirements for expanded pediatric ICU services in the region.

This alternative was rejected because pediatric units at hospitals in the Chicago metropolitan area are not able to handle complex pediatric intensive care patients with high acuity conditions. Even with greater pediatric capability at hospitals in northern Illinois, transports to Lurie Children's are increasing. There were 3,556 transports in FY 2010 and 5,074 in FY 2016.

1110.234 Project Size, Utilization, and Unfinished/Shelled Space

SIZE OF THE PROJECT

The project is the new construction of additional patient beds in the occupied Ann & Robert H. Lurie Children's Hospital of Chicago at 225 E. Chicago Ave, Chicago, Illinois. The space is currently being used for administrative and faculty offices. Total square feet of the project is 32,447 sq. ft. Of the total, 16,398 dsqf is clinical and 16,049 dgsf is non-clinical.

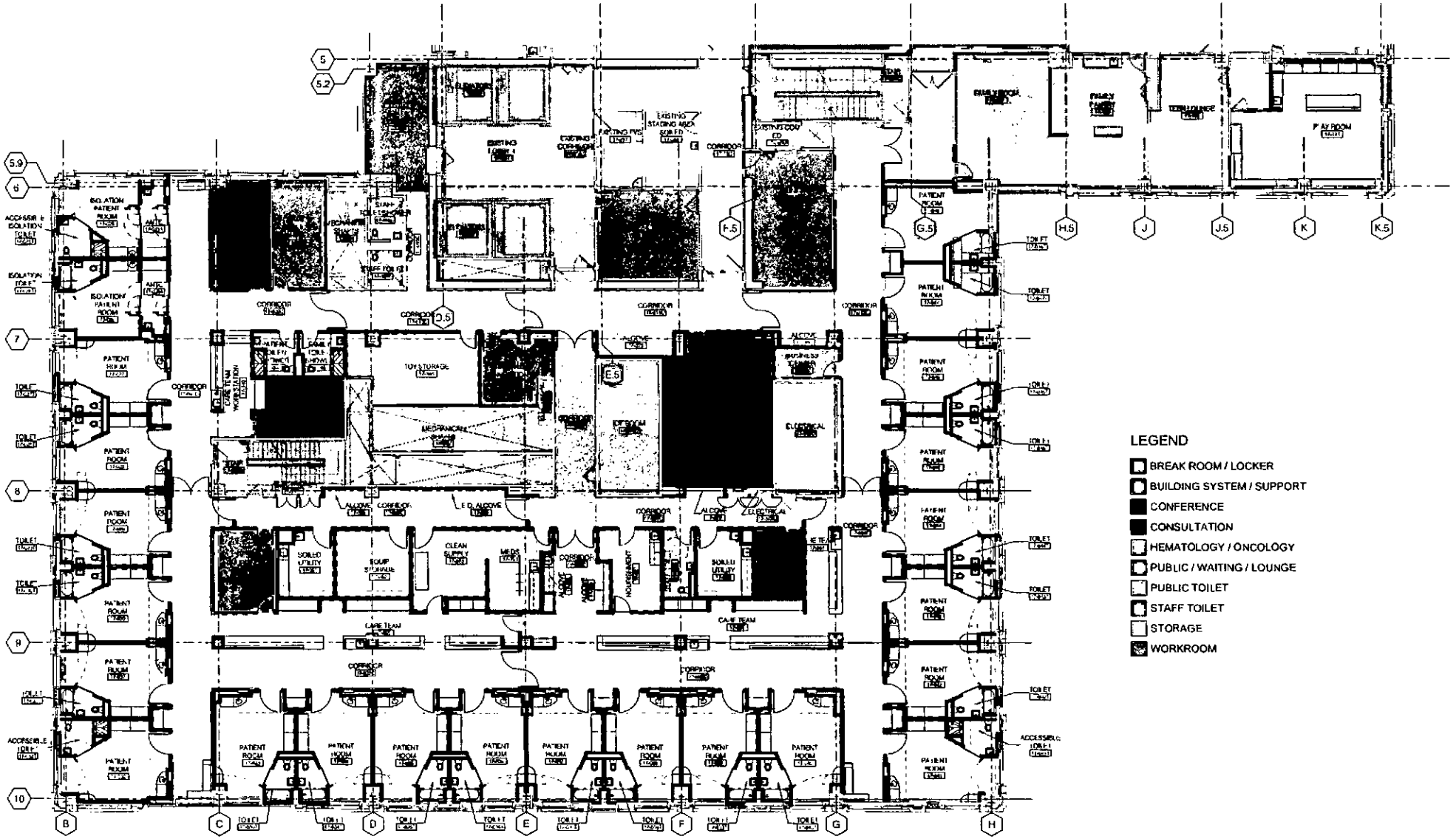
Clinical space includes 24 ICU patient rooms and clinical/patient support areas.

The floor plan on the next page shows the distribution of space.

The size of the project is consistent with state standards for ICU beds.

Function	Proposed DGSF	State Standard	Difference	Met standard?
ICU	16,398	16,440 (24 beds x 685dgsf/bed)	42 dgsf	Yes

Total Clinical DGSF: 16,398



Stantec

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO
INPATIENT EXPANSION
225 E. CHICAGO AVE. | CHICAGO, IL 60611
PROJECT NUMBER: 222701146

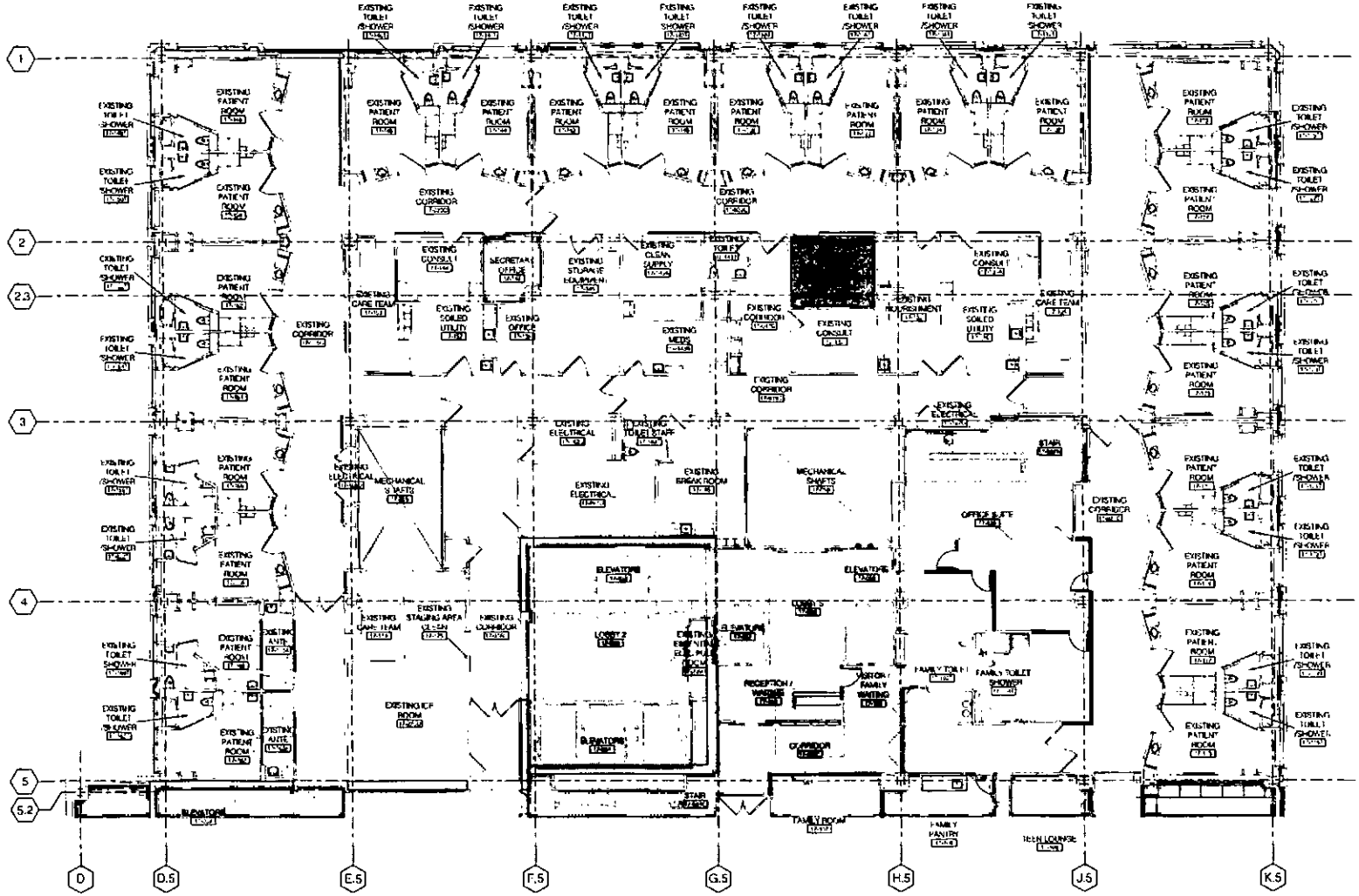
17TH FLOOR - SOUTH

09/27/17

17-B

72

ATTACHMENT 14



T3

ATTACHMENT 14

Stantec

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO
INPATIENT EXPANSION
225 E. CHICAGO AVE. | CHICAGO, IL 60611
PROJECT NUMBER: 227781146

17TH FLOOR - NORTH

09/27/17

17-A

1110.234 Project Scope, Utilization and Unfinished/Shelled Space

PROJECT SERVICES UTILIZATION

The request to expand Intensive Care Unit (ICU) bed capacity by 24 beds, from the current authorized bed complement of 136, is based on current utilization and historic growth over the past 7 years for the ICU service.

For the ICU, patient days increased from 12,707 in Calendar Year (CY) 2009 to 25,357 in CY 2016. This increase of 12,650 patient days (99.6%) equates to an annual average increase of 14.2% (99.6% divided by 7 years.) Projections for future years are based on a more conservative annual increase of 5.5%, which results in a CY 2021 patient day projection of 32,300 ICU patient days (from Project 16-050, page 63) and 34,963 ICU patient days in CY 2022.

ICU Utilization						
Year (CY)	Historic Utilization	Projected Utilization	Occupancy	State Board Standard	Met Standard	Authorized Beds
2009	12,707	-	58.0%	60%		60
2010	14,434	-	65.9%	60%		60
2011	13,576	-	62.0%	60%		60
2012	17,649	-	67.0%	60%		72
2013	16,923	-	64.4%	60%		72
2014	20,565	-	61.2%	60%		92
2015	22,785	-	67.8%	60%		92
2016	25,357	-	75.5%	60%		92
2017	-	26,752	79.7%	60%		92
2018	-	28,223	84.0%	60%		92
2019	-	29,775	88.7%	60%		92/136
2020	-	31,413	63.3%	60%		136
2021	-	33,141	66.7%	60%	Yes	136/160
2022	-	34,963	60.0%	60%	Yes	160

Source of historic patient days: Annual Hospital Questionnaires

The table shows that ICU utilization levels are and will remain above State occupancy standards in 2022 (two years after project completion). The projected utilizations are modified slightly from the projections shown in Project 16-050. These modifications are the result of the use of actual CY 2016 patient days (25,357), as opposed to the projected CY 2016 patient days (25,342) used in the Project 16-050 permit application, which was based on 9 months of actual patient days through September 2016.

1110.530 (b) (1) and (b) (3) Background of the Applicant

The following information on Background on the Applicant in attachments located elsewhere in this permit application, as designated below:

Identification of the Applicant:
Ann & Robert H. Lurie Children's Hospital of Chicago
Children's Hospital of Chicago Medical Center

Certificates of Good Standing (Attachments 1, 3)

Organization Chart (Attachment 4)

Listing of all health care facilities owned or operated by the applicant (Attachment 11)

IDPH Licenses (Attachment 11)

Letter attesting that there have been no adverse actions and authorizing access to information (Attachment 11)

1110.530 (c) (2) Planning Area Need – Service to Planning Area Residents

Ann & Robert H. Lurie Children's Hospital of Chicago identifies the 7 county metropolitan area as its primary service area and the Planning Area for this project. The Planning Area is the source of 89.2% of its inpatient admissions, as referenced in the Purpose of the Project section of this permit application. That section includes the table showing patient origin of all admissions by zip codes in the Planning Area for Fiscal Year 2016 (ending August 31, 2016). ICU patient admissions are slightly more concentrated than all inpatient admissions. As a result, more than 89.2% of ICU admissions (and therefore more than 50% of the projected planned patient volumes for the expanded ICU service) are from within the Planning Area.

1110.530 (c) (4) Service Demand – Expansion of an Existing Category of Service

A. Historical Service Demand – Pediatric Intensive Care Unit

The documentation in support of the addition of 24 ICU beds for hematology/oncology (Hem/Onc) patients on the south side of the 17th floor (17S) is in two parts: 1) historic utilization of all Intensive Care Unit (ICU) service at Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's), incorporating data from Project 16-050, which was approved on May 2, 2017, by HFSRB, to add 44 ICU beds and 4 NICU beds that are now under construction; and 2) historic utilization of the Hem/Onc service at Lurie Children's and its specific related need for ICU beds.

1. ICU Utilization at Lurie Children's

Lurie Children's permit application (page 67) in support of Project 16-050 reported "ICU patient days at Lurie Children's have experienced dramatic growth in recent years, from 12,707 days in CY 2009 to 22,785 days in CY 2015 (source: Annual Hospital Questionnaires) and 25,342 days in CY 2016." The permit application estimated ICU patient days at 25,342 for CY 2016 based on 9 months of utilization through September 2016. The actual ICU patient day count for CY 2016 was 25,357, which was almost identical to the forecast and is an increase of 12,650 patient days, or 99.6%, during the 7 year period. This increase equates to an average annual increase of 14.2% per year. The following table of historic annual volumes appeared on page 67 of Project 16-050 and is updated here with actual patient days for CY 2016:

TABLE 1.1: Historic Annual Intensive Care Patient Days

Year (CY)	ICU Patient Days	ICU beds
2016	25,357	92
2015	22,785	92
2014	20,656	92
2013	16,923	72
2012	17,649	72
2011	13,576	60
2010	14,434	60
2009	12,707	60

The addition of 44 ICU beds, as approved in Project 16-050, will increase Lurie Children's ICU bed complement to 136 beds. This will be the third increase of ICU bed capacity this decade. The ICU bed complement increased from 60 to 72 with the opening of the new Lurie Children's in June 2012. Rapid increases in ICU utilization at Lurie Children's in 2012 led to the decision to convert 20 pediatric medical/surgical beds to 20 ICU beds in 2014, as reported in the State hospital bed inventory. The addition of 44 beds with Project 16-050 recognizes that short term incremental increases in ICU bed complement are not sufficient to address the ongoing growth in ICU capacity needed by Lurie Children's to serve the pediatric needs in the region.

The permit application for Project 16-050 forecasted an increase of 5.5% in ICU patient days through CY 2021 (2 years after project completion of Project 16-050). This increase is significantly more conservative than the 14.2% historic experienced annual average growth of ICU patient days.

The following table shows the projected increase in ICU patient days by 5.5% per year from CY 2017 through CY 2022 (2 years after the proposed 24-bed Hem/Onc ICU project completion in 2020). 34,963 ICU patent days are projected for CY 2022. This is an increase of 9,606 patient days from CY 2016. For the 6 years from CY 2017 through CY 2022, projected patient days are estimated as follows:

TABLE 1.2: Projected Patient Days

Year (CY)	Projected ICU Patient Days	ICU beds
2017	26,752	92
2018	28,223	92
2019	29,775	92/136
2020	31,413	136
2021	33,141	136/160
2022	34,963	160

34,963 patient days equates to an average daily census (ADC) of 96 patients. At the State's target occupancy level of 60% for ICU beds, an ADC of 96 requires 160 beds (96 / .60 = 160).

The factors that support the projected continued increase in ICU bed utilization at Lurie Children's are the same as those at play over the past decade. They include expansion of affiliations with outreach partner hospitals, growth of Lurie Children's outpatient service facilities in the suburbs, growth in specialty clinical programs at Lurie Children's, and the applications of basic science and clinical research to pediatric clinical care. These were fully documented in the permit application for Project 16-050.

2. Specific Needs Related to Hematology/Oncology

It is estimated that about 6,500 of these projected 34,963 ICU patient days for CY 2022 will be related to support for the Hem/Onc service. The forecast of 6,500 ICU patient days for CY 2022 (75% occupancy of the proposed 24-bed Hem/Onc ICU) is presented later in this section.

a. Historic Growth in Lurie Children's Hematology/Oncology Inpatient Service

The following tables show a) utilization data for the existing 24-bed Hem/Onc pediatric medical/surgical unit for the past 5 years; b) monthly utilization for the past 11 months, demonstrating high occupancy of the existing 24-bed Hem/Onc pediatric medical/surgical unit on the north side of the 17th floor (17N) and transfers ("spillovers") to other units; and c) implications for Hem/Onc ICU bed need.

TABLE 2.1: Annual Increases in Hematology/Oncology Pediatric Medical/Surgical Patient Days

	Lurie Children's Hem/Onc Patient Days			
Year (FY)	Hem/Onc Unit (17N)	Unit Occupancy %	Spillover to Other Units	Total Days
2013	6,667	76.1%	0	6,667
2014	7,105	81.1%	460	7,565
2015	7,055	80.5%	1,025	8,080
2016	7,186	82.0%	1,089	8,274
2017*	7,536	86.0%	1,945	9,480

*11 months of data annualized
Data includes inpatient and observation days

Implications from this information:

a) The data above show an increase of 42.2% in Hem/Onc patient days from FY 2013 (ending Aug. 31, 2013) to FY 2017 (ending Aug. 31, 2017) (See "Total Days" column in the table above). This equates to an average annual increase of 10.5%. The increase from FY 2016 to FY 2017 is 14.6%.
b) Occupancy for the 24-bed Hem/Onc pediatric medical/surgical unit on 17N has been above 80% since 2014, resulting in Hem/Onc patients forced to be accommodated in other units within Lurie Children's.
c) The need to send patients to other units within Lurie Children's has been increasing over the past 4 years as occupancies surged on the 24-bed Hem/Onc pediatric medical/surgical unit.

The following table displays monthly volumes on the 24-bed Hem/Onc pediatric medical/surgical service for the past 12 months:

TABLE 2.2: Monthly Increase in Hematology/Oncology Pediatric Medical/Surgical Utilization

	Hem/Onc Unit		Other Units	Total Hem/Onc
Month	ADC	Occupancy %	ADC	ADC
Aug-16	20.1	83.9%	2.8	22.9
Sep-16	19.9	82.7%	1.8	21.7
Oct-16	19.6	81.5%	2.0	21.6
Nov-16	20.2	84.1%	4.3	24.5
Dec-16	19.2	80.2%	2.5	21.8
Jan-17	20.6	85.7%	2.0	22.6
Feb-17	21.3	88.9%	5.1	26.5
Mar-17	21.6	89.8%	3.7	25.3
Apr-17	21.6	90.1%	5.6	27.2
May-17	20.6	85.9%	5.0	25.6
Jun-17	21.1	87.8%	11.9	33.0
Jul-17	21.9	91.3%	11.2	33.1

Implications from this information:

a) The past 12 months have experienced exceptionally high utilization of the 24-bed Hem/Onc pediatric medical/surgical unit, with each of the past 7 months above 85% occupancy and with 4 months close to or above 90% occupancy.
b) This level of utilization has caused spillovers of Hem/Onc patients to other units. Recent months of June and July 2017 each showed more than 10 Hem/Onc patients per day being cared for on other pediatric medical/surgical units.
c) The ADC of Stem Cell Transplant patients has especially showed substantial increases, with recent months' censuses being more than double from a year ago. A year ago, there was an average of 3 – 5 stem cell inpatients at Lurie Children's. This has increased to an average of 7.8 stem cell patients in April 2017, 7.3 in May 2017, 9.8 in June 2017, and 13.4 in July 2017. Because the average length of stay for stem cell patients is over 50 days, this cohort of patients causes increased stress on bed capacity.

The above information shows the increase in utilization of the existing 24-bed Hem/Onc pediatric medical/surgical unit on 17N. The proposed 24-bed Hem/Onc ICU addition would be located in adjacent

space on 17S. The previous tables are relevant to supporting the need for ICU beds dedicated to hematology, oncology, and bone marrow transplant.

b. Implications of Growth in Intensity of Services for Hemotology/Oncology Patients

In addition to the increased utilization of Hem/Onc services, these patients have more intensive and special needs. The staffing levels in the existing 24-bed Hem/Onc pediatric medical/surgical unit are typically higher than those in Lurie Children's typical pediatric medical/surgical units. Patients require frequent monitoring of vital signs and other tests. About two-thirds of annual admissions to Hem/Onc involve planned chemotherapy. The following diagnosis-related groups (DRGs) are associated with Hem/Onc patients qualifying for and requiring intensive care. In many cases, these are secondary conditions to the primary cancer diagnosis. Based on the first ten months of FY 2017, these pediatric "medical/surgical patients with eligibility for ICU level care" constituted 29.7% of patient days in the 24-bed Hem/Onc pediatric medical/surgical unit:

- bone marrow transplant
- craniotomy except for trauma
- major OR procedure for lymphatic/hematopoietic/other neoplasms
- septicemia and disseminated infections
- major GI and peritoneal infections
- malfunction, reaction, and complication of cardiac or vascular device or procedure
- pulmonary embolism

As reported in Table 1.1, documenting historic ICU patient days at Lurie Children's, there are 25,357 patient days in CY 2016. These include Hem/Onc ICU patients but not those hospitalized in the 24-bed Hem/Onc pediatric medical/surgical unit who are counted as medical/surgical patients but have medical needs that qualify for ICU care.

29.7% of the 9,480 patient days (FY 2017) in the 24-bed Hem/Onc pediatric medical/surgical unit equals 2,815 "ICU eligible" patient days. This information is used to help build the following table, which forecasts pediatric medical/surgical patient days and "ICU eligible patient days" for Hem/Onc patients. Also a factor in the table is the previously reported annual patient day increase of 10.5% in the Hem/Onc unit.

The following table shows the projected volume of pediatric medical/surgical and associated ICU days through FY 2022 (2 years after the proposed project completion in 2020). The "Total Days" column is computed based on an annual 10.5% growth rate, which is based on the historic growth rate for Hem/Onc patients in the existing 24-bed unit, using 2017 as a base year. This 10.5% growth rate has two components: a) a 6.3% growth for pediatric medical/surgical patients that are non ICU eligible, which is used to compute the pediatric "medical/surgical (non ICU eligible)" patient days column, using 2017 as the base year; and b) growth of ICU eligible patient days, based on historic annual growth of approximately 17% - 20% for ICU eligible Hem/Onc patients.

TABLE 2.3: Increased need for ICU beds for Hem/Onc patients at Lurie Children's

	Hematology/Oncology		
Year (FY)	Total Days	Medical/Surgical (non ICU eligible)	ICU Eligible
2017	9,480	6,665	2,815
2018	10,475	7,085	3,390
2019	11,575	7,531	4,044
2020	12,791	8,005	4,786
2021	14,134	8,510	5,624
2022	15,618	9,046	6,572

The existing 24-bed Hem/Onc pediatric medical/surgical unit on 17N will continue to accommodate pediatric medical/surgical patients who are not ICU eligible; the proposed 24-bed Hem/Onc ICU on 17S will accommodate the ICU eligible Hem/Onc patients. **The projected 6,572 patient days equates to an ADC of 18 ICU patients. The proposed 24-bed Hem/Onc ICU will achieve 75% occupancy in year 2022, exceeding the 5tate standard of 60% for ICUs.**

In addition to recognizing the intensive care needs of Hem/Onc patients, Lurie Children's is sensitive to the psychosocial needs of these patients and their families. Children have difficulty coping with the stresses of treatment, surgery, chemotherapy, and radiation, as well as the side effects of these treatment modalities. Likewise, the parents and siblings of these pediatric Hem/Onc patients also demonstrate emotional support needs. The increase in number of pediatric, as well as adolescent and young adult cancer patients, has resulted in a larger volume of hospitalized patients than current bed capacity on the existing 24-bed Hem/Onc pediatric medical/surgical unit. The psychosocial needs of Hem/Onc patients who are displaced to other inpatient units are not being met. For example, a teenage patient who has lost her hair as a result of the chemotherapy and/or radiation therapy has body-image issues and stressors. This patient is unlikely to leave her room to walk in the halls in a unit full of patients and families who are unaffected by or unfamiliar with cancer—patients without the same body-image issues and stressors as her. The parents of pediatric Hem/Onc patients find tremendous comfort and support in establishing relationships with other parents whose children are also battling cancer. These relationships are often cultivated and fostered in the hallways of the Hem/Onc unit and in the family playroom and family lounge. The patients and families displaced off the Hem/Onc unit are not afforded this invaluable opportunity and experience.

c. General Description of Hematology/Oncology Service

The Hem/Onc service is one of the fastest growing clinical services at Lurie Children's. There is also growth in the scope and breadth of Hem/Onc services overall. Major service lines within Hematology, Oncology, Neuro-Oncology, and Stem Cell Transplantation at Lurie Children's are as follows:

> **Hematological Blood Disorders** include sickle cell disease, thalassemia, Langerhans cell histiocytosis (LCH), post-transplant lymphoproliferative disease (PTLD), and non-cancerous blood disorders. Sickle cell disease is an inherited blood disorder that is characterized by the production of abnormal hemoglobin. The most common types of sickle cell disease are sickle

cell anemia, hemoglobin S-beta thalassemia, and sickle cell-hemoglobin C disease. In addition to chronic blood transfusions, sickle cell disease has long-term effects on virtually every organ system including the brain, heart, lungs, spleen, and eyes. The Thalassemia Program at Lurie Children's is the largest treatment center in the Midwest, caring for more than 130 children and adults with all forms of thalassemia. Complications from the disease and its treatment include heart problems, liver damage, diabetes, infertility, growth failure, and thin or deformed bones. Lurie Children's has actively collaborated with IDPH since 2008 to begin universal screening for thalassemia.

Solid Tumor cancers include neuroblastoma, osteosarcoma, and Ewing's sarcoma. These types of abnormal masses can be benign or malignant. If they are cancerous, the different types of solid tumors are named for the type of cells that form them in either the bones, muscles, or organs. Solid tumors make up roughly 30% of all cancers in children.

Hematopoietic malignancies include acute and chronic leukemia, Hodgkin lymphoma, Non-Hodgkin lymphoma, and multiple myeloma. Leukemia is the most common form of cancer in childhood. It affects approximately 3,800 children each year in the U.S., accounting for about 30% of childhood cancers. Leukemia is a cancer of the body's blood-forming tissues, including the bone marrow and lymphatic system. Leukemia can manifest as any of several cancers of the bone marrow that prevents the normal manufacture of red and white blood cells and platelets. Lymphoma is a cancer of the lymphatic system, which is part of the body's germ-fighting system. There are multiple different subtypes of lymphomas, but the two main categories are Hodgkin lymphoma and Non-Hodgkin lymphoma. These two categories account for the 3rd most common cancer in children.

Neuro-Oncology includes cancers of the brain, spinal cord, and central nervous system. Lurie Children's Falk Brain Tumor Center offers state of the art care for children with brain tumors—the most common solid tumor diagnosis in children. Molecular therapy now offers an alternative to radiation treatment and aggressive surgery for many types of brain tumor cases. Lurie Children's Brain Tumor Program is recognized as one of the nation's most active sites for early phase clinical trials that offer patients access to new treatments and hope for improved survival. The program is one of the largest in the U.S., seeing more than 160 new and second opinion patients each year.

Stem Cell Transplant. A stem cell transplant replaces a patient's diseased or damaged bone marrow with healthy blood stem cells. Patients first receive chemotherapy and/or radiation to eliminate diseased cells and make space in the bone marrow. The stem cells are then infused and start producing healthy cells. Lurie Children's Pediatric Stem Cell Transplant Program has performed more than 1,000 stem cell transplants since 1992, making it one of the largest programs of its kind. It was the first freestanding pediatric program to be accredited by the Foundation for the Accreditation of Cellular Therapy. This service is increasingly used to treat indications beyond cancer including sickle cell disease, thalassemia, and immune deficiencies and genetic disorders. Annual stem cell transplant admissions have increased from 26 in FY 2013 to an estimated 70 in FY 2017 based on patient volumes through August. Average length of stay was 50.7 days in 2016, up from 35.6 in 2011. An estimated 3,042 patient days are projected in 2017, up by over 50% from 1,977 days in 2016.

d. Reasons the Hematology/Oncology Service Is Growing So Rapidly

Lurie Children's Recognition as a Leader in Pediatric Cancer Care

Lurie Children's is recognized as a leader in pediatric cancer care, which is the result of several factors. Lurie Children's holds the position as a regional referral center for complex pediatric cases, especially for patients with cancer who may have other clinical disorders. As a regional, national, and international referral site, Lurie Children's treats more than 300 new cancer patients each year. Lurie Children's sees more infants, children, and teens with cancer and blood disorders than any other hospital in Illinois.

Lurie Children's Division of Hematology, Oncology, Neuro-Oncology and Stem Cell Transplantation is ranked 12th in the nation for pediatric cancer by *U.S. News and World Report.* There are numerous research projects underway at Lurie Children's and in collaboration with its affiliate, Stanley Manne Children's Research Institute, seeking pioneering solutions to the identification and treatment of the causes of cancer.

Lurie Children's is able to offer the newest therapy options as part of different groups that participate in Phase I studies including the Pediatric Brain Tumor Consortium (PBTC), Children's Oncology Group (COG), Pacific Pediatric Neuro-Oncology Consortium (PNOC), and Neurofibromatosis Consortium. Lurie Children's also offers industry sponsored trials not available at most pediatric institutions. Additionally, Lurie Children's is a member of the Children's Brain Tumor Tissue Consortium (CBTTC) for tissue banking which is utilized for research. These activities facilitate Lurie Children's ability to offer these state of the art clinical trials.

The traditional approaches to cancer treatment include surgery, radiation, and chemotherapy. In addition, Stem Cell Transplant has become the standard treatment method for pediatric patients with leukemia with 90% of patients treated going into remission, and oncologists are investigating its applications to other cancers. These approaches are now supplemented by immunotherapy, which uses the body's own immune system to identify and fight cancers in ways similar to its attack against threatening viruses and bacteria.

A recent, ground-breaking form of immunotherapy uses chimeric antigen receptor (CAR) T-cells to genetically modify a cancer patient's immune cells to eliminate cancer in the patient's body. Lurie Children's will be one of 25 centers in the U.S, Europe, Canada, Australia, and Japan to use CAR T-cells to search for and destroy cancer cells. CAR T-cells constitute a new form of immunotherapy treatment for leukemia patients in which the patient's own (normal, not leukemic) lymphocytes are collected, genetically modified, and expanded to create an immune cell product with high activity and specificity for destroying the leukemic cells. The treatment phase is comprised of several days of chemotherapy (similar to pre-stem cell transplant treatments), followed by infusion of the genetically modified cells. While promising, the patients will frequently develop complications requiring supportive care in an ICU with pressor support and/or ventilator support to endure the complications related to leukemia cell destruction. In addition, they are susceptible to neurologic complications—headache, encephalopathy, and/or delirium that will similarly require ICU monitoring/seizure prophylaxis.

In addition to the service lines described above, now, Lurie Children's tailors cancer treatments by using Precision Medicine, where clinicians combine everything that is known about a disease with everything known about an individual child, offering hope of breakthroughs in the treatment of cancer. Lurie Children's Precision Medicine offers specialized, tailored treatments based on the underlying cause of

the disease, as well as unique biologic characteristics, to improve outcomes for children with cancer by factoring in each child's DNA and genetics, health history, environment, metabolism, proteins, and drug interactions. Genetic sequencing and other advanced technologies are increasingly useful in analyzing biological data and identifying biomarkers of disease and potential drug targets. Strategies to identify those who may have an increased risk for cancer development will result in new approaches to screening and prevention.

Lurie Children's Significant Research in Hematology/Oncology

Working closely with investigators at the affiliated Stanley Manne Children's Research Institute, clinical teams at Lurie Children's are employing powerful new technologies to pinpoint the optimal treatment based on the molecular signature of each person's cancer. Growth of Hem/Onc clinical services is driven in part by basic science and research applications at the clinical bed side. Lurie Children's is one of the leading pediatric cancer research centers in the country, offering patients the latest breakthroughs in cancer treatment that are available only through clinical trials. Research studies underway include:

Optune device therapy is a new, experimental treatment for children with recurrent or progressive brain tumors, particularly supratentorial high grade glioma or ependymoma. The Optune System produces alternating electrical fields by means of 4 transducer arrays placed on the individual's scalp with the goal of impairing tumor cell growth through the arrest of cell division and inducing apoptosis (a genetically directed process of cell self-destruction). This treatment modality is being offered through the PBTC and is led by Dr. Stewart Goldman, Division Head of Hematology, Oncology, Neuro-Oncology & Stem Cell Transplantation.

Adaptation of the Northstar Study (HGB-204). The Hematology Section at Lurie Children's (encompassing sickle cell, thalassemia, hemophilia, thrombophilia, clotting disorders, hereditary spherocytosis, various anemias and other general hematology conditions) currently has 57 open research protocols. One such study is an adaptation of the Northstar Study sponsored by bluebird bio, Inc. for treating thalassemia in sickle cell patients with gene therapy. The therapy is designed to eliminate the need for young adults to receive chronic blood transfusions. Promising results prompted the FDA to recognize the treatment as a "Breakthrough Therapy Designation." Lurie Children's is one of four sites in the U.S. offering gene therapy for sickle cell disease.

Fertility and Hormone Preservation and Restoration Program. Groundbreaking advancements in cancer therapies have led to more children surviving, thriving and living full lives that could someday include having a family of their own. Unfortunately, the very lifesaving treatments that they have endured may render them infertile. Lurie Children's investigators are involved in several research projects, including the effects of chemotherapy on the egg reserve of pre-puberty girls, gonadal function in males, and an oncofertility registry for patients who underwent ovarian tissue preservation. Lurie Children's is recognized as a national leader in fertility preservation for pediatric, adolescent, and young adult patients. In 2007, Lurie Children's joined the Oncofertility Consortium at Northwestern University as part of a national program to provide both state of the art research and clinical services to patients at high risk for infertility due to cancer treatment. The fertility program started providing ovarian tissue cryopreservation to oncology patients at risk for infertility. The program now partners with the University of Pittsburgh to expanded research and clinical care to males at risk for infertility. Public awareness of fertility preservation has led to an increase in requests for participation. In 2013, Lurie Children's provided fewer than 25 total consults to male and

female patients. In 2016, more than 110 consults were provided and is steadily increasing. Additionally, the program is expanding to patients with medical conditions such as Turner's Syndrome. The fertility preservation program at Lurie is the only program of its kind in the five state area.

In summary, the Hem/Onc service at Lurie Children's is in need of a 24-bed Hem/Onc ICU because of high demand and utilization of its existing 24-bed Hem/Onc pediatric medical/surgical unit and because the Hem/Onc service is growing so rapidly in scope and breadth. Lurie Children's ICU patient days has drastically increased over the past 7 years, causing Lurie Children's to increase its ICU bed capacity three times over the past 10 years to accommodate such a high demand. This consistent increase in patient days is projected to continue through CY 2022, simultaneously increasing ICU bed utilization. High demand and utilization is also true for Lurie Children's 24-bed Hem/Onc pediatric medical/surgical unit with each of the past 7 months above 85% occupancy (4 of these months near or above 90%). With 29.7% of Hem/Onc patient days in FY 2017 being ICU eligible because of intensive care patient needs, Lurie Children's need for a 24-bed Hem/Onc ICU is great, not only to better serve the intensive and special needs of these patients with cancer and blood disorders, but to alleviate the demand on the Hem/Onc pediatric medical/surgical service. Lurie Children's Hem/Onc service continues to grow by being the regional referral center and through its significant research developments for new, cutting-edge cancer treatments. However, bed capacity is lacking to accommodate the more than 300 new cancer patients Lurie Children's treats each year.

B. Projected Referrals
C. Projected Service Demand – Based on Rapid Population Growth

The case for expansion of the existing ICU service is based upon historic and experienced patient volumes and actual growth trends. It is not possible to document commitments by Lurie Children's physicians to refer patients now going to other locations, since their past growth has not been due to a redirecting of patient volumes from other hospitals and medical centers.

Nor is the anticipated growth due to rapid population growth in the metropolitan area. Growth is based solely on trends that reflect a shifting of subspecialty tertiary and quaternary pediatric care from community hospitals to major medical centers specializing in pediatric care.

1110.530 (d) (2) Maldistribution

The proposed project by Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) does not result in a maldistribution of service. One of the State's criteria for determining maldistribution is a specific quantitative test. Maldistribution occurs when the ratio of facilities (in this case ICU beds) to population in an identified geographic area exceeds one and one half times the State average. For the proposed 24-bed Hematology/Oncology ICU project, maldistribution would exist if, in the identified planning area for Lurie Children's (the 7 county Chicago metropolitan area), the project resulted in a ratio of ICU beds exceeding 1.5 times the State average.

The following table shows that the ratio of ICU beds to 1,000 population in Illinois is 0.268, including the 44 ICU bed expansion at Lurie Children's approved in Project 16-050. This ratio increases slightly to 0.270 if the proposed 24-bed expansion at Lurie Children's is approved.

In comparison, for the 7 county Chicago metropolitan area, the current ratio of ICU beds to 1,000 population is 0.294, including the 44 ICU bed expansion at Lurie Children's approved in May 2017 in Project 16-050. This ratio increases to **0.297** if the proposed 24-bed addition at Lurie Children's is approved.

Maldistribution would exist if the ratio of ICU beds to 1,000 population were to rise to 0.402 (= 1.5 x 0.268). The ratio of **0.297** is below this level. Thus, maldistribution of ICU beds does not result from this project.

Analysis to Confirm No Maldistribution of Service		
	State of Illinois	**Service Area (7 County Metro Area)**
Estimated Population (2015)[1]	12,978,800	8,573,887
ICU beds		
a) Total ICU beds (2015)[2]	3,434	2,479
b) Including 44 beds, approved Project 16-050	3,478	2,523
c) Including 24 beds, proposed Hematology/Oncology ICU project	3,502	2,547
ICU beds per 1,000 population	0.268	0.294
ICU beds per 1,000 population if proposed 24-bed Hematology/Oncology ICU project is approved	0.270	0.297

Footnotes:

(1) *Population Projections, Illinois, Chicago and Illinois Counties by Age and Sex: July 1, 2010 to July 2025 (2014 edition),* by Illinois Department of Public Health. Office of Health Informatics, Illinois Center for Health Statistics, released February 2015.

(2) *Inventory of Health Care Facilities and Services and Need Determinations – 2015 – Hospital Services,* IHFSRB and IDPH, 8/4/2015.

1110.530 (f) Staffing - ICU

Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) Hematology/Oncology (Hem/Onc) unit bed expansion allows for 24 intensive care unit (ICU) beds to be located on the south side of the 17th floor (17S) in addition to the existing 24 pediatric medical/surgical beds on the north side of the 17th floor (17N). All ICU beds provide 24/7/365 coverage of expert physician and nursing specialists. As a result, the addition of the proposed 24-bed Hem/Onc ICU will require additional staffing to meet patient care demands. The following charts show current and future bed numbers and bed locations.

Floor / Unit	Current Number of Beds	Future Number of Beds
15 ICU	20	20
16 ICU	40	40
19 ICU	32	32
22 ICU	0	44*
17 ICU	0	24**

**Approved in Project #16-050; currently under construction*

*** Hem/Onc unit will have 48 totol beds (24 ICU/24 Pediotric Medicol/Surgical)*

Physician Recruitment:

Physician recruitment is a rigorous process that is an integral part of the bed expansion planning. Working closely with Lurie Children's data analytics group, the need for additional beds and staffing by position was determined to accommodate increasing service demand. A thorough review of resources to support each medical staff/faculty appointment is completed, with the plan presented to Pediatric Faculty Foundation, Inc., Lurie Children's affiliate that employs these physician specialists. Lurie Children's academic partner, Northwestern University Feinberg School of Medicine, applies strict guidelines to assure that academic integrity is incorporated into the recruitment process. These positions are hospital-based, requiring all candidates to be board-eligible or board certified and demonstrate academic productivity as well as clinical excellence and productivity.

Currently, the complement of Hem/Onc physicians includes 27 faculty members totaling 25.5 Full Time Equivalent (FTE) positions. Of the total FTE complement, there are 13.6 clinical FTEs to support direct patient care needs, which is consistent with the clinical activity needed to support current and expanded volumes. The recruitment period lasts approximately 1-2 years to attract and retain the best clinicians. A national search has begun, which includes verbal communication to individual candidates, exhibiting and recruiting at relevant conferences, and mass e-mailings to leading centers in North America. Recruitment is currently underway for one additional Oncology physician specializing in leukemia management and one Neuro-Oncology physician specializing in pediatric brain tumors. One Hematology physician has already been hired and will be starting in Fiscal Year (FY) 2018 (ending August 31, 2018).

Advanced Practice Nurse (APN) Recruitment:

The APN/Physician Assistant (PA) Council at Lurie Children's includes a diverse group of specialties, with all clinical areas having advanced practice representation. In the Hem/Onc ICU, these individuals will be specialty trained with both acute care and primary care certifications, in addition to all being certified as Certified Pediatric Oncology Nurses (CPON).

The addition of the proposed 24-bed Hem/Onc ICU provides the opportunity to recruit additional APNs. Lurie Children's Human Resources Department has a recruiter who focuses specifically on ICU APN recruitment. After the position approval process is completed, the average recruitment process takes three to four months, the credentialing and privileging processes take an average of 90 to 120 days, and orientation takes four to six months. This timeframe allows for recruitment and training to take place one year prior to the opening of the additional ICU beds. The current Lurie Children's registered nurse staff, who will be finishing their Master's Degree work and intend to sit for the APN licensing board, constitute a great pool of talent and recruitment opportunity. In the past 12 months, Lurie Children's has received 39 applications for APNs interested in the Hem/Onc unit.

In addition to general Hem/Onc APN recruitment, Lurie Children's has recently initiated an additional 24/7/365 APN service to manage a core group of patients on the Hem/Onc service. This additional service will reduce the volume of patients on the residents' service and allow for the appropriate care needs of these complex patients to be met. This APN service will consist of 6.7 APN FTEs. Lurie Children's has already added 2.0 FTEs in the past two months, bringing the total to 5.3 FTE currently. Lurie Children's anticipates having a full complement of APNs to support the proposed Hem/Onc ICU service by June 2018, well in advance of the completion of the proposed 24-bed Hem/Onc ICU.

Registered Nurse (RN) Recruitment:

In the last 12 months, Lurie Children's Human Resources Department has received 370 RN applications with specific interest in the Hem/Onc unit. In addition to these formal applications, there are RN candidates now working in the hospital in other positions who, once they complete their RN training, approach nursing leaders seeking transfers to the Hem/Onc unit.

Available positions are posted on Lurie Children's website and are advertised in professional journals and at national organization meetings and conferences. Lurie Children's also has a nationally-respected nurse internship program, which provides a four to six month orientation process to best prepare the new graduate to step into the role of a Lurie Children's Hem/Onc nurse. As the Hem/Onc unit prepares for the addition of an ICU, a staffing plan will be developed. Once needed positions are approved, recruitment, hiring, and training will take place to assure that the nurses are prepared to fully and competently care for the needs of Hem/Onc patients and families immediately upon the completion of the proposed 24-bed Hem/Onc ICU project.

Staffing for the existing Hem/Onc pediatric medical/surgical unit is based on nursing ratios of 1 nurse for every 2.5 patients—a ratio that is similar to ICUs. Lurie Children's will maintain this staffing ratio in the current unit and the new Hem/Onc ICU and increase nursing resources to meet the expanded volumes. Currently, Lurie Children's has the following staff to support the existing 24 pediatric medical/surgical beds: 46.12 FTE Nursing, 1.0 FTE Director, 2.0 FTE Patient Care Managers, and 10.61 FTE Nursing Assistants. Lurie Children's is planning to increase to the following to support the addition of the proposed 24 ICU beds: 64.38 FTE Nursing (+18.26 FTE), 1.0 FTE Director, 3.0 FTE Patient Care Managers (+1.0 FTE), and 18.04 FTE Nursing Assistants (+7.43 FTE).

Lurie Children's is confident, with the number of applicants regularly received for open nursing positions and support staff positions, that Lurie Children's will be able to recruit the necessary staff to support the proposed 24-bed Hem/Onc ICU appropriately.

1110.530 (h) Assurances

The letter on the following page acknowledges the applicant's understanding that the project will meet and maintain the occupancy standards for the expanded ICU bed service.

Ann & Robert H. Lurie
Children's Hospital of Chicago

October 2, 2017

Ms. Courtney Avery
Administrator
Illinois Health Facilities
And Services Review Board
525 W. Jefferson Street, 2nd floor
Springfield, IL 62761

Re: Criterion 1110.530(h) Assurances

Dear Ms. Avery:

It is my understanding that Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") will achieve and maintain occupancy standards 75% utilization for its proposed 17S hematology/oncology pediatric intensive care unit by 2022, the second year of operation after project completion.

If you have any questions, please contact Reagen Atwood, Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago, at 312-227-7470 or RAtwood@luriechildrens.org.

Sincerely,

Patrick M. Magoon
President and Chief Executive Officer
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Avenue, Box 261
Chicago, IL 60611

Subscribed and sworn to before me
this 2 day of October, 2017.

Signature of Notary Public

Seal

Official Seal
Annel Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

ATTACHMENT 19

1120.120

Audited Financial Statements

Children's Hospital of Chicago
Medical Center and Affiliated
Corporations
Consolidated Financial Statements
August 31, 2016 and 2015

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Index
August 31, 2016 and 2015

ATTACHMENT 34

pwc

Report of Independent Auditors

To the Board of Directors of
Children's Hospital of Chicago Medical Center

We have audited the accompanying consolidated financial statements of Children's Hospital of Chicago Medical Center and Affiliated Corporations ('the Medical Center') which comprise the consolidated balance sheets as of August 31, 2016 and 2015, and the related consolidated statements of operation and change in net assets and of cash flow for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Medical Center's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, One North Wacker, Chicago, IL 60606
T: (312) 298 2000, F: (312) 298 2001, www.pwc.com/us

pwc

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center and its subsidiaries as of August 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information presented on pages 36-39 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

December 7, 2016

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Consolidated Balance Sheets
August 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 35,464,988	$ 27,695,157
Current portion of self-insurance trust	17,175,000	8,600,000
Accounts receivable, net of allowance for uncollectible accounts of $19,763,000 and $15,918,000 in 2016 and 2015, respectively	144,037,611	85,799,395
Other current assets	86,397,830	51,182,355
Total current assets	283,075,429	173,276,907
Investments	1,169,174,416	1,102,969,535
Property and equipment, at cost		
Land	38,234,151	41,514,151
Buildings and improvements	944,450,635	1,109,963,591
Equipment	312,208,533	304,522,244
Construction in progress	30,059,925	8,438,812
Total property and equipment, at cost	1,324,953,244	1,464,438,798
Less: Accumulated depreciation	415,190,998	540,739,975
Property and equipment, net	909,762,246	923,698,823
Other assets		
Pledges receivable restricted by donors, net	27,821,878	36,389,805
Unamortized bond issuance costs	6,525,440	6,860,156
Goodwill	1,417,706	-
Other	18,430,084	18,853,221
Total other assets	54,195,108	62,103,182
Total assets	$ 2,416,207,199	$ 2,262,048,447
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 137,482,166	$ 98,228,576
Current portion of self-insurance liability	17,175,000	8,600,000
Due to third-party payors	42,162,115	30,005,794
Current portion of long-term debt	4,890,000	4,645,000
Total current liabilities	201,709,281	141,479,370
Other liabilities		
Self-insurance liability	82,828,496	98,532,410
Other noncurrent liabilities	51,888,687	44,688,715
Total other liabilities	134,717,183	143,221,125
Long-term debt	363,974,915	368,758,475
Total liabilities	700,401,379	653,458,970
Net assets		
Unrestricted	1,340,525,135	1,242,455,854
Temporarily restricted	207,628,025	203,100,374
Permanently restricted	167,652,660	163,033,249
Total net assets	1,715,805,820	1,608,589,477
Total liabilities and net assets	$ 2,416,207,199	$ 2,262,048,447

The accompanying notes are an integral part of these consolidated financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Statements of Operation and Change in Net Assets

Years Ended August 31, 2016 and 2015

	2016	2015
Operating revenue		
Patient service revenue, net of contractual allowance and discounts	$ 807,078,359	$ 737,265,139
Provision for doubtful accounts	13,144,509	11,513,380
Net patient service revenue	793,933,850	725,751,759
Net assets released from restriction		
Contributions and philanthropy used for program purposes	25,528,929	26,318,098
Grants and other restricted income used for program purposes	39,045,451	38,436,659
Board-designated endowment income	7,628,036	6,752,643
Other operating revenue	56,313,877	57,597,477
Total operating revenue	922,450,143	854,856,636
Operating expenses		
Salaries, wages, and employee benefits	489,786,645	461,559,654
Supplies and services	292,000,735	269,100,714
Depreciation	68,089,724	63,898,878
Total operating expenses	849,877,104	794,559,246
Income from operations before interest and amortization	72,573,039	60,297,390
Interest and amortization of financing costs	22,215,302	22,434,061
Income from operations	50,357,737	37,863,329
Nonoperating income (expense)		
Investment return gains (loss)	11,148,923	(15,702,896)
Unrestricted contributions and bequests	17,876,090	17,030,587
Fund-raising expense	(17,283,228)	(16,209,674)
Gain (loss) on disposal of fixed assets	50,824,462	(175,023)
Other	(1,699,840)	(5,351,254)
Total nonoperating income (loss)	60,866,407	(20,408,260)
Excess of revenue over expenses	$ 111,224,144	$ 17,455,069

The accompanying notes are an integral part of these consolidated financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Statements of Operation and Change in Net Assets

Years Ended August 31, 2016 and 2015

	2016	2015
Unrestricted net assets		
Excess of revenue over expenses	$ 111,224,144	$ 17,455,069
Net assets released from restriction used for purchase and construction of property and equipment	429,495	371,837
Retirement plan related change other than net periodic retirement plan expense	(13,847,027)	(12,581,851)
Other	262,669	94,720
Increase in unrestricted net assets	98,069,281	5,339,775
Temporarily restricted net assets		
Contributions	25,064,998	20,131,702
Grants and other restricted income	41,677,901	41,386,422
Investment return	3,902,783	(28,464)
Pledge receivable write-offs, net of change in allowance	(299,686)	(2,233,200)
Net assets released from restriction		
Contributions and philanthropy used for program purposes	(25,528,929)	(26,318,098)
Grants and other restricted income used for program purposes	(39,045,451)	(38,436,659)
Purchase of property and equipment	(429,495)	(371,837)
Transfers and other	(814,470)	(565,216)
Increase (decrease) in temporarily restricted net assets	4,527,651	(6,435,350)
Permanently restricted net assets		
Contributions	3,537,604	7,629,604
Change in fair value of perpetual trusts	267,337	(2,017,051)
Transfers and other	814,470	565,216
Increase in permanently restricted net assets	4,619,411	6,177,769
Increase in net assets	107,216,343	5,082,194
Net assets		
Beginning of year	1,608,589,477	1,603,507,283
End of year	$ 1,715,805,820	$ 1,608,589,477

The accompanying notes are an integral part of these consolidated financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Consolidated Statements of Cash Flow
Years Ended August 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Increase in net assets	$ 107,216,343	$ 5,082,194
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) loss on investments	(11,148,923)	15,702,896
Restricted contributions and restricted investment return	(13,688,780)	(14,554,163)
(Gain) loss on disposal of fixed assets	(50,824,462)	175,023
Receipt of contributed securities	(3,186,559)	(8,012,109)
Retirement plan - related change other than net periodic retirement plan expense	13,847,027	12,581,851
Depreciation and amortization	68,530,880	64,340,034
Provision for bad debts	13,144,509	11,513,380
Net changes in assets and liabilities		
Accounts receivable, net	(71,382,726)	(32,570,926)
Accounts payable and accrued expenses	37,594,050	(10,974,930)
Due to third-party payors	12,156,321	18,715,661
Self-insurance liability	(7,128,914)	2,016,336
Other assets and liabilities	(32,224,169)	14,856,282
Net cash provided by operating activities	62,904,597	78,871,529
Cash flows from investing activities		
Capital expenditures	(51,444,625)	(23,508,877)
Net proceeds from sale of property	51,760,479	-
Sale of investments	1,773,940,081	3,504,762,703
Purchases of investments	(1,831,950,026)	(3,570,912,719)
Purchase of business, net of acquired cash	(4,050,000)	-
Net cash used in investing activities	(61,744,091)	(89,658,893)
Cash flows from financing activities		
Principal payments under long-term debt obligations	(4,645,000)	(4,415,000)
Proceeds from restricted contributions and restricted investment income	11,254,325	18,073,819
Net cash provided in financing activities	6,609,325	13,658,819
Increase in cash and cash equivalents	7,769,831	2,871,455
Cash and cash equivalents		
Beginning of year	27,695,157	24,823,702
End of year	$ 35,464,988	$ 27,695,157
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 19,917,000	$ 20,148,000
Noncash additions to property and equipment	5,968,000	4,308,000

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Nature of Operations

Children's Hospital of Chicago Medical Center (the 'Medical Center'), an Illinois not-for-profit corporation, is the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago (the 'Hospital'), an Illinois not-for-profit corporation. The Hospital was founded in 1882 by Julia Foster Porter to provide medical care for all children. Today, the Medical Center and its affiliates comprise an independent, freestanding academic institution dedicated to the health and well-being of all children. The Medical Center is also the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago Foundation (the 'Foundation'), Stanley Manne Children's Research Institute (the 'Research Center'), Pediatric Faculty Foundation, Inc. ('PFF') and Almost Home Kids ('AHK'), all Illinois not for-profit corporations. Each of the following entities; Lurie Children's Medical Group, LLC ('LCMG'), Lurie Children's Health Partners Care Coordination, LLC (the 'CCE') and Lurie Children's Primary Care, LLC ('LCPC') are Illinois limited liability companies whose sole member is the Medical Center. The Medical Center is also the parent of CMMC Insurance Co. Ltd. ('CMMC Insurance'), a captive, offshore insurance entity organized under the laws of the Cayman Islands.

The Hospital owns and operates a pediatric hospital with 288 licensed beds in Chicago, Illinois. The Hospital provides a complete range of pediatric health care services, including pediatric inpatient medical and surgical care, tertiary and quaternary care services, and emergency services. The Hospital operates more than 50 specialty and primary care outpatient clinics at its main campus in the Streeterville neighborhood and throughout the Chicago area, as well as two ambulatory care facilities and thirteen outpatient specialty centers in the surrounding metro Chicago areas.

The Foundation carries out fund-raising and other related development activities in support of the Medical Center and its affiliates. The Foundation supports comprehensive capital campaigns aligned with the Medical Center's strategic plans. Restricted contributions support specific programs, recruitments, and research, in addition to unrestricted contributions which, not only offset fundraising expense, but also contribute to the Hospital's greatest areas of need.

The Research Center was established to improve pediatric health and health care services through research and education. Its role is to build a scientific community in support of treatments and cures within pediatric medicine which span the laboratory bench to the patient's bedside. During fiscal 2016, the Medical Center entered into a multi-year commitment in conjunction with Northwestern University for a new research tower.

PFF provides physician services to a broad pediatric population in Chicago and surrounding counties and across the State of Illinois, employing more than 440 pediatric primary care and subspecialty physicians. A portion of research activity also flows through PFF. LCMG, with more than 59 employed physicians, provides pathology, medical imaging, psychiatry, and dentistry services to the Hospital and its patients.

AHK is a unique organization providing transitional and respite care for medically complex children outside the acute care setting.

CMMC Insurance is a captive, offshore insurance entity whose sole function is to purchase reinsurance for the purpose of reducing risk and cost. It currently does not retain risk. CMMC Insurance has no employees and is managed on behalf of the Hospital by an independent Cayman Islands-based management company.

LCPC was acquired on January 1, 2016 by the Medical Center and is composed of approximately 20 primary care pediatricians. The operations of LCPC have been included in the consolidated statement of operations and changes in net assets from January 1, 2016 forward.

In keeping with the Medical Center's mission and in response to the State of Illinois' mandate to have 50% of Medicaid recipients enrolled in coordinated care entities by January 1, 2015, the Medical Center participated in two entities covering Medicaid lives. The CCE exists for the provision and coordination of medical care of medically complex children. As of January 1, 2016, the State of Illinois no longer funded care coordination entities and cancelled all direct contracts. As a result of this action, the approximately 2,000 state enrollees the CCE attained during fiscal 2015 either self-enrolled or were assigned by the State to a Medicaid Managed Care Organization ('MCO'). The CCE continues to exist, contracting with MCOs and commercial health plans to provide care coordination services to children within their plans that have complex medical needs.

In April 2014, the Medical Center became one of eleven partners of Accountable Care Chicago, LLC, doing business as MyCare Chicago ('MCC'). The State of Illinois contracted with MCC to provide care coordination to Medicaid adults and children, and facilitate care coordination through the use of data analytics and health IT infrastructure. The Medical Center held a minority position and did not have governance control of MCC. As of October 2016, MCC was dissolved, after transitioning all members and network management to a third party MCO earlier in the year. Upon dissolution care coordination was terminated. The Medical Center's investment in MCC is $2,646,000 and $30,000 as of August 31, 2016 and 2015, respectively.

In June 2014, the Medical Center, Children's Community Physicians Association ('CCPA'), and Children's Faculty Practice Plan ('FPP') formed Lurie Children's Health Partners Clinically Integrated Network, LLC (the 'CIN'). The CIN is an integrated healthcare network focused on creating value-based reimbursement programs with payors that support improving the health and well-being of children and their families. The CIN has a twelve member board of which CCPA appoints six, FPP appoints four, and the Medical Center appoints two. CCPA and FPP are committed to a 5% capital position, and the Medical Center is committed to a 90% capital position, of which $1,920,000 was contributed during fiscal year 2016. As the Medical Center does not have governance control, the CIN is not a consolidating entity but rather accounted for under the equity method.

In June 2012, the Ann & Robert H. Lurie Children's Hospital of Chicago opened, moving hospital operations from Lincoln Park to the Streeterville facility in downtown Chicago. The Lincoln Park facility was closed as of June 2012, decommissioned, and was sold in February 2016. The purchase price was $50,000,000. Net gain on disposal of assets was $49,937,000 and is reflected on the financials in nonoperating income for the year ended August 31, 2016, including $3,211,000 of an asset retirement obligation relieved related to the property.

Consolidation
The accompanying consolidated financial statements of the Medical Center include the accounts of the Hospital, the Foundation, the Research Center, PFF, LCMG, AHK, the Medical Center, CMMC Insurance, CCE and LCPC. Intercompany transactions and accounts have been eliminated.

The accompanying consolidating balance sheets and consolidating statements of operation and changes in unrestricted net asset by entity as of August 31, 2016 and 2015 are provided for purposes of additional analysis and are not required as part of the consolidated financials. They have been prepared in a manner consistent with generally accepted accounting principles and are presented only for purposes of additional analysis and not as a presentation of financial position and results of operations of each component of the combined group. The supplemental combining financial information was derived from the accounting records used to prepare the combined financial statements. All intercompany eliminations have been properly recorded.

Income Taxes
The Internal Revenue Service has determined that the Medical Center, the Hospital, the Research Center, the Foundation, PFF, and AHK are all not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code (the 'Code') and are exempt from federal income taxes on related income. LCMG, CCE and LCPC are described as disregarded entities and are treated as branches or divisions of the Medical Center, therefore, financial and other information applicable to LCMG, CCE and LCPC are reported under the Medical Center.

2. Summary of Significant Accounting Policies

Accounting Pronouncements
In April 2015, the Financial Accounting Standards Board ('FASB') issued Accounting Standards Update ('ASU') No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, to address the unnecessary complexity of having different balance sheet presentation requirements for debt issuance costs and debt discounts or premiums. The standard is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted and the new guidance is applicable on a retroactive basis. The Medical Center did not early adopt this standard as of August 31, 2016.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ('CCA')*. Previously, there was no specific US GAAP guidance on accounting for such fees from the customer's perspective. Cloud computing arrangements are increasingly common and include a variety of arrangements such as "hosting" or "software-as-a-service" ('SAAS') arrangements, among others. "Hosting" refers to situations in which the end user does not take possession of the software; instead, the software resides on the vendor's or third party's hardware and is accessed remotely by the end user. ASU 2015-15 applies to a purchaser of these services and provides guidance that assists in determining if the arrangement contains a software license for which accounting would be required. It is effective for annual periods beginning after December 15, 2015. Early adoption is permitted and companies have the option of transitioning to the standard either retrospectively or prospectively for all new transactions entered into after the date of adoption. The Medical Center did not early adopt this standard as of August 31, 2016.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share* (or its equivalent). This guidance removes the requirement to categorize within the fair value hierarchy investments whose fair values are measured at Net Asset Value (NAV) (or its equivalent) under the practical expedient in the FASB's fair value measurement guidance. The amendments under this update are effective for fiscal years beginning after December 15, 2016. The Medical Center did not early adopt this update as of August 31, 2016.

In June 2015, the FASB issued ASU No. 2015-10, *Technical Corrections and Improvements*, amending the definition of "readily determinable fair value" ('RDFV') to include a reference to equity securities that are similar in structure to mutual funds (that is, a limited partnership or venture capital entity), where the fair value per share is determined and published on a regular basis and is the basis for current transactions. This update is effective for all entities for fiscal years beginning after December 15, 2015. The Medical Center did not early adopt this standard as of August 31, 2016.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which intended to provide users of financial statements with information on the recognition, measurement, presentation, and disclosure of financial instruments. The new guidance targets improvements to a number of existing GAAP disclosures. The ASU on recognition and measurement is effective for public business entities for fiscal years beginning after December 15, 2017. All other entities, including not-for-profit entities, have an additional year or may early adopt with the public businesses. The Medical Center did not early adopt this standard as of August 31, 2016.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Medical Center to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Medical Center considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances, third-party payor settlements, and provisions for bad debt; reserves for losses and expenses related to health care professional and general liabilities; valuation of alternative investments; and risks and assumptions in the measurement of pension liabilities. Management relies on historical experience, other assumptions believed to be reasonable under the circumstances, and recommendations made by the Medical Center external advisors and actuaries in making its judgments and estimates. Actual results could differ from these estimates.

Cash and Cash Equivalents
Cash and cash equivalents include unrestricted, undesignated marketable securities with original maturities of three months or less that are held for short-term cash management. Cash and cash equivalents are reported at their approximate fair value.

Current Portion of Self-Insurance Trust
Represents investment assets earmarked for self-insurance trust payments due within a year. See Note 11.

Accounts Receivable, Net of Allowance for Uncollectible Accounts
Represents patient related receivables net of contractual allowances and net of an allowance for uncollectible accounts. See Note 7.

Other Current Assets
Other current assets for fiscal year 2016 and 2015 are as follows:

	2016	2015
Outreach Hospitals and Practice Plan Receivables	$ 15,350,846	$ 15,310,825
Prepaid expenses	14,810,374	13,432,126
Inventory	7,333,068	6,635,681
Insurance receivables (See Note 11)	42,063,858	11,272,266
Other	6,839,684	4,531,457
Total other current assets	$ 86,397,830	$ 51,182,355

Inventory
Inventories, which primarily consist of medical supplies and pharmaceuticals used for patient care, are stated at the lower of cost (first-in, first-out) or market value.

Investments
The Medical Center pools its donor restricted, self-insurance, undesignated and board-designated investments. Investment returns are allocated among unrestricted, temporarily restricted, and permanently restricted net assets based on the pro-rata share of the balance in each fund to the total investment pool as of the end of each accounting period.

Investment income earned, at a fixed rate, on certain funds that are board-designated for patient care, education and the self-insurance trust are reported as other operating revenue. All other investment income and losses (including interest and dividends, realized gains and losses, and unrealized gains and losses) are reported as nonoperating income (loss) unless the income or loss is restricted by donor or law. Investment returns on permanently restricted net assets are allocated to the purposes specified by the donor or law, either as temporarily restricted or unrestricted, as applicable.

Fair Value of Financial Instruments
Financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable, pledges receivable, insurance receivable, accounts payable, accrued expenses, estimated third party payor settlements, and long-term debt. Except as otherwise disclosed, the fair value of financial instruments approximates the financial statement carrying amount.

Property and Equipment
Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. One-half year's depreciation is taken in the year of acquisition, except for significant asset additions such as the Lurie Children's facility, which is depreciated based on the actual date placed into service. The useful lives of the major asset classifications are as follows:

Buildings	40-80 years
Building improvements	15-20 years
Equipment	5-20 years
Computer hardware and software	3-5 years

In 2016 and 2015, the Medical Center disposed of fully depreciated assets of $197,394,000 and $397,000, respectively, of property, equipment and software that was no longer in use. The 2016 amount includes the Lincoln Park property.

The Medical Center continually evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets warrants revision or may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, the Medical Center uses an estimate of the undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable.

In connection with the selection of the new research tower site, the existing assets were evaluated for impairment. While no impairment adjustment was deemed necessary, the Medical Center has recognized accelerated depreciation compared to original estimates over reduced estimated useful lives to depreciate the buildings, leasehold improvements and equipment of the Research Center's Halsted location to the date of expected vacancy. During the years ended August 31, 2016 and 2015, the Medical Center recognized $3,641,000 and $0, respectively, of accelerated depreciation on these assets.

Pledges Receivable Restricted by Donors
As of August 31, 2016, approximately 36% of pledges restricted by donors are receivable within one year, 40% between two and five years, and 24% receivable beyond five years. Pledges are recorded at present value of estimated future cash flow, net of allowances for uncollectible pledges of approximately $2,610,000 and $3,255,000 at August 31, 2016 and 2015, respectively, and present value discounts of approximately $11,664,000 and $14,244,000 at August 31, 2016 and 2015, respectively. Estimated future cash flows due after one year are discounted using interest rates of 5% to 8% commensurate with estimated collection risks.

Unamortized Bond Issuance Costs
Bond issuance costs are deferred and amortized using the effective interest method over the life of the related debt as an increase to interest expense.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of the net identified tangible and intangible assets acquired in a business combination. The Medical center incurred goodwill of approximately $1,400,000 in the purchase of a physician practice in January 2016.

Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses represents accounts payable and expenses, including payroll incurred by the Medical Center and its affiliates, and insurance payables incurred but not yet paid.

Due to Third-Party Payors
Due to third-party payors represents accruals for settlements with third-party payors, any agency that contracts with the Medical Center or its affiliates and patients to pay for the care of covered patients. Accruals are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the State Medicaid program, the Blue Cross Plan of Illinois and the Federal Medicare program.

Current and NonCurrent Portions of Self-Insurance Liability
The self-insurance trust and corresponding liability are reviewed annually by an independent actuary. The Medical Center contributes to the self-insurance trust estimated amounts determined by the actuary to be sufficient to pay for expected future losses. Provisions for the professional liability are based on an actuarial estimate of losses using the Medical Center's actual loss data adjusted for industry trends and current conditions. The provision includes estimates of costs for both reported claims and claims incurred but not reported. See Note 11.

Other Noncurrent Liabilities
Other noncurrent liabilities for fiscal year 2016 and 2015 are as follows:

	2016	2015
Accrued pension liabilities	$ 41,766,976	$ 35,134,682
Lease obligations	9,884,492	9,316,814
Other	237,219	237,219
Total other noncurrent liabilities	$ 51,888,687	$ 44,688,715

See Note 10 for a detailed lease payment schedule.

Net Assets
Net assets are classified based upon donor restrictions, if any, as follows: unrestricted, temporarily restricted and permanently restricted.

Unrestricted
Unrestricted net assets represent net assets which are free of donor-imposed restrictions, including all revenue, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted
Temporarily restricted net assets represent net assets whose use is limited by donor-imposed restrictions, time restrictions and those stipulations that can be fulfilled or otherwise removed by actions of the Medical Center. Temporarily restricted net assets held outside the endowment fund primarily relate to pledges receivable, grants and program support.

Permanently Restricted
Permanently restricted net assets represent net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Medical Center. Refer to Note 6 for further disclosure on endowments and related investment and spending policies.

Consolidated Statement of Operations and Change in Net Assets
All activities of the Medical Center deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses. Other activities deemed to be nonoperating include, unrestricted gifts, fundraising expenses and certain investment income (including realized gains and losses).

The consolidated statements of operation and change in net assets include the excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from the excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets, pension benefit changes other than net periodic expense, and the release of restriction for property, plant and equipment.

Net Patient Service Revenue

Substantially all of the Medical Center's net patient service revenue in fiscal 2016 and 2015 was derived from third-party payors that provide for payments to the Medical Center at various contracted rates. Payment arrangements include reimbursed costs (as contractually defined), discounted charges, APR-DRG's and per diem payments. Reimbursement from certain programs is subject to audit. Settlements under these programs are accrued on an estimated basis in the period the related services are rendered and adjusted in subsequent periods as final settlements are determined. Provision is made on a current basis for the difference between charges for services rendered and the expected payments under these agreements and programs and is adjusted in future periods as final settlements are determined. As a result of the complex laws and regulations governing third-party payor programs, recorded estimates are subject to change in the future.

The Medical Center recognizes changes in accounting estimates related to net patient service revenue reserves and third-party payor settlements in the year such changes are known. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenue of approximately $2,418,000 and $986,000, respectively, in fiscal year 2016 and 2015.

Approximately 32% of the Medical Center's net patient service revenue in fiscal 2016 and 2015 was derived from the Illinois Medicaid program.

In December 2008, the Centers for Medicare and Medicaid Services ('CMS') approved the Illinois Hospital Assessment Program to improve Medicaid reimbursement for Illinois hospitals. This original program included the Provider Assessment and subsequent enhancements. Due to the tax assessment provisions contained in the legislation, implementation of the program affected both operating revenues and expenses in the consolidated statements of operation and change in net assets.

In January 2015 CMS approved Affordable Care Act ('ACA') access payments and expanded this program in June 2016. Both the Provider Assessment and enhancements as well as the ACA payments and recent expansion expire June 30, 2018. The amount of these payments, if any, going forward is uncertain.

The Medicaid Assessment Program and ACA payments described above are shown in the following table.

	2016	2015
For fiscal year ended August 31		
Patient service revenue, net of reserve	$ 56,953,161	$ 52,400,600
Tax expense, included in supplies and service expense	(16,905,491)	(16,902,985)
Net statement of operations impact	$ 40,047,670	$ 35,497,615

Related to State fiscal year ended June 30, 2015	$ -	$ 32,066,615
Related to State fiscal year ended June 30, 2016	33,294,618	3,431,000
Related to State fiscal year ended June 30, 2017	6,753,052	-
	$ 40,047,670	$ 35,497,615

The Medical Center also received disproportionate share and add-on payments. The amount of disproportionate share and other special payments from Medicaid, if any, that will be made to hospitals in the future, is uncertain.

In fiscal 2016 and 2015, the Medical Center received approximately $9,473,000 and $7,352,000, respectively, in graduate medical education reimbursement. The Children's Hospital Graduate Medical Education ('CHGME') program provides federal funds to freestanding children's hospitals to aid in maintaining graduate medical programs that train resident physicians. The program is administered by the Health Care Resource Service Administration, a branch of the U.S. Department of Health and Human Services. The amount of future graduate medical education reimbursement funding is uncertain.

Grants and Contributions
Unrestricted contributions are included in nonoperating income when received. Unrestricted pledges of amounts to be received in future periods are recorded as temporarily restricted net assets and reflected as changes in unrestricted net assets when received. Grants and contributions restricted for a specific operating purpose are recorded as temporarily restricted net assets and reflected in unrestricted revenue when the funds are expended in accordance with the specifications of the grantor or donor. Contributions for capital expenditures, recorded as temporarily restricted net assets when received, are recorded as net assets released from restrictions when expended and placed into service.

Interest in Trustee-Held Funds
The Medical Center recognizes an interest in trustee-held funds held at various financial institutions in which the Medical Center has a beneficial interest. Annually, the financial institutions distribute a portion of the income earned on these funds to the Medical Center to be used in support of operations. At August 31, 2016 and 2015, the Medical Center's interests in these trustee-held funds at fair value totaled approximately $29,173,000 and $28,906,000, respectively, and are included in permanently restricted net assets. The change in fair value of these funds amounted to a gain of $267,000 and a loss of $2,017,000, for the years ended August 31, 2016 and 2015, respectively, which is included in the change in permanently restricted net assets.

Changes in Net Assets
Unrestricted Net Asset changes include the net activity of the Statement of Operations as well as the release from restriction for property, plant and equipment purchases and the other than net periodic retirement plan expense changes.

Temporarily Restricted Net Asset changes include receipts of contributions restricted by time or purpose, grants, investment return and pledge receivable write-offs. Also included are releases of philanthropies or grant funds for use in program services to cover expenses on the Statement of Operations.

Permanently Restricted Net Asset changes include contributions of permanently restricted funds, the change in the fair value of perpetual trusts and transfers of permanently restricted assets of acquired entities.

Excess of Revenue Over Expenses
Excess of revenue over expenses performance indicators include investment return gains (loss), unrestricted contributions and bequests, fund-raising expense, gain (loss) on disposal of fixed assets and other miscellaneous nonoperating revenue and expenses.

Reclassification
Certain 2015 amounts have been reclassified to conform to the 2016 consolidated financial statement presentation.

3. Community Benefit

Consistent with its mission, the Medical Center maintains a policy that sets forth the criteria pursuant to which health care services are provided free of charge or at a reduced rate to children whose families are unable to pay for the charges associated with their medical care. These services represent charity care. Charges are shown as revenue however they are netted with a charity care discount.

The Medical Center also provides a broad range of services and activities to support its charitable mission. These services include the following:

- Participation in the Medicaid program at a loss (net reimbursement less allocated cost incurred);
- Support of community medical needs through a variety of outreach programs and educational programs;
- Comprehensive research programs specifically targeted toward pediatric health to advance knowledge about the causes, treatment and prevention of childhood diseases; and
- Training of medical students, pediatric residents, fellows and subspecialists.

Funding for the services above comes from Hospital operating income, Foundation philanthropy, CHGME and Federal awards and grants. The Medical Center has an established charity care policy and maintains records to identify and monitor the level of charity provided. These records include the estimated cost of unreimbursed services provided under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The Medical Center also monitors the unreimbursed cost of patient bad debts. Because the Illinois All Kids program provides coverage for most Illinois uninsured children, the Medical Center has a relatively low number of requests for charity care.

The Medical Center determines the costs associated with providing charity care by aggregating the overall cost to charge ratio, including salaries, wages, benefits, supplies, and other operating expenses. The cost to charge ratio is then applied to the charity care charges to calculate the charity care cost amount reported below.

Costs of unreimbursed charity care and community benefit programs for fiscal 2016 and 2015 are as follows:

	2016	2015
Excess of allocated cost over reimbursement for services provided to Medicaid patients	$ 134,157,433	$ 118,710,166
Net benefit under the Illinois Hospital Assessment Program	(40,047,670)	(35,497,615)
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients, net of benefit under the Illinois Hospital Assessment Program	94,109,763	83,212,551
Estimated costs and expenses incurred to provide charity care	1,255,994	1,900,397
Unreimbursed cost of charity care	95,365,757	85,112,948
Cost of patient bad debts	4,209,735	3,926,173
Funds allocated to research from unrestricted funds	11,833,432	7,413,176
Resident and fellows expense	19,409,996	16,691,919
Community clinic support	3,204,870	3,173,790
Child advocacy programs	2,040,449	2,042,693
Family support and interpretation services	8,627,673	9,087,852
Total cost of unreimbursed charity care and community benefit programs	$ 144,691,912	$ 127,448,551

The Medical Center also reports community benefits on the IRS Form 990 and the beneficial activities for the property affidavit. As a result of differences in definitions and criteria between these reports the amounts calculated per report will vary.

4. Investments

The Medical Center maintains a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As of August 31, 2016 and 2015, investments consisted of the following, which includes the current portion of the self-insurance trust of $17,175,000 and $8,600,000, respectively:

	2016	2015
Short-term investments	$ 111,733,384	$ 96,729,912
Common and preferred stock	413,200,776	400,968,941
Alternative investments	367,702,432	379,453,836
U.S. Government and agency securities	59,169,578	58,647,327
Corporate and municipal bonds	233,079,800	175,048,869
Accrued interest	1,463,446	720,650
Total investments	$ 1,186,349,416	$ 1,111,569,535

Short-term investments include cash and cash equivalents, certificates of deposit, money market funds, and securities with maturities due within one year.

Common and preferred stock include public equities traded in both domestic and international markets excluding those investments classified as alternatives.

Alternative investments include hedge funds, some publicly traded equities held in limited partnerships, and private equity investments. These include credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. The Medical Center's investment in private equity is committed under contract to periodically advance additional funding as capital calls are exercised. See Note 14. At August 31, 2016, $26,531,000 had been advanced against a total commitment of $45,000,000.

All Medical Center investments are invested with external managers.

The Medical Center pools its unrestricted, board-designated and donor-restricted investments. As of August 31, 2016 and 2015, donor-restricted and unrestricted investments are as follows:

	2016	2015
Donor - restricted investments and other assets limited as to use		
Endowments	$ 137,897,772	$ 133,129,087
Specific purpose	180,551,589	167,864,622
Self-insurance trust	81,581,218	81,695,461
Interest in trustee-held funds	29,173,172	28,905,835
Interest in Accountable Care Entity and CIN	6,453,581	1,830,000
Total restricted investments	435,657,332	413,425,005
Unrestricted investments		
Undesignated and board-designated investments	750,692,084	698,144,530
Total unrestricted investments	750,692,084	698,144,530
Total investments	$ 1,186,349,416	$ 1,111,569,535

The composition and presentation of investment return as reflected in the accompanying consolidated statements of operation and change in net assets for the years ended August 31, 2016 and 2015 are as follows:

	2016	2015
Unrestricted investment return		
Interest and dividend income	$ 11,217,036	$ 10,539,188
Realized gains on sales of investments	13,615,902	28,602,299
Unrealized gains (loss) on investments	10,927,128	(56,364,693)
Alternative investment (loss) gains	(13,394,107)	12,059,498
Total unrestricted investment return	$ 22,365,959	$ (5,163,708)
Reported as		
Board-designated endowment income	$ 7,628,036	$ 6,752,643
Other operating investment return	3,589,000	3,786,545
Nonoperating investment return gains (loss)	11,148,923	(15,702,896)
Total unrestricted investment return	22,365,959	(5,163,708)
Temporarily and permanently restricted investment return		
Interest and dividend income	1,735,665	1,474,141
Net realized and unrealized gains (loss) on investments	2,434,455	(3,519,656)
Total restricted investment return	4,170,120	(2,045,515)
Total investment return	$ 26,536,079	$ (7,209,223)

Typical redemption terms by asset class and type of investments include: short-term investments; common and preferred stock; alternative investments; and U.S. Government and agency securities; corporate and municipal bonds and accrued interest. Short-term investments and U.S. Government and agency securities; corporate and municipal bonds and accrued interest have daily redemption terms, and no restrictions. Common and preferred stock have daily to monthly redemption terms with notice periods of one to 10 days with no redemption restrictions. Alternative investments have monthly to annual redemption terms with varying notice periods, lock-up provisions ranging up to three years, and include private equity investments. A portion of hedge funds are in side pockets with no redemptions permitted. Approximately $700,000 of this type of investment are in liquidating funds.

5. Fair Value Measurements

The Medical Center follows the provisions of the FASB official pronouncement on Fair Value Measurements for financial instruments. The pronouncement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the investments carried at fair value as of August 31, 2016, by caption, including the current portion of the self-insurance trust of $17,175,000, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Short-term investments	$ 111,733,384	$ -	$ -	$ 111,733,384
Common and preferred stock	378,433,279	34,767,497	-	413,200,776
Alternative investments	-	46,991,135	320,711,297	367,702,432
U.S. Government and agency securities	-	59,169,578	-	59,169,578
Corporate and municipal bonds	18,364,857	214,714,943	-	233,079,800
Accrued interest	-	1,463,446	-	1,463,446
Total assets at fair value	$ 508,531,520	$ 357,106,599	$ 320,711,297	$ 1,186,349,416

The following table presents the investments carried at fair value as of August 31, 2015, by caption, including the current portion of the self-insurance trust of $8,600,000, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Short-term investments	$ 96,729,912	$ -	$ -	$ 96,729,912
Common and preferred stock	346,612,245	54,356,696	-	400,968,941
Alternative investments	-	46,017,141	333,436,695	379,453,836
U.S. Government and agency securities	-	58,647,327	-	58,647,327
Corporate and municipal bonds	17,481,216	157,567,653	-	175,048,869
Accrued interest	-	720,650	-	720,650
Total assets at fair value	$ 460,823,373	$ 317,309,467	$ 333,436,695	$ 1,111,569,535

The following is a description of the Medical Center's valuation methodologies for assets and liabilities measured at fair value.

Fair value for cash equivalents, corporate stocks, international stocks, U.S. Government bonds, corporate bonds, municipal bonds and mortgage and asset backed securities are measured using quoted market prices at the reporting date multiplied by the quantity held.

Interest in trustee-held funds are valued at the fair value of the Hospital's interests at year-end based upon current market value of the underlying securities.

The Medical Center has certain investments, principally limited liability corporations, partnerships, and absolute return strategy funds for which a portion of quoted market prices are not available. These investments are considered alternative investments. Because of the inherent uncertainty of valuations, values may differ from the values that would have been used had a ready market existed. The value of these alternative investments represents the ownership interest in the net asset value of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. Investments included in Level 3 consist of the Medical Center's ownership in alternative investments. Management has not developed quantitative inputs nor adjusted the fair values obtained from general partners for the alternative investments.

During 2016 and 2015, there were no transfers between investment Levels 1 and 2 which are material to the financial statements.

The following table is a rollforward of the August 31, 2016 and 2015 balance sheet amounts for financial instruments classified by the Medical Center within Level 3 of the fair value hierarchy.

	Level 3 Assets Alternative Investments	
	2016	2015
Assets		
Balance at Beginning of Year	$ 333,436,695	$ 307,897,178
Reclassification from Level 2 to Level 3	-	20,201,991
Total net unrealized (loss) gain	(15,294,934)	16,216,909
Purchases	53,362,769	7,161,213
Sales	(50,793,233)	(18,040,596)
Balance at End of Year	$ 320,711,297	$ 333,436,695

During fiscal year 2015, an alternative investment was reclassified from a Level 2 to a Level 3 due to changes in redemption restrictions. Of the total net unrealized losses related to Level 3 alternative investments for the year ended August 31, 2016, $12,596,000 represents the unrestricted portion. For the year ended August 31, 2015, of the total net unrealized gains related to Level 3 alternative investments reflected above, $12,211,000 represents the unrestricted portion. This is reflected in the accompanying statements of operation and change in net assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value nor reflective of future fair values. While the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date. The significant unobservable inputs used in the fair value measurement of the Medical Center's partnership investments include a combination of cost, discounted cash flow analysis, industry comparables and outside appraisals. Significant increases or decreases in any inputs used by investment managers in determining net asset values in isolation would result in a significantly lower or higher fair value measurement.

6. Endowments

The Medical Center's endowment fund consists of individual donor-restricted endowment funds and funds designated by its Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Illinois passed the 'Uniform Prudent Management of Institutional Funds Act' ("UPMIFA"). The Medical Center has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as a temporarily restricted net asset until amounts are appropriated for expenditure by the Medical Center in a manner consistent with the donor intent and standard of prudence prescribed by UPMIFA. Where the Board designates unrestricted funds to function as endowments they are classified as unrestricted net assets.

The Medical Center had the following board-designated and donor-restricted endowment balances during the year ended August 31, 2016 delineated by net asset class:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 176,999,708	$ 71,811,836	$ 163,033,249	$ 411,844,793
Investment return				
Investment income	-	1,735,665	-	1,735,665
Realized and unrealized loss	-	2,167,118	267,337	2,434,455
Total investment return	-	3,902,783	267,337	4,170,120
Contributions			3,537,604	3,537,604
Spend rate allocation	5,327,733	-	-	5,327,733
Appropriation of endowment assets for expenditure	(4,129,038)	(5,873,928)	-	(10,002,966)
Other	1,070,597	(243,585)	814,470	1,641,482
Endowment net assets at end of year	$ 179,269,000	$ 69,597,106	$ 167,652,660	$ 416,518,766

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only):

	Temporarily Restricted	Permanently Restricted	Total
Restricted for Research	$ 17,910,983	$ 13,658,383	$ 31,569,366
Restricted for Pediatric Programs	51,686,123	153,994,277	205,680,400
	$ 69,597,106	$ 167,652,660	$ 237,249,766

The Medical Center had the following board-designated and donor-restricted endowment balances during the year ended August 31, 2015 delineated by net asset class:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 176,831,390	$ 76,965,142	$ 156,855,480	$ 410,652,012
Investment return				
Investment income	-	1,474,141	-	1,474,141
Realized and unrealized gains	-	(1,502,605)	(2,017,051)	(3,519,656)
Total investment return	-	(28,464)	(2,017,051)	(2,045,515)
Contributions	-	-	7,629,604	7,629,604
Spend rate allocation	5,226,268	-	-	5,226,268
Appropriation of endowment assets for expenditure	(3,580,345)	(5,372,529)	-	(8,952,874)
Other	(1,477,605)	247,687	565,216	(664,702)
Endowment net assets at end of year	$ 176,999,708	$ 71,811,836	$ 163,033,249	$ 411,844,793

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only):

	Temporarily Restricted	Permanently Restricted	Total
Restricted for Research	$ 18,644,178	$ 13,658,382	$ 32,302,560
Restricted for Pediatric Programs	53,167,658	149,374,867	202,542,525
	$ 71,811,836	$ 163,033,249	$ 234,845,085

Investment and Spend Rate Policies
The Medical Center has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of endowment assets. To achieve its long-term rate of return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). An endowment spend rate is established by management and approved annually by the Investment Committee of the Board of the Medical Center, which considers the following factors, specified by UPMIFA:

- The duration and preservation of the endowment
- The Medical Center's institutional mission and purposes of its endowed funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments
- Other available resources of the Medical Center
- The investment policy of the Medical Center

The spend rate for endowment funds in fiscal 2016 and 2015 was 4%. Management and the Board have determined that excess investment return may be spent, consistent with the donor's intention, to support hospital and faculty practice plan growth and operations. Any spending of the excess reserve outside the normal annual spend rate must be approved by the Executive Committee of the Medical Center. For new endowed funds (not more than five years old), the investment committee may in one or more particular years apply a lower spend rate and/or appreciation allocation, if the investment committee deems it prudent to do so.

Substantially all temporarily and permanently restricted net assets are restricted for research and programs. Substantially all net assets released from restrictions in fiscal 2016 and 2015 are related to expenses incurred for research and programs.

7. Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents. The mix of receivables from patients and third-party payors at August 31, 2016 and 2015, was as follows:

	2016	2015
Managed Care	39 %	47 %
Illinois Medicaid	24	23
Medicaid Managed Care	28	22
Other (Medicare, Tri-Care, out-of-state Medicaid)	1	2
Patient Self-Pay	3	4
Commercial Insurance	5	2
	100 %	100 %

During fiscal year 2015, the Medical Center's mix of accounts receivable shifted from Managed Care to Medicaid Managed Care and continued into 2016. As a result of the State of Illinois' financial condition, the state slowed Medicaid payments to healthcare providers as well as payments to Medicaid Managed Care companies. Further impacting accounts receivable is a delay from the Managed Medicaid companies for services provided and lack of a state budget for the majority of both fiscal years. In addition, the percentage of Medicaid patient receivables (Illinois Medicaid and Medicaid Managed Care direct and in MCO's) has increased year over year from 45% to 52%. To date, the State of Illinois' has yet to approve their 2017 fiscal year budget.

A summary of utilization based upon gross patient service revenue for the years ended August 31, 2016 and 2015 is as follows:

	2016	2015
Managed Care	47 %	48 %
Illinois Medicaid	18	30
Medicaid Managed Care	31	17
Other (Medicare, Tri-Care, out-of-state Medicaid)	1	2
Patient Self-Pay	1	1
Commercial Insurance	2	2
	100 %	100 %

8. Retirement Plans

The Medical Center has retirement plans covering substantially all full-time employees, including employees of affiliated corporations. The Medical Center has two defined contribution plans available to eligible employees and a frozen noncontributory defined benefit plan, the Value Growth Plan ('VGP').

There is a 403(b) defined contribution plan available only to eligible pediatric faculty within PFF and the Hospital's plan available to all other eligible employees of the Medical Center. Participants of the PFF plan are required to make mandatory contributions of 5 percent of compensation. Each year that a mandatory contribution is made by a participant, PFF will make a matching contribution equal to 10 percent of compensation.

All non-PFF employees, who have worked more than 1,000 hours in a calendar year and elect to participate are considered participants of the Hospital's plan. Participants of the Hospital plan may participate in a 403(b) deferred contribution plan by entering into a salary reduction agreement to contribute a percent of their compensation to the plan. The Hospital matches 100 percent of the employee's contribution up to 5 percent of compensation.

The Medical Center's matching expense under both defined contribution plans totaled $20,207,000 and $18,843,000 in fiscal 2016 and 2015, respectively.

The VGP defined benefit plan is a cash balance plan and was frozen effective January 2014. Previously accrued balances will continue to accrue interest; however, no further credits to these balances will be made. The interest, or earnings credit rate, is generally 4.5 percent annually.

The Medical Center also sponsors a nonqualified supplemental defined benefit retirement plan (SERP) for certain key executives. The plan is not funded and, therefore, has no plan assets. Benefits under the SERP are paid when incurred from the Medical Center's unrestricted net assets. Further, a one-time write down of a $1,032,000 was recognized which represented a portion of the previously unrecognized losses of the plan.

Pension expense for the VGP and SERP plans, as determined by an independent actuary, includes the following components:

	SERP		VGP	
	2016	2015	2016	2015
Service cost, benefits earned during the year	$ 133,740	$ 142,607	$ -	$ -
Interest on projected benefit obligation	240,004	350,899	7,453,563	7,025,540
Expected return on assets	-	-	(11,390,521)	(12,028,436)
Amortization of actuarial loss	509,366	334,759	926,517	661,046
Amortization of prior service cost	177,565	177,565	109,660	109,660
Pension settlement	1,032,188	-	-	-
Total pension related expense	$ 2,092,863	$ 1,005,830	$ (2,900,781)	$ (4,232,190)

The funded status of the VGP and SERP plans at the end of the year was as follows:

	SERP		VGP	
	2016	2015	2016	2015
Funded status at end of year				
Projected benefit obligation	$ (4,660,983)	$ (6,709,050)	$ (196,184,002)	$ (175,589,136)
Plan assets at fair market value	-	-	162,167,838	148,518,459
Deficiency of plan assets over projected benefit obligation	$ (4,660,983)	$ (6,709,050)	$ (34,016,164)	$ (27,070,677)
Amounts recognized in the consolidated balance sheet consist of				
Current liability	$ (970,982)	$ (2,536,117)	$ -	$ -
Noncurrent liability	(3,690,001)	(4,172,933)	(34,016,164)	(27,070,677)
	$ (4,660,983)	$ (6,709,050)	$ (34,016,164)	$ (27,070,677)

All previously unrecognized actuarial gains and losses and prior service costs are reflected in the consolidated balance sheet. An estimate of $1,213,000 of this amount is included as a component of pension expense in fiscal 2016.

The change in the projected benefit obligation during fiscal 2016 and 2015 is summarized as follows:

	SERP		VGP	
	2016	2015	2016	2015
Projected benefit obligation at beginning of measurement year	$ 6,709,050	$ 10,930,602	$ 175,589,136	$ 177,028,059
Service cost	133,740	142,607	-	-
Interest cost	240,004	350,899	7,453,563	7,025,540
Actuarial loss (gain)	221,354	531,313	20,341,756	(3,301,480)
Benefits paid	(2,643,165)	(5,246,371)	(7,200,453)	(5,162,983)
Projected benefit obligation at end of measurement year	$ 4,660,983	$ 6,709,050	$ 196,184,002	$ 175,589,136

The projected benefit obligation and accumulated benefit obligation for the VGP was $196,184,000 and $175,589,000 at August 31, 2016 and 2015, respectively. The accumulated benefit obligation for the SERP plan was $3,907,000 and $5,624,000 at August 31, 2016 and 2015, respectively.

The change in plan assets during fiscal 2016 and 2015 is summarized as follows:

	VGP	
	2016	**2015**
Plan assets, at fair value at beginning of measurement year	$ 148,518,459	$ 155,976,199
Actual return on plan assets	15,849,832	(4,194,757)
Employer contributions	5,000,000	1,900,000
Benefits paid	(7,200,453)	(5,162,983)
Plan assets, at fair value at end of measurement year	$ 162,167,838	$ 148,518,459

The following table presents the plan investments carried at fair value as of August 31, 2016, by caption, by the valuation hierarchy defined in Note 5:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Investments				
Short-term investments	$ 704,752	$ -	$ -	$ 704,752
Common and preferred stock	72,256,160	17,809,797	-	90,065,957
Alternative investments	-	-	1,584,560	1,584,560
Other Fixed Income	-	69,706,901	-	69,706,901
Accrued interest	-	105,668	-	105,668
Total assets at fair value	$ 72,960,912	$ 87,622,366	$ 1,584,560	$ 162,167,838

The following table presents the plan investments carried at fair value as of August 31, 2015, by caption, by the valuation hierarchy defined in Note 5:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Investments				
Short-term investments	$ 719,440	$ -	$ -	$ 719,440
Common and preferred stock	75,286,203	19,432,957	-	94,719,160
Alternative investments	-	-	3,358,278	3,358,278
Corporate and municipal bonds	49,504,732	-	-	49,504,732
Accrued interest	-	216,849	-	216,849
Total assets at fair value	$ 125,510,375	$ 19,649,806	$ 3,358,278	$ 148,518,459

Plan assets included in Level 3 for both fiscal 2016 and fiscal 2015 consist of alternative investments. The following table is a rollforward of the pension assets classified by the Medical Center within Level 3 of the fair value hierarchy:

	Level 3 Assets Alternative Investments	
	2016	2015
Level 3 Assets		
Balance at Beginning of Year	$ 3,358,278	$ 4,953,740
Total net unrealized loss and redemptions	(1,773,718)	(1,595,462)
Balance at End of Year	$ 1,584,560	$ 3,358,278

The Medical Center's pension plan weighted-average asset allocations at August 31, 2016 and 2015, by asset category are as follows:

	2016	2015
Asset category		
Return-seeking assets	56 %	-
Liability-hedging assets	44 %	-
Equity securities	-	64 %
Fixed income securities and cash	-	36 %
	100 %	100 %

The Medical Center's pension plan assets are invested with external managers and asset allocation is determined using a liability-hedging approach. Pension plan assets are invested in two pools: return-seeking assets and liability-hedging assets. The target allocation between return-seeking assets and liability-hedging assets changes based on a predetermined glide path policy as the plan's funded status changes.

Prior to fiscal 2016, the underlying investment strategy for the pension investment pool was to maintain a target balance of 60% equity securities and 40% fixed-income securities designed to achieve the target investment return of the consumer price index plus 5%.

Under the liability-hedging approach, the purpose of the return-seeking assets is to generate long-term asset growth for the pension plan. Return-seeking assets generally consist of equity securities including public equities traded in both domestic and international markets, invested in accordance with the target allocations listed below:

	Target	Minimum	Maximum
Large Cap Equities	60 %	50 %	70 %
Small Cap Equities	10	5	15
International Equities	30	20	40
Total Return-Seeking Assets	100 %		

The objective of holding liability-hedging assets is to dampen the plan's surplus volatility. High-quality, investment grade bonds with durations that approximate the durations of the liabilities are most commonly used for liability-hedging assets. Liability-hedging portfolios also may hold some treasuries, mortgage issues, and other investment grade fixed income securities. Fixed income derivative contracts may be used to achieve general portfolio objectives or to manage the overall interest rate hedging positions at the plan level.

There are no plans to make contributions to the pension plans in fiscal year 2017. Estimated future pension benefit payments for the next ten years are as follows:

	SERP	VGP	Total
Years Ending August 31,			
2017	$ 970,982	$ 14,267,353	$ 15,238,335
2018	1,024,471	9,430,332	10,454,803
2019	427,457	8,714,163	9,141,620
2020	1,368,353	10,135,217	11,503,570
2021	2,881,197	9,705,707	12,586,904
2022-2026	2,424,554	49,244,772	51,669,326
	$ 9,097,014	$ 101,497,544	$ 110,594,558

Weighted-average assumptions used to determine benefit obligations at August 31, 2016 and 2015 are as follows:

	SERP		VGP	
	2016	2015	2016	2015
Discount rate	3.5%	4.4%	3.5%	4.4%
Rate of compensation increase	4.0	4.0	n/a	n/a

Weighted-average assumptions used to determine net periodic pension benefit cost in fiscal 2016 and 2015 are as follows:

	SERP		VGP	
	2016	2015	2016	2015
Discount rate	4.4%	4.1%	4.4%	4.1%
Expected return on plan assets	n/a	n/a	8.0	8.0
Rate of compensation increase	4.0	4.0	n/a	n/a

The discount rate was determined by constructing hypothetical yield curves based on yields of corporate bonds rated AA quality. The expected rate of return on plan assets was determined by using the historical return on the various asset classes in which the plan invests.

9. Long-Term Debt

In May 2008, the Illinois Finance Authority issued $553,490,000 of Series 2008 Bonds on behalf of the Hospital. The issue included $212,000,000 of Insured Revenue Bonds Series 2008A and ('Series 2008A') $168,000,000 of Revenue Bonds Series 2008B ('Series 2008B'), $86,745,000 of Variable Rate Demand Revenue Bonds Series 2008C ('Series 2008C'), and $86,745,000 of Variable Rate Demand Revenue Bonds Series 2008D ('Series 2008D'), (collectively, the 'Series 2008 Bonds'). The proceeds of the Series 2008A and Series 2008B bonds were primarily for the construction of the Ann & Robert H. Lurie Children's Hospital of Chicago. The proceeds of the Series 2008C and 2008D bonds were used to refund previously outstanding bonds and pay certain expenses in connection with the issuance of the Series 2008C/D Bonds. Series 2008C and 2008D were redeemed prior to maturity and are no longer outstanding.

The Medical Center's long-term debt is issued under a Master Trust Indenture ('Indenture') dated May 1, 2008, as amended and restated. Obligations under the Indenture are collateralized by a pledge of the unrestricted receivables of the Obligated Group, which consists of the Hospital and the Foundation (the 'Obligated Group').

Series 2008A and 2008B are the only outstanding debt of the Medical Center. The chart below outlines debt as of August 31, 2016 and 2015:

	2016	2015
Illinois Finance Authority insured revenue bonds, Series 2008A, fixed interest rate ranging from 5.00% to 5.25%, maturing annually in principal amounts ranging from $3,235,000 in August 2028 to $23,340,000 in August 2047.	$ 212,000,000	$ 212,000,000
Illinois Finance Authority revenue bonds, Series 2008B, fixed interest rate ranging from 5.25% to 5.50%, maturing annually in principal amounts ranging from $4,890,000 in August 2017 to $15,555,000 in August 2039.	158,940,000	163,585,000
Total debt outstanding	370,940,000	375,585,000
Less: Unamortized discount	(2,075,085)	(2,181,525)
Long-term debt	$ 368,864,915	$ 373,403,475

	2016	2015
Current portion	4,890,000	4,645,000
Long-term portion	366,050,000	370,940,000
Total debt outstanding	$ 370,940,000	$ 375,585,000

The estimated fair value of the Medical Center's total debt outstanding was approximately $396,807,000 as of August 31, 2016. This estimate is based on market interest rates and other relevant information and input from financial advisors.

Future maturities of total outstanding debt at August 31, 2016, are as follows:

Years Ending August 31,	
2017	$ 4,890,000
2018	5,150,000
2019	5,430,000
2020	5,730,000
2021	6,045,000
Thereafter	343,695,000
	$ 370,940,000

The Obligated Group is subject to various nonfinancial and financial covenants. The Obligated Group was in compliance with its debt covenants as of August 31, 2016 and 2015.

One outstanding letter of credit supporting the Hospital requirements totaling $597,000 reduces this available balance. As of August 31, 2016, the Medical Center had line of credit agreements with three commercial banks for $45,000,000, $30,000,000 and $25,000,000. There were no amounts outstanding or borrowings made under the lines of credit during 2016 or 2015. The Medical Center also has a letter of credit outstanding for the debt service reserve fund of $14,534,000.

10. Operating Leases

The Medical Center leases certain buildings, office space, and equipment under noncancelable operating leases. Payments associated with these leases were approximately $7,939,000 and $7,190,000 in 2016 and 2015, respectively, including minimum monthly payments and additional usage charges under equipment leases. The schedule below does not include the impact of tenant allowances and rent abatement on payments.

Approximate minimum future payments under noncancelable lease obligations at August 31, 2016, are as follows:

Years Ending August 31,	
2017	$ 8,725,505
2018	10,022,486
2019	10,343,959
2020	9,069,529
2021	8,923,110
Thereafter	80,200,895
	$ 127,285,484

11. Professional and General Liability Insurance

The Medical Center maintains a program of self-insurance for professional and general liability risks. This program is maintained on behalf of all Medical Center affiliates and employees including the employed physicians of PFF, LCMG and LCPC and the non-employed affiliated physicians in the Children's Hospital of Chicago Faculty Practice Plan who are members of Children's Surgical Foundation and Pediatric Anesthesia Associates. More than 500 hospital-based physicians are covered by this program.

The Medical Center self-insures the first losses for both professional and general liability claims. The estimated liability for self-insured claims and the required funding for the trust are determined annually by an independent actuary and are based upon case reserves and actuarial estimates for claims that have been incurred but not yet reported. The self-insured portion of the program is administered by an independent trustee.

The Medical Center incurred approximately $26,500,000 and $20,602,000 in expense for fiscal 2016 and 2015, respectively, for self-insured professional and general liability risks. The Medical Center's self-insurance liability has been discounted at 5% in fiscal 2016 and 2015. The effect of discounting the value of estimated liabilities was approximately $14,496,000 and $15,115,000 at August 31, 2016 and 2015, respectively.

In addition to the self-insured portion, the Medical Center purchases commercial insurance for claims in excess of the self-insurance limits. These excess insurance policies, which are claims-made, are purchased through CMMC Insurance.

CMMC Insurance writes the professional and general liability insurance for the Hospital and its affiliates. CMMC Insurance, in turn, purchases reinsurance equal to 100 percent of its exposure and, therefore, holds no risk on its own books. For the years ended August 31, 2016 and 2015, premiums ceded to reinsurers were $1,501,000 and $1,420,000, respectively, and reinsurance recoveries on unpaid losses on an undiscounted basis, were $42,064,000 and $11,272,000, respectively. CMMC Insurance is operated to break even after all expenses.

12. Transactions With Related Parties

Certain of the Hospital's affiliated physicians participate in independent physician faculty practice plan corporations. At August 31, 2016 and 2015, amounts due from the physician practice groups totaled approximately $2,048,000 and $1,582,000, respectively, a portion of which is included in other current assets and other assets.

The Hospital paid approximately $5,100,000 in both fiscal 2016 and 2015, for administration, supervision, teaching, and patient care services provided by these independent physicians, which is included in supplies and services expense.

The Hospital billed such independent physician group practice corporations $7,475,000 and $7,391,000 in fiscal 2016 and 2015, respectively, for certain expenses, such as personnel expenses, supplies and services, and professional liability insurance, incurred on their behalf, which is included in other operating revenue.

13. Functional Expenses

The Medical Center provides health care services to children and conducts research and programs within its geographic region. Expenses, excluding interest and including fundraising (which are reported as nonoperating activities), related to providing these services, research, and programs were as follows:

	2016	2015
Patient care services	$ 654,000,662	$ 601,950,155
General and administrative	121,627,396	117,245,994
Research and programs	57,722,738	58,460,113
Fundraising	17,283,228	16,209,674
Illinois Hospital Assessment Program	16,526,308	16,902,984
	$ 867,160,332	$ 810,768,920

14. Commitments and Contingencies

Health Care Regulation
The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management believes that the Medical Center is in compliance, in all material respects, with fraud and abuse statutes, as well as with other applicable government laws and regulations. While no regulatory inquiries have been made, that are expected to have a material effect on the consolidated financial statements, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation
There are several lawsuits, pending claims, and incidents that occurred in the past whereby claims have been made and may be asserted against the Medical Center for which the ultimate liability, if any, cannot be reasonably estimated. Management believes that the ultimate settlement of these claims will not have a material adverse effect upon the Medical Center's consolidated financial position or results of operations.

Property, Plant and Equipment
During fiscal 2016, the Medical Center entered into a $160,000,000 commitment to contribute to the total cost of a new research tower being built in conjunction with Northwestern University. The building is under construction and as of August 31, 2016, $25,385,000 has been spent and is included in construction in progress on the balance sheet.

Investments
The Medical Center has contractual commitments totaling $45,000,000 with its private equity investment funds. As of August 31, 2016, the Medical Center's remaining capital commitments are $18,469,000. Future capital calls are expected to occur over the next several years and will be initiated by the general partner of the investment as investments are made by the funds.

Asset Retirement Obligation
An asset retirement obligation represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

The Medical Center has evaluated its leased and owned properties for potential asset retirement obligations. Based on this review, the Medical Center identified obligations primarily related to the removal of certain materials previously utilized in the construction process. The total retirement obligation recognized as of August 31, 2016 and 2015, was $396,000 and $3,597,000, respectively, which is recorded as accrued expenses in the consolidated balance sheets. A $3,211,000 asset retirement obligation was released in conjunction with the sale of the Lincoln Park Property.

15. Subsequent Event

Company has evaluated all events and transactions that occurred after the balance sheet date and through the date that the consolidated financial statements were available to be issued nothing none that require recognition or disclosure.

Supplemental Information

ATTACHMENT 34

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Consolidating Balance Sheet
August 31, 2016

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago Foundation	Eliminating Entries	Obligated Group	Stanley Manne Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CMMC Insurance Co. Ltd	Lurie Children's Health Partners Care Coordination	Lurie Children's Primary Care	Eliminating Entries	Total
Assets														
Current assets														
Cash and cash equivalents	$ 29,667,127	$ -	$ -	$ 29,667,127	$ -	$ -	$ 5,390,799	$ 4,000	$ -	$ 203,062	$ -	$ -	$ -	$ 35,464,988
Current portion of self-insurance trust	17,175,000	-	-	17,175,000	-	-	-	-	-	-	-	-	-	17,175,000
Accounts receivable, net of allowance for uncollectible accounts of $19,763,000	125,924,373	-	-	125,924,373	-	12,139,052	3,193,259	1,930,371	-	-	-	1,950,656	-	144,037,611
Other current assets	35,582,674	421,615	-	36,989,288	255,134	4,860,915	433,164	118,369	78,025	43,573,358	174,975	696,761	-	86,397,830
Total current assets	208,034,179	421,615	-	208,455,788	255,134	17,610,962	8,917,222	1,752,640	78,025	82,776,320	174,975	2,647,357	-	283,075,428
Investments	1,168,124,916	-	-	1,168,124,916	-	-	-	-	120,000	-	-	-	(120,000)	1,168,124,916
Property and equipment, at cost	1,242,687,244	1,614,953	-	1,244,313,197	75,789,166	-	-	2,175,608	-	-	-	2,676,330	-	1,329,953,244
Less Accumulated depreciation	383,387,915	1,614,953	-	385,002,768	29,611,423	-	-	331,287	-	-	-	245,571	-	415,190,868
Total property and equipment, net	859,309,428	-	-	859,309,428	46,177,687	-	-	1,844,321	-	-	-	2,430,759	-	909,762,246
Other assets														
Pledges receivable restricted by donors, net	27,821,878	-	-	27,821,878	-	-	-	-	-	-	-	-	-	27,821,878
Unamortized bond issuance costs	8,525,440	-	-	8,525,440	-	-	-	-	-	-	-	-	-	8,525,440
Goodwill	-	-	-	-	-	-	-	-	-	-	-	1,417,706	-	1,417,706
Other assets	15,430,084	-	-	15,430,084	-	-	-	-	-	-	-	-	-	15,430,084
Total other assets	52,777,402	-	-	52,777,402	-	-	-	-	-	-	-	1,417,706	-	54,195,108
Total assets	$ 2,288,295,421	$ 421,615	$ -	$ 2,288,717,036	$ 46,432,821	$ 17,610,962	$ 8,917,222	$ 3,597,011	$ 198,025	$ 82,776,320	$ 174,975	$ 6,595,822	$ (120,000)	$ 2,416,297,199
Liabilities and Net Assets														
Current liabilities														
Accounts payable and accrued expenses	$ 73,433,263	$ 2,955,206	$ -	$ 76,388,469	$ 1,628,381	$ 9,582,677	$ 4,023,549	$ 729,726	$ -	$ 43,638,009	$ 32,149	$ 1,449,266	$ -	$ 137,482,166
Current portion of self-insurance liability	17,175,000	-	-	17,175,000	-	-	-	-	-	-	-	-	-	17,175,000
Due to third-party payors	38,841,563	-	-	38,841,968	-	2,561,008	759,319	-	-	-	-	-	-	42,162,115
Current portion of long-term debt	4,890,000	-	-	4,890,000	-	-	-	-	-	-	-	-	-	4,890,000
Total current liabilities	134,339,856	2,955,206	-	137,295,962	1,628,381	12,153,685	4,783,080	729,726	-	43,638,009	32,149	1,449,266	-	201,709,291
Other liabilities														
Self-insurance liability	82,928,496	-	-	82,928,496	-	-	-	-	-	-	-	-	-	82,928,496
Other noncurrent liabilities	51,851,468	-	-	51,851,468	-	-	-	232,219	-	-	-	-	-	51,888,687
Total other liabilities	134,479,964	-	-	134,479,964	-	-	-	232,219	-	-	-	-	-	134,217,183
Long-term debt	363,924,915	-	-	363,874,915	-	-	-	-	-	-	-	-	-	363,974,615
Total liabilities	632,784,735	2,955,206	-	635,249,941	1,628,381	12,153,685	4,783,080	966,945	-	82,638,009	32,149	1,449,266	-	709,401,379
Stockholder's equity														
Common stock	-	-	-	-	-	-	-	-	-	120,000	-	-	(120,000)	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	18,311	-	-	(18,311)	-
Total stockholder's equity	-	-	-	-	-	-	-	-	-	138,311	-	-	(138,311)	-
Net assets														
Unrestricted	1,281,220,661	(2,533,591)	-	1,278,686,410	44,804,440	4,866,282	4,234,142	2,630,066	198,025	-	142,826	4,946,613	18,311	1,340,525,155
Temporarily restricted	267,628,025	-	-	202,628,025	-	-	-	-	-	-	-	-	-	207,529,025
Permanently restricted	162,652,660	-	-	157,652,660	-	-	-	-	-	-	-	-	-	167,652,660
Total net assets	1,656,500,685	(2,533,591)	-	1,653,967,095	44,804,440	4,866,282	4,234,142	2,630,066	198,025	-	142,826	4,946,613	18,311	1,715,805,820
Total liabilities and net assets	$ 2,288,295,421	$ 421,615	$ -	$ 2,288,717,036	$ 46,432,821	$ 17,018,967	$ 8,817,222	$ 3,597,011	$ 198,025	$ 43,776,320	$ 174,975	$ 6,395,822	$ (120,000)	$ 2,416,297,199

The accompanying notes are an integral part of these consolidating financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Consolidating Balance Sheet
August 31, 2015

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago Foundation	Eliminating Entries	Obligated Group	Stanley Manne Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CMMC Insurance Co. Ltd	Lurie Children's Health Partners Care Coordination	Eliminating Entries	Total
Assets													
Current assets													
Cash and cash equivalents	$ 22,671,672	$ -	$ -	$ 22,671,672	$ -	$ -	$ 4,822,491	$ 2,141	$ -	$ 198,853	$ -	$ -	$ 27,695,157
Current portion of self-insurance trust	8,600,000	-	-	8,600,000	-	-	-	-	-	-	-	-	8,600,000
Accounts receivable, net of allowance for uncollectible accounts of $15,818,000	73,246,092	-	-	73,246,092	-	8,950,502	1,047,890	1,121,606	-	-	433,305	-	85,799,395
Other current assets	32,301,462	578,102	-	32,879,564	179,697	4,599,533	512,029	230,137	76,025	12,700,370	-	-	51,182,355
Total current assets	136,819,226	578,102	-	137,397,328	179,697	13,550,035	6,387,410	1,353,884	76,025	12,899,223	433,305	-	173,276,907
Investments	1,102,969,535	-	-	1,102,969,535	-	-	-	-	120,000	-	-	(120,000)	1,102,969,535
Property and equipment, at cost	1,415,762,694	1,614,953	-	1,417,377,647	45,171,318	-	-	1,889,533	-	-	-	-	1,464,438,798
Less: Accumulated depreciation	511,217,215	1,614,953	-	512,832,168	27,714,829	-	-	192,978	-	-	-	-	540,739,975
Total property and equipment, net	904,545,479	-	-	904,545,479	17,456,789	-	-	1,696,555	-	-	-	-	923,698,823
Other assets													
Pledges receivable restricted by donors, net	36,389,805	-	-	36,389,805	-	-	-	-	-	-	-	-	36,389,805
Unamortized bond issuance costs	6,860,156	-	-	6,860,156	-	-	-	-	-	-	-	-	6,860,156
Other assets	18,853,221	-	-	18,853,221	-	-	-	-	-	-	-	-	18,853,721
Total other assets	62,103,182	-	-	62,103,182	-	-	-	-	-	-	-	-	62,103,182
Total assets	$ 2,206,437,422	$ 578,102	$ -	$ 2,207,015,524	$ 17,636,486	$ 14,550,035	$ 6,387,410	$ 3,050,439	$ 196,025	$ 12,899,223	$ 433,305	$ (120,000)	$ 2,262,048,447
Liabilities and Net Assets													
Current liabilities													
Accounts payable and accrued expenses	$ 69,406,440	$ 3,014,325	$ -	$ 72,420,765	$ 1,060,034	$ 7,692,992	$ 3,706,796	$ 360,446	$ -	$ 12,756,383	$ 232,086	$ -	$ 98,228,576
Current portion of self-insurance liability	8,600,000	-	-	8,600,000	-	-	-	-	-	-	-	-	8,600,000
Due to third-party payors	28,633,718	-	-	28,633,718	-	2,561,008	811,068	-	-	-	-	-	30,005,794
Current portion of long-term debt	4,645,000	-	-	4,645,000	-	-	-	-	-	-	-	-	4,645,000
Total current liabilities	199,285,158	3,814,325	-	112,299,483	1,060,034	18,253,090	4,517,848	360,446	-	12,756,383	232,086	-	161,478,379
Other liabilities													
Self-insurance liability	98,532,410	-	-	98,532,410	-	-	-	-	-	-	-	-	98,532,410
Other noncurrent liabilities	44,451,496	-	-	44,451,496	-	-	-	237,219	-	-	-	-	44,688,715
Total other liabilities	142,983,906	-	-	142,983,906	-	-	-	237,219	-	-	-	-	143,221,125
Long-term debt	368,758,475	-	-	368,758,475	-	-	-	-	-	-	-	-	368,758,475
Total liabilities	621,827,539	3,014,325	-	624,041,864	1,060,034	10,253,090	4,517,848	587,665	-	12,756,383	232,086	-	653,458,970
Stockholder's equity													
Common stock	-	-	-	-	-	-	-	-	-	120,000	-	(120,000)	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	22,840	-	(22,840)	-
Total stockholder's equity	-	-	-	-	-	-	-	-	-	142,840	-	(142,840)	-
Net assets													
Unrestricted	1,219,276,260	(2,436,223)	-	1,216,840,037	16,576,452	4,296,945	1,869,562	2,462,774	196,025	-	201,219	22,840	1,242,455,854
Temporarily restricted	203,199,374	-	-	203,199,374	-	-	-	-	-	-	-	-	203,199,374
Permanently restricted	163,033,249	-	-	163,033,249	-	-	-	-	-	-	-	-	163,033,249
Total net assets	1,585,409,883	(2,436,223)	-	1,582,973,660	16,576,452	4,296,945	1,869,562	2,462,774	196,025	-	201,219	22,840	1,608,569,477
Total liabilities and net assets	$ 2,206,437,422	$ 578,102	$ -	$ 2,207,015,524	$ 17,636,486	$ 14,550,035	$ 6,387,410	$ 3,050,439	$ 196,025	$ 12,899,223	$ 433,305	$ (120,000)	$ 2,262,048,447

The accompanying notes are an integral part of these consolidating financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Year Ended August 31, 2016

	Ann & Robert H Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago Foundation	Eliminating Entries	Obligated Group	Stanley Manne Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CMMC Insurance Co. Ltd	Lurie Children's Health Partners Care Coordination	Lurie Children's Primary Care	Eliminating Entries	Total
Operating revenue														
Patient service revenue, net of contractual allowances and discounts	$ 666,020,705	$ -	$ -	$ 666,020,705	$ -	$ 96,873,550	$ 16,833,303	$ 4,337,944	$ -	$ -	$ -	$ 9,465,384	$ (482,536)	$ 807,578,350
Provision for doubtful accounts	6,617,551	-	-	6,617,551	-	3,775,430	858,564	92,964	-	-	-	-	-	13,144,509
Net patient service revenue	679,403,155	-	-	679,403,155	-	85,098,120	19,174,739	4,284,980	-	-	-	9,465,384	(482,536)	793,933,859
Net assets released from restrictions														
Contributions and philanthropy used for program purposes	25,528,929	-	-	25,528,929	4,196,417	2,930,686	-	70,451	-	-	-	-	(7,167,564)	25,528,929
Grants and other restricted income used for program purposes	39,645,451	-	-	39,645,451	5,619,992	6,607,493	561,764	-	-	-	-	-	(10,806,219)	39,645,451
Board-designated endowment income	7,828,036	-	-	7,828,036	1,172,209	1,792,837	231,904	-	-	-	-	-	(3,196,950)	7,828,036
Other operating revenue	34,734,682	-	-	34,734,682	245,763	32,574,606	9,254,089	36,638	-	78,490	1,041,736	66,714	(17,718,313)	58,313,577
Total operating revenue	786,340,253	-	-	786,340,253	11,231,381	127,003,712	29,242,463	4,392,879	-	78,490	1,041,236	9,532,113	(39,401,584)	922,450,143
Operating expenses														
Salaries, wages and employee benefits	351,705,664	6,943,370	(6,943,370)	351,705,664	79,779,000	122,931,648	18,421,404	5,645,994	378,419	-	523,768	7,487,873	(27,492,315)	489,786,645
Supplies and services	258,645,166	7,166,168	(7,166,168)	258,645,166	9,293,750	26,129,474	4,534,545	576,233	86,187	63,019	2,229,873	4,551,729	(14,627,790)	292,080,735
Depreciation	61,895,927	-	-	61,895,927	2,992,063	-	-	137,842	-	-	-	245,571	3,714,521	68,986,724
Total operating expenses	672,541,696	14,109,538	(14,109,538)	672,541,696	92,064,813	149,061,120	22,955,949	6,359,856	465,517	93,019	2,752,842	12,293,873	(39,401,584)	848,577,104
Income (loss) from operations before interest and amortization	113,798,557	(14,109,538)	14,109,538	113,798,557	(11,833,432)	(22,057,408)	(713,486)	(1,707,780)	(465,517)	(14,529)	(1,711,606)	(2,731,760)	-	72,573,069
Interest and amortization of financing costs	72,219,302	-	-	72,219,302	-	-	-	-	-	-	-	-	-	72,219,302
Income (loss) from operations	41,583,255	(14,109,538)	14,109,538	41,583,255	(11,833,432)	(22,057,408)	(713,486)	(1,707,780)	(465,517)	(14,529)	(1,711,606)	(2,731,760)	-	50,353,767
Nonoperating income (expense), net														
Investment return	11,145,923	-	-	11,145,923	-	-	-	-	-	-	-	-	-	11,145,923
Unrestricted Contributions and bequests	-	17,091,705	-	17,091,705	-	-	-	784,385	-	-	-	-	-	17,876,090
Fund-raising expense	-	-	(14,109,538)	(14,109,538)	-	-	-	(173,662)	-	-	-	-	-	(14,283,200)
Gain (loss) on disposal of fixed assets	50,824,462	-	-	50,824,462	-	-	-	-	-	-	-	-	-	50,824,462
Other	(1,711,596)	-	-	(1,711,596)	-	-	-	11,856	-	-	-	-	-	(1,699,840)
Total nonoperating income(loss)	60,291,589	17,091,705	(14,109,538)	60,243,828	-	-	-	622,578	-	-	-	-	-	60,866,407
Excess (deficiency) of revenue over expenses	151,844,944	(17,833)	-	151,827,083	(11,833,432)	(22,057,408)	(713,486)	(1,085,201)	(465,517)	(14,529)	(1,711,606)	(2,731,760)	-	111,224,144
Net assets released from restrictions used for purchase of property and equipment	429,495	-	-	429,495	-	-	-	-	-	-	-	-	-	429,495
Retirement plan-related charge other than net periodic retirement plan expense	(13,847,927)	-	-	(13,847,927)	-	-	-	-	-	-	-	-	-	(13,847,027)
Net assets transferred from newly affiliated organization	(5,050,000)	-	-	(4,050,000)	-	-	-	-	-	-	-	4,050,880	-	-
Other	262,670	(10)	-	262,669	-	-	-	-	-	-	-	-	-	262,669
Transfers (to) from affiliates	(72,596,350)	(78,497)	-	(72,775,847)	40,061,420	22,626,745	3,075,066	1,282,493	465,517	-	1,653,213	3,926,373	-	-
Increase (decrease) in unrestricted net assets	$ 61,843,741	$ (97,360)	$ -	$ 61,846,373	$ 28,227,988	$ 568,337	$ 2,364,880	$ 177,292	$ -	$ (14,529)	$ (58,393)	$ 4,946,613	$ -	$ 93,068,781

The accompanying notes are an integral part of these consolidating financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations
Consolidating Statement of Operations and Changes in Unrestricted Net Assets
Year Ended August 31, 2015

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago Foundation	Eliminating Entries	Obligated Group	Stanley Manne Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CMWC Insurance Co. Ltd	Lurie Children's Health Partners Care Coordination	Eliminating Entries	Total
Operating revenue													
Patient service revenue, net of contractual allowances and discounts	$ 633,020,620	$ -	$ -	$ 633,020,620	$ -	$ 85,915,867	$ 15,151,061	$ 3,883,088	$ -	$ -	$ -	$ (715,497)	$ 737,255,139
Provision for doubtful accounts	7,519,588	-	-	7,519,588	-	3,406,432	552,310	35,698	-	-	-	-	11,513,380
Net patient service revenue	625,501,032	-	-	625,501,032	-	82,509,435	14,598,751	3,858,038	-	-	-	(715,497)	725,741,759
Net assets released from restrictions													
Contributions and philanthropy used for program purposes	26,318,088	-	-	26,318,088	5,258,559	2,210,021	-	78,785	-	-	-	(7,547,375)	26,318,088
Grants and other restricted income used for program purposes	38,436,659	-	-	38,436,659	4,109,661	3,035,156	-	-	-	-	-	(7,144,817)	38,436,659
Board-designated endowment income	6,752,643	-	-	6,752,643	-	842,900	241,152	-	-	-	-	(1,184,052)	6,752,643
Other operating revenue	34,330,556	-	-	34,330,556	2,199,931	30,530,325	6,747,625	2,682	-	73,694	1,702,923	(16,898,359)	57,597,477
Total operating revenue	731,338,988	-	-	731,338,988	11,568,151	119,227,837	20,587,528	3,939,715	-	73,694	1,702,923	(33,592,100)	854,856,636
Operating expenses													
Salaries, wages, and employee benefits	338,973,539	9,385,640	(9,385,640)	338,973,539	10,564,809	111,433,756	17,932,643	4,932,424	389,518	-	567,103	(23,244,138)	461,558,654
Supplies and services	238,781,397	6,646,921	(6,646,921)	238,781,397	2,358,097	25,792,428	4,158,760	741,066	80,011	77,770	3,302,870	(11,193,686)	269,199,714
Depreciation	61,867,453	-	-	61,867,453	1,058,321	-	-	127,380	-	-	-	845,724	63,898,878
Total operating expenses	639,622,389	16,032,561	(16,032,561)	639,622,389	13,981,227	137,226,185	22,083,403	5,800,870	479,529	77,770	3,869,973	(33,592,100)	794,599,246
Income (loss) from operations before interest and amortization	91,716,599	(16,032,561)	16,032,561	91,716,599	(7,413,176)	(17,998,348)	(1,495,875)	(1,861,155)	(479,529)	(4,076)	(2,167,050)	-	60,297,390
Interest and amortization of financing costs	22,434,061	-	-	22,434,061	-	-	-	-	-	-	-	-	22,434,061
Income (loss) from operations	69,282,538	(16,032,561)	16,032,561	69,282,538	(7,413,176)	(17,998,348)	(1,495,876)	(1,861,155)	(479,529)	(4,076)	(2,167,050)	-	37,863,329
Nonoperating income (expense), net													
Investment return	(15,702,927)	-	-	(15,702,927)	-	-	-	31	-	-	-	-	(15,702,896)
Unrestricted Contributions and bequests	-	16,322,581	-	16,322,581	-	-	-	708,086	-	-	-	-	17,030,667
Fund-raising expense	-	-	(16,032,561)	(16,032,561)	-	-	-	(177,113)	-	-	-	-	(16,209,674)
Gain (loss) on disposal of fixed assets	(175,023)	-	-	(175,023)	-	-	-	-	-	-	-	-	(175,023)
Other	(5,421,844)	-	-	(5,421,844)	-	-	-	70,590	-	-	-	-	(5,351,254)
	(21,299,794)	16,322,581	(16,032,561)	(21,009,854)	-	-	-	601,594	-	-	-	-	(20,408,260)
Excess (deficiency) of revenue over expenses	47,982,744	289,848	-	48,272,684	(7,413,176)	(17,998,348)	(1,495,876)	(1,259,561)	(479,529)	(4,076)	(2,167,050)	-	17,455,069
Net assets released from restrictions used for purchase of property and equipment	371,837	-	-	371,837	-	-	-	-	-	-	-	-	371,837
Retirement plan-related change other than net periodic retirement plan expense	(12,581,851)	-	-	(12,581,851)	-	-	-	-	-	-	-	-	(12,581,851)
Other	94,720	-	-	94,720	-	-	-	-	-	-	-	-	94,720
Transfers (to) from affiliates	(31,929,086)	(861,577)	-	(32,790,673)	8,165,180	28,440,542	(335,350)	1,672,506	479,520	-	2,368,265	-	-
Increase (decrease) in unrestricted net assets	$ 3,938,364	$ (571,637)	$ -	$ 3,366,717	$ 752,004	$ 2,442,194	$ (1,831,225)	$ 412,945	$ -	$ (4,076)	$ 201,216	$ -	$ 5,339,775

The accompanying notes are an integral part of these consolidating financial statements.

RATING AGENCY REPORTS

FITCH RATINGS

S&P GLOBAL

ATTACHMENT 35

FITCH RATES LURIE CHILDREN'S HOSPITAL'S (IL) SERIES 2017 BONDS 'AA'; OUTLOOK STABLE

Fitch Ratings-Chicago-02 May 2017: Fitch Ratings has assigned a 'AA' rating to $133 million of series 2017 revenue refunding bonds expected to be issued by the Illinois Finance Authority (the authority) on behalf of Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's, formerly known as Children's Memorial Hospital).

Additionally, Fitch has upgraded the rating on approximately $370.9 million of bonds issued by the authority on behalf of Lurie Children's to 'AA' from 'AA-.'

Proceeds of the series 2017 bonds will be used to refund all or a portion of the series 2008B bonds and to pay costs of issuance. Pro forma maximum annual debt service (MADS) is expected to equal $24.6 million. The bonds are expected to price the week of May 8 via negotiation.

The Rating Outlook is Stable.

SECURITY

Bond payments are secured by a pledge of the gross receipts of the obligated group.

KEY RATING DRIVERS

STRONG OPERATING PROFITABILITY: The upgrade reflects Lurie Children's strengthened operating profitability since opening its new hospital in 2012, its strong national reputation and improved liquidity metrics. Average operating EBITDA margin increased to 14.9% between fiscal years 2014 and 2016 compared to 11.7% between fiscal years 2009 and 2012.

LEADING MARKET POSITION: Lurie Children's is a nationally recognized children's hospital and is the leading provider of pediatric services in the Chicagoland area. The hospital's competitive position is enhanced by its close affiliation with and proximity to Northwestern Memorial Hospital (NMH) and Northwestern University's Feinberg School of Medicine (FSM).

MODERATE DEBT BURDEN: Lurie Children's pro forma debt burden is moderate with MADS equal to 2.7% of fiscal 2016 revenue. Strong cash flows provided for robust debt service coverage by EBITDA of 6.9x in fiscal 2016 and 8.0x in the six month interim period ending Feb. 28, 2017 (interim period).

SOLID LIQUIDITY: Liquidity metrics remain solid with 348 days cash on hand, 32.1x cushion ratio and 213.9% cash to debt. Capital spending is projected to increase but is not expected to materially impact liquidity metrics.

HIGH MEDICAID EXPOSURE: Similar to other children's hospitals, Lurie Children's has high exposure to Medicaid funding with 49.8% of gross revenue in 2016 attributable to Medicaid.

RATING SENSITIVITIES

SUSTAINED CREDIT PROFILE: Fitch expects Lurie Children's to maintain its solid profitability, liquidity and coverage metrics while executing its capital projects.

CREDIT PROFILE

Lurie Children's operates a 288 bed pediatric hospital in Chicago. Additional operations include 13 outpatient centers, a medical group with over 500 employed physicians, a research center and a philanthropic foundation. Total consolidated operating revenues increased 29.4% since opening the replacement hospital in 2012 to $922 million in fiscal 2016, including a 7.9% year over year increase despite inpatient capacity constraints. Fitch's analysis is based upon Lurie Children's consolidated financial statements. The obligated group accounted for 85.2% of consolidated operating revenue and 95.5% of consolidated total assets in fiscal 2016.

STRONG OPERATING PROFITABILITY

Operating profitability has been consistently strong since the opening of the new hospital with operating EBITDA margin averaging 14.9% between fiscal years 2014 and 2016 compared to 11.7% between fiscal years 2009 and 2012. Operating EBITDA margin increased to 15.2% in fiscal 2016 from 14.5% in fiscal 2015, exceeding Fitch's 'AA' category median of 11.7%. Operating EBITDA margin further improved to 16.5% in the interim period.

The strong operating profitability in fiscal 2016 and the interim period reflects a combination of continued expense management initiatives, improved payor mix and strong volume growth in inpatient admissions, surgery and outpatient visits. Fitch notes that the increased inpatient volumes occurred despite existing capacity constraints. The continued volume growth reflects Lurie Children's strong reputation, investments in satellite ambulatory facilities and partnerships with Chicago area hospitals. Management is budgeting for operating EBITDA margin to equal 14.4% in fiscal 2017.

LEADING MARKET POSITION

Lurie Children's is a nationally recognized children's hospital and the leading provider of complex tertiary and quaternary pediatric services in the seven-county Chicago metropolitan area. The hospital is ranked as the sixth best children's hospital by U.S. News and World Report and is nationally ranked in the top 20 in nine pediatric specialties. The leading market position was further bolstered by the opening of its new replacement hospital in 2012 on the campus of NMH and adjacent to FSM in Chicago's affluent Streeterville neighborhood. Lurie Children's has an increasing international presence, having treated 247 children from 47 different countries in 2016.

Reflecting its strong reputation, Lurie Children's market share more than doubled from 12% in 2003 to 28.1% in 2015. No other hospital in the service area holds a market share greater than 11.8% in pediatric discharges. Additionally, the hospital maintains a leading inpatient market share in nearly every pediatric specialty and sub-specialty.

Lurie Children's market position is enhanced by its affiliations with and proximity to NMH, FSM and the Shirley Ryan AbilityLabs (fka Rehabilitation Institute of Chicago). The affiliations strengthen Lurie Children's transitional care capabilities, physician recruiting and alignment initiatives and research operations. As FSM's primary pediatric teaching hospital, virtually all of Lurie Children's hospital-based physicians hold faculty appointments at the medical school. In addition to its affiliation with Northwestern, Lurie Children's has extended its geographic reach through strategic partnerships with 15 hospitals and Lurie Children's 13 outpatient centers located throughout the Chicago metropolitan area.

MODERATE DEBT BURDEN

Lurie Children's leverage and debt burden metrics have moderated significantly since issuing its series 2008 bonds to finance construction of the new hospital. Debt to capitalization decreased

from 51% at Aug. 31, 2009 to 20.7% at Feb. 28, 2017. MADS as a percent of revenue is moderate at 2.7% in fiscal 2016 relative to Fitch's 'AA' category median of 2.2%. Reflecting the strong cash flows, MADS coverage by EBITDA equaled a robust 6.9x in fiscal 2016 and 8.0x in the interim period, easily exceeding Fitch's 'AA' category median of 6.0x. Lurie Children's doesn't anticipate issuing any additional debt in the foreseeable future.

SOLID LIQUIDITY METRICS

Unrestricted cash and investments increased 8.7% since fiscal 2015 to $789 million at Feb. 28, 2017. The increase was primarily due to strong operating cash flows and investment returns. Moreover, unrestricted liquidity has increased 39.7% since the opening of the replacement hospital in 2012. Liquidity metrics are solid with 348 days cash on hand, 32.1x cushion ratio and 213.9% cash to debt and compare favorably with Fitch's 'AA' category medians of 277.4 days, 29.9x and 197.9%.

After a period of decreased capital spending following the completion of the new hospital, capital spending is expected to increase over the next five years, totaling $450 million, with the majority expended in the next two to three years. Capital spending had averaged $34.5 million between fiscal years 2013 and 2016. However, projected capital spending is manageable relative to Lurie Children's historical cash flows. Significant capital projects include a new research facility, a new ambulatory surgery center in Chicago's north suburbs and expanded inpatient capacity to accommodate volume growth (pending certificate of need approval expected in May 2017).

Lurie Children's has operated at capacity since November 2015, limiting inpatient volume growth. Fitch views the projects favorably as they will further strengthen Lurie Children's market position and credit profile while expanding its revenue base to accommodate existing demand for its services. The projects are expected to be funded by cash flows and both restricted and unrestricted funds, without having a material impact on liquidity metrics.

DEBT PROFILE

The series 2017 bond issuance is a refunding and will not materially impact the hospital's total debt outstanding. Lurie Children's had $368.9 million of total debt outstanding at Feb. 28, 2017. The debt portfolio consists of 100% underlying fixed-rate bonds. The hospital is not counterparty to any swap agreements.

DISCLOSURE

Lurie Children's covenants to provide annual disclosure within 150 days of fiscal year end and quarterly disclosure within 60 days of each of the first three fiscal quarter-ends. Disclosure is provided through the Municipal Securities Rule Making Board's EMMA website.

Contact:

Primary Analyst
Adam Kates
Director
+1-312-368-3180
Fitch Ratings, Inc.
70 W. Madison Street
Chicago, IL 60602

Secondary Analyst
Dmitry Feofilaktov

Director
+1-212-908-0345

Committee Chairperson
Emily Wong
Senior Director
+1-415-732-5620

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria
Revenue-Supported Rating Criteria (pub. 16 Jun 2014)
https://www.fitchratings.com/site/re/750012
U.S. Nonprofit Hospitals and Health Systems Rating Criteria (pub. 09 Jun 2015)
https://www.fitchratings.com/site/re/866807

S&P Global
Ratings

RatingsDirect®

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

Primary Credit Analyst:
Suzie R Desai, Chicago (1) 312-233-7046; suzie.desai@spglobal.com

Secondary Contact:
Brian T Williamson, Chicago (1) 312-233-7009; brian.williamson@spglobal.com

Table Of Contents

Illinois Finance Authority
Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

Credit Profile		
US$133.13 mil rev rfdg bnds (Ann & Robert H. Lurie Children's Hosp of Chicago) ser 2017 due 08/31/2039		
Long Term Rating	AA-/Stable	New
Illinois Finance Authority, Illinois		
Ann & Robert H. Lurie Children's Hosp of Chicago, Illinois		
Illinois Finance Authority (Ann & Robert H. Lurie Children's Hospital of Chicago) (AMBAC) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Series 2008A		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Series 2008B		
Long Term Rating	AA-/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'AA-' from 'A+' on the Illinois Finance Authority's series 2008A and 2008B fixed-rate bonds, issued for Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's Hospital, formerly Children's Memorial Hospital). At the same time, S&P Global Ratings assigned its 'AA-' long-term rating to the Authority's $133.13 million series 2017 fixed-rate bonds issued for Lurie Children's Hospital. Assured Guaranty Ltd. insures the series 2008A bonds. Children's Hospital of Chicago Medical Center is the parent organization for the overall system and we refer to the combined system in this report as Lurie Children's. The outlook is stable.

The rating action reflects our view of Lurie Children's strengthening financial profile and improving business position. We expect some increased capital spending over the next couple of years, but we note that Lurie Children's has further increased its unrestricted reserves in the past year to provide additional cushion as it completes these projects.

Proceeds from the series 2017 fixed-rate revenue bonds, along with an $11 million equity contribution by Lurie Children's, will go toward the advance refunding of the majority of Lurie Children's series 2008B revenue bonds. All debt outstanding will remain fixed rate; there is no direct purchase debt and there are no swaps outstanding.

More specifically, we assessed Lurie Children's enterprise profile as very strong, reflecting increasing market share in a very broad service area that incorporates Chicago and the surrounding counties, albeit with ongoing competition from other academic medical centers and larger systems, coupled with a large medical staff. We assessed the financial profile as very strong, which reflects a conservative debt structure, ongoing improvement in balance sheet metrics, and

healthy cash flow leading to solid pro forma debt service coverage. We think these combined credit factors lead to an indicative rating of 'aa-' and final rating of 'AA-'. We understand that the upcoming capital spending will focus on enhancing Lurie Children's research enterprise as well as adding clinical space for critical care beds. We believe both of these investments will further enhance Lurie Children's position in the region, especially given the competitive nature of the overall pediatrics market in the broader service area, and, over time, possibly enhance its national reputation. Despite financial risks related to research, including the large capital investment, we believe Lurie Children's is taking a measured and controlled approach from an operating investment perspective.

Specifically, the 'AA-' ratings further reflect our view of Lurie Children's:

- Healthy balance sheet, as reflected by pro forma cash on hand of 341 days at Feb. 28, 2017 and unrestricted reserves to pro forma long-term debt of 219%;
- Pro forma maximum annual debt service (MADS) coverage, which has been over 6x for the past several fiscal years as a result of good cash flow (and a focus on revenue and expense management) as well as a reduction in debt in fiscal 2014;
- Continued good business position as the only free-standing pediatric acute care facility in the state, with a strong relationship with Northwestern University's (AAA/Stable) Feinberg School of Medicine and Northwestern Memorial Hospital (AA+/Stable), and with historically increasing market share of 28% because of physician growth, growing outpatient satellite facilities, and expanding clinical affiliations with general acute care hospitals in the seven-county service area; and
- Very conservative debt structure profile.

Partly offsetting the above strengths, in our view, are Lurie Children's:

- Higher capital spending during the next few years related to research and clinical expansion (although the system's historically strong cash flow and project management lead us to expect that the balance sheet should remain consistent with medians);
- Operating income that is dependent on supplemental funds through the Illinois provider fee program coupled with moderate Medicaid exposure in a state with fiscal challenges (partly offset by Lurie Children's status as a safety net hospital, which has allowed it to minimize Medicaid rate cuts historically); and
- Ongoing competition in the broader service area from other systems and academic medical centers that are continuing to invest in their pediatric services.

The bonds are secured by gross receipts of the obligated group, which consists of Lurie Children's Hospital and the Ann & Robert H. Lurie Children's Hospital of Chicago Foundation (the foundation). The obligated group accounts for 95% of Lurie Children's total assets, 85% of its operating revenue, and all of its operating income. Consequently, our rating is based on our view of Lurie Children's group credit profile and the obligated group's core status. Accordingly, the long-term rating is at the level of the group credit profile. This analysis is based on the consolidated system. The financial results used in this report are for Lurie Children's, and fiscal 2016 results are for the audited fiscal year ended Aug. 31, 2016.

Entities outside of the obligated group include Stanley Manne Children's Research Institute (renamed from Ann & Robert H. Lurie Children's Hospital of Chicago Research Center as a result of a philanthropic commitment); Pediatric Faculty Foundation Inc., an employed medical group of mostly pediatric and pediatric subspecialty physicians; Lurie Children's Medical Group LLC (formerly Children's Memorial Medical Group), an employed group of physicians for

dentistry, pathology, psychiatry, and medical imaging; Lurie Children's Primary Care LLC, a newer organization that employs community primary care physicians in three locations; Almost Home Kids, an entity that provides transitional and respite care for children with medical complexity outside of the acute care setting; Children's Hospital of Chicago Medical Center (parent); Lurie Children's Health Partners Care Coordination, an organization to coordinate and provide health care for medically complex children; and CMMC Insurance Co. Ltd., an offshore insurance captive.

Outlook

The stable outlook reflects our view of Lurie Children's continued sound business position, improved balance sheet, solid cash flow margins, and good pro forma coverage. We anticipate that Lurie Children's will continue to garner volumes and maintain its sound business position as its affiliate and partner strategy continues and that the growing research investment will be managed without significant margin and cash flow compression. We also anticipate that Lurie Children's will manage its capital spending within forecast guidelines.

Upside scenario

Given the ongoing competition in the service area and capital spending as well as the recent positive rating action, a higher rating is unlikely over the next two years. However, we could consider a higher rating if unrestricted reserves further strengthen, debt levels further decrease, and Lurie Children's continues to expand its business position in the current competitive environment.

Downside scenario

We don't anticipate pressure on the rating during the next one to two years, but could consider a lower rating if MADS coverage drops to less than 4.5x on a sustained basis, operating margins weaken, or unrestricted reserves decline as a result of capital investments such that they are no longer commensurate with the rating. In addition, and although not anticipated, weakening in Lurie Children's business position could pressure the rating.

Enterprise Profile

Industry risk

Industry risk addresses our view of the health care sector's overall cyclicality and competitive risk and growth through application of various stress scenarios and evaluation of barriers to entry; the level and trend of industry profit margins; risk from secular change and substitution of products, services, and technologies; and risk in growth trends. We believe the health care services industry represents an intermediate credit risk when compared with other industries and sectors.

Economic fundamentals

Lurie Children's is located in downtown Chicago, but Lurie Children's draws patients from Cook County as well as the surrounding six counties. Consequently, management views its market as broadly serving a population of about 2 million children, with the overall seven-county population closer to 8.5 million. We view the economic fundamentals of the area as healthy, given the broad service area and diverse economic base. While we note that Cook County has experienced population declines, several of the surrounding counties are experiencing growth and above-average

economics. We expect no significant changes to the overall service area from a population or economic perspective during the next few years, although we recognize some possible pressure that state issues are causing for the overall economic environment.

Market position and strategy

Overall pediatric services in the greater Chicago market continue to consolidate, specifically those services oriented toward tertiary and quaternary services. However, we believe Lurie Children's, with a leading market share and with depth of services, continues to hold a solid position, albeit in a competitive market with several academic medical centers and hospitals and systems increasing their pediatric presence. Lurie Children's remains the only stand-alone acute care pediatric facility in the state; its market share increased to 28.8% in 2014 and dipped to 28.1% in 2015 but was still up from 23% prior to the opening of the new hospital. Outpatient market share is also increasing as Lurie Children's overall network of care continues to expand. As mentioned, several other academic medical centers in the service area, including University of Chicago's Comer Children's Hospital and Rush University Health System, maintain a pediatric presence, but Advocate Children's Hospital (ACH, part of Advocate Health Care) has the next-largest pediatric market share after Lurie Children's, at just under 20%. (Advocate is marketing its two main pediatric facilities, at Lutheran General in Park Ridge and Christ Hospital in Oaklawn, together.) Lurie Children's large active physician base of almost 1,300, including approximately 500 employed pediatric care and pediatric subspecialty physicians, helps support the hospital with its breadth and depth of specialties and Lurie Children's larger research and educational mission. Lurie Children's has also increased the number of its nonfaculty employed primary care physicians with the purchase of a large primary care group in fiscal 2016. Lurie Children's relationship with Northwestern University (where approximately almost all of the employed physicians are pediatric faculty on the Feinberg School of Medicine) and growing affiliation strategy with general acute care hospitals continue to enhance and broaden its position as an academic medical center with access points in the broader service area. The main hospital facility in Chicago consists entirely of private rooms that are more than 50% intensive care beds, reflecting the complex services it provides.

As mentioned, management and the board have specific research strategies as areas of focus for the organization, and we believe that, if executed well, this could eventually contribute to strengthening specific clinical services as well as Lurie Children's regional and national reputation. The organization has a total research investment of just around $60 million annually, funded from a variety of sources, including outside grants, fundraising, and operating cash flow (the last of which funds about 36% of the budget). With the capital investment in additional research space over the next couple of years, we anticipate that investment in research will grow, largely from contributions as well as ongoing fundraising and use of temporarily restricted funds (around $200 million at the most recent interim financial statements). The new research space brings research near the main hospital campus and is part of a larger research tower being built by Northwestern University. At the start, Lurie Children's portion will have two floors built out for research while the remaining two floors will be shelled, thus increasing the total potential capacity of research space to 165,000 square feet (from 125,000 square feet currently).

Management and the board are taking actions to best position the organization for potential state Medicaid changes as well as for potential insurance-driven changes to hospital payments. To that end, Lurie Children's established a clinically integrated network that is working with the abovementioned care coordination entity. With its breadth and

depth of services as well as its incorporation of some risk-based contracts (still with low dollar amounts, but with some upside and limited downside), management believes that it is taking the appropriate steps to gain experience and succeed under a reimbursement methodology that is likely to evolve toward payments based on quality care at lower costs. We view this as especially important given the larger competitive market where a nonacademic medical center, such as Advocate, is making inroads into pediatric care.

With the continued expansion of various hospital affiliations and partners in the surrounding service areas, Lurie Children's has experienced generally increasing volumes (over the longer trend). With occupancy above 70% consistently, management expects that the volumes related to tertiary/quaternary levels of care will increase and thus that the upcoming clinical expansion of intensive care beds will aid in managing patients.

Table 1

Ann & Robert H. Lurie Children's Hospital of Chicago Utilization

	--Six-month interim ended Feb. 28--	--Fiscal year ended Aug. 31--		
	2017	**2016**	**2015**	**2014**
PSA population	N.A.	2,016,153	N.A.	N.A.
PSA market share %	N.A.	28.1	28.8	26.9
Inpatient admissions*	6,571	12,428	12,139	13,035
Equivalent inpatient admissions	11,022	20,381	20,109	20,693
Emergency visits	33,128	62,228	63,173	55,908
Inpatient surgeries	2,338	5,046	4,865	5,344
Outpatient surgeries	6,952	14,129	13,071	11,981
Medicare case mix index	1.5800	1.6000	1.6400	1.5700
FTE employees	4,363	4,178	4,067	3,898
Active physicians	1,307	1,295	1,147	1,095
Top 10 physicians admissions %	N/A	N/A	N/A	N/A
Medicare %¶	0.3	0.3	0.8	1.5
Medicaid %¶	28.8	30.3	30.7	29.3
Commercial/blues %¶	67.0	65.5	66.5	66.6

*Exclude newborns, psychiatric, and rehabiliation admissions. ¶Based on net revenue. FTE--Full-time equivalent. N.A.--Not available. N/A--Not applicable. PSA--Primary service area.

Management

Most of Lurie Children's senior management team has been stable during the past several years although we note some key additions, including a new development officer, Dr. Grant Stirling (who came from the SickKids Foundation, which raised funds for the Hospital for Sick Children in Toronto), and new chief research officer, Dr. Thomas Shanley, who is also the chairman of the Department of Medicine. Most recently, Dr. Shanley was at the University of Michigan Health System. We believe that Dr. Shanley will help support some of Lurie Children's key strategies around research growth. We view the overall management team and governance as very capable with a strong track record in challenging times (including weathering the changing economic environment as Lurie Children's began building its replacement hospital several years ago). In addition, management has surpassed or met its budget for the past 20 years, which we also view as representative of good planning and good management of risk. Management also has a history of surpassing many of its long-range financial ratios. In addition to research and fundraising, Management has

focused on growth of the larger network and is working to ensure appropriate capacity at the main hospital. Management continues its focus on positioning the organization for a potentially lower reimbursement environment and in managing some risk for its different patient populations, as that shift is likely to come about over the next several years from payers and potentially the state. We also view this as an important area of focus given the competition in the market and if, over time, competitors are able to show they can manage certain pediatric care at lower costs. Finally, we believe that management and the board have done an excellent job of advocating for the organization both in the state and nationally, and we view this ongoing focus as important in maintaining reimbursement levels for the hospital. As mentioned in prior reports, Lurie Children's is still governed by a large 110-member board, with approximately 20 members forming the executive committee.

Financial Profile

Financial policies

The financial policies assessment of neutral reflects our opinion that financial reporting and disclosure, investment allocation and liquidity, debt profile, contingent liabilities, and legal structure are appropriate for an organization of this type and size and are not likely to hamper the organization's ability to pay debt service.

Financial performance

Lurie Children's continues to perform at a very solid level and ahead of budget despite state challenges (although state budgetary challenges could cause ongoing pressure to Medicaid over time). Lurie Children's has experienced a fairly stable payer mix, although incremental improvement in the shift away from Medicaid has helped Lurie Children's financial results in interim 2017. In addition, continued growth of services in the outpatient and clinic areas has helped strengthen demand for the higher-end care that Lurie Children's is well positioned to provide given its depth of specialists and programs. Management has also focused on improving operations by reducing expenses or improving revenue opportunities for the past couple of years. While management plans to increase research investment (in conjunction with a larger capital project to expand research space), we don't anticipate that operating income will be pressured, as most of the increased funding will come from fundraised dollars as well as receipt of outside funding from the National Institutes of Health or other grant sources. Lurie Children's expects operating and operating cash flow margins to perhaps decline from recent levels but to remain healthy at around 4.0% and 13.5%, respectively, relatively consistent with past years' projections.

Investment income and unrestricted contributions have historically supported nonoperating income, and both have been fairly steady over recent years. Along with good cash flow and nonoperating income, pro forma MADS coverage remains healthy at over 6x in recent years. We note that fiscal 2016 nonoperating income excludes the one-time sale of Lurie Children's prior hospital in Lincoln Park ($50.8 million) given that we consider it extraordinary/nonrecurring income. Debt burden continues to decrease and was at 2.6% fiscal 2016. We anticipate good MADS coverage hereafter given the projected good cash flow and lack of debt plans.

Liquidity and financial flexibility

Lurie Children's unrestricted reserves continued to grow as a result of good cash flow, even with capital spending starting to pick up after much reduced spending since the opening of the new hospital in 2012. Unrestricted reserves

grew 10% in fiscal 2016 to $768 million and a further 2% as of Feb. 28, 2017 to $786 million, totaling close to 350 days compared with 340 days at the end of fiscal 2015. (While management has set aside reserves to account for most of the self-insurance professional liability, S&P Global Ratings has made some additional adjustments to unrestricted reserves to ensure that the full self-insurance professional liability was accounted for.) Unrestricted reserves to long-term debt also has improved to more than 215% at Feb. 28, 2017, and we expect it to continue to strengthen given that management has no plans to issue debt over the next couple of years. We also note that the state, with its ongoing fiscal pressures, is behind with Medicaid payments to all hospital providers and thus that a slightly higher-than-normal receivable affects unrestricted reserves.

Lurie Children's actual capital spending has remained relatively low, but has started to pick up in fiscal 2016 and through 2017 compared with the much lighter years after the hospital opening. However, as discussed in our report last year, we expect capital spending to be higher through 2018 mostly as a result of capacity buildout for clinical services (specifically 44 additional critical care beds and four neonatal intensive care services) as well as plans (also discussed last year) to build out additional research space in a new building that will be shared with Northwestern University and Northwestern Medicine. In addition, Lurie Children's will build a smaller ambulatory surgery center in the north suburban Northbrook area. Costs for each of the above projects (and related enabling projects) are $67.3 million, $160.0 million, and $17.8 million, respectively. All of the abovementioned projects will be funded from cash flow, fundraised dollars, or temporarily restricted funds. Specifically, the capital budget (including routine and project spending) for fiscal 2017 ramps up to about $130 million (around 2x annual depreciation expense) with capital expenditures remaining relatively high at about $170 million through fiscal 2018 as a result of the completion of the research project and clinical space (and related projects). While unrestricted reserves may take a slight dip over the next year or so as a result of the higher capital spending, we anticipate that they will grow over time as a result of continued healthy operating cash flow per management's long-range financial plan, and we expect cash on hand to remain within rating medians. And while there could be a couple smaller projects on the horizon, management has the necessary pause points to reflect on cash flow actual results versus expectations and balance sheet metrics before moving forward. Overall, we believe that the $450 million of capital spending over the next five years is manageable, but will require continued strong cash flow.

Lurie Children's has had a strong history of successful fundraising ("Heroes for Life," for the new hospital and related programs, raised $675 million in an eight-year campaign), and with the recently hired new development officer fundraising will be an area of increased focus. Despite taking a break from a larger formal capital campaign following the opening of the new tower, total annual fundraising in recent years has been $20 million to $30 million net of expenses. Management is reviewing its fundraising plans as it prepares for its next campaign, but management is still working through the details.

Debt and contingent liabilities

Overall, Lurie Children's debt levels are decreasing incrementally as debt amortizes, albeit with a more modest principal amortization schedule through the next five years, and unrestricted net assets continue to grow. We also continue to view the overall structure as quite conservative, with no debt-related contingent liquidity risks (including no direct placement debt and no swaps). As of Feb. 29, 2017, Lurie Children's had $364 million of long-term debt outstanding with leverage improving to 20%. Lurie Children's has a frozen cash balance pension plan and funding has

remained relatively stable at 83% at fiscal year-end 2016 (down slightly from the prior year). The overall liability is around $34 million, which is meaningful but not overly burdensome. We also believe that as the defined benefit plan is frozen (and is a cash balance plan), the plan should gradually yield expense savings.

While management has outlined some additional capital spending during the next few years (see the "Liquidity and financial flexibility" section above), Lurie Children's anticipates no additional new-money debt during the next couple of years to fund those plans.

Table 2

Ann & Robert H. Lurie Children's Hospital of Chicago Financial Summary

	—Six-month interim ended Feb. 28—	—Fiscal year ended Aug. 31—			'AA-' rated stand-alone hospital medians
	2017	2016	2015	2014	2015
Financial performance					
Net patient revenue ($000s)	418,122	793,934	725,752	706,173	865,171
Total operating revenue ($000s)	473,597	911,233	844,317	817,193	MNR
Total operating expenses ($000s)	448,957	872,093	816,994	788,263	MNR
Operating income ($000s)	24,640	39,140	27,323	28,930	MNR
Operating margin (%)	5.20	4.30	3.24	3.54	5.80
Net nonoperating income ($000s)	27,821	39,220	44,177	35,660	MNR
Excess income ($000s)	52,461	78,360	71,500	64,590	MNR
Excess margin (%)	10.46	8.24	8.05	7.57	8.80
Operating EBIDA margin (%)	14.90	14.21	13.46	14.17	12.30
EBIDA margin (%)	19.62	17.75	17.76	17.76	15.30
Net available for debt service ($000s)	98,369	168,665	157,833	151,465	129,972
Maximum annual debt service (MADS; $000s)	24,566	24,566	24,566	24,566	MNR
MADS coverage (x)	8.01	6.87	6.42	6.17	6.40
Operating-lease-adjusted coverage (x)	6.68	5.43	5.20	5.06	4.70
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	785,982	767,735	700,403	667,917	662,366
Unrestricted days' cash on hand	346.7	348.5	339.5	336.3	350.6
Unrestricted reserves/total long-term debt (%)	215.9	210.9	189.9	178.9	268.2
Unrestricted reserves/contingent liabilities (%)	N/A	N/A	N/A	N/A	516.1
Average age of plant (years)	6.4	6.1	8.5	7.5	10.5
Capital expenditures/depreciation and amortization (%)	89.7	75.6	36.8	30.7	129.8
Debt and liabilities					
Total long-term debt ($000s)	364,028	363,975	368,758	373,297	MNR
Long-term debt/capitalization (%)	20.5	21.4	22.9	23.2	23.6
Contingent liabilities ($000s)	0	0	0	0	MNR
Contingent liabilities/total long-term debt (%)	0	0	0	0	38

Table 2

Ann & Robert H. Lurie Children's Hospital of Chicago Financial Summary (cont.)

	--Six-month interim ended Feb. 28--	--Fiscal year ended Aug. 31--			'AA-' rated stand-alone hospital medians
	2017	2016	2015	2014	2015
Debt burden (%)	2.45	2.58	2.70	2.82	2.30
Defined benefit plan funded status (%)	N.A.	82.66	84.58	88.11	74.50
Pro forma ratios					
Unrestricted reserves ($000s)	774,126	N/A	N/A	N/A	MNR
Total long-term debt ($000s)	353,835	N/A	N/A	N/A	MNR
Unrestricted days' cash on hand	341.44	N/A	N/A	N/A	MNR
Unrestricted cash/total long-term debt (%)	218.78	N/A	N/A	N/A	MNR
Long-term debt/capitalization (%)	20.07	N/A	N/A	N/A	MNR

MNR--Median not reported. N/A--Not applicable.

Criterion 1120.130 - Financial Viability Waiver

The applicant is not required to submit financial viability ratios if the applicant has a bond rating of A- or better from Fitch Ratings or Standard & Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application).

The financial viability data is not required because Lurie Children's has an "A-" Bond rating or better from Fitch and Standard & Poor's, issued within the latest 18 month period:

Fitch Ratings "AA" (May 2, 2017)

S&P Global Ratings "AA-" (May 4, 2017)

Copies of the most recent rating agency reports are provided at Attachment 35.

ATTACHMENT 36

1120.140 Economic Feasibility

A. Reasonableness of Financing Arrangements

B. Conditions of Debt Financing

See letter on the next page

Ann & Robert H. Lurie
Children's Hospital of Chicago

October 2, 2017

Ms. Kathryn J. Olson
Chairperson
Illinois Health Facilities
And Services Review Board
S25 W. Jefferson Street, 2nd floor
Springfield, IL 62761

Re: Criterion 1120.140(a) and (b) – Reasonableness of Financing Arrangements and Conditions of Debt Financing

Dear Ms. Olson:

Ann & Robert H. Lurie Children's Hospital of Chicago plans to fund the capital cost of the proposed bed expansion project with cash, securities, and bonds. This strategy recognizes that the market is favorable for issuing bonds with low rates.

Terms and conditions of financing have not yet been determined. I hereby certify that the selected form of debt financing will be at the lowest net cost available.

If you have any questions, please contact Reagen Atwood, Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago, at 312-227-7470 or RAtwood@luriechildrens.org.

Sincerely,

Ron Blaustein
Chief Financial Officer
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Avenue, Box 261
Chicago, IL 60611

Subscribed and sworn to before me
this 2 day of October, 2017.

Signature of Notary Public

Seal

Official Seal
Annel Hilgen
Notary Public State of Illinois
My Commission Expires 02/19/2018

1120.140 Economic Feasibility

C. Reasonableness of Project and Related Costs

Reasonableness of Project and Related Costs
9/27/2017

Cost and Square Ft. by Department									
Dept / Area	A	B	C	D	E	F	G	H	I
	Cost/SF		New Const. DGSF		Modernization DGSF		New Const $	Mod $	Total Cost
	New	Mod	New	Circ (%)	Mod	Circ (%)	(A x C)	(B x E)	(G + H)
CLINICAL									
ICU	$585	-	16,398	34	-	-	$9,590,435	-	$9,590,435
Total Clinical	**$585**	-	**16,398**	**34**	-	-	**$9,590,435**	-	**$9,590,435**
Clinical Contingency	**$35**	-	**16,398**	**34**	-	-	**$573,309**	-	**$573,309**
Clinical + Clinical Contingency	**$620**	-	**16,398**	**34**	-	-	**$10,163,744**	-	**$10,163,744**
NON-CLINICAL									
Break Room / Locker	$624	-	909	0	-	-	$567,058	-	$567,058
Building System / Support	$504	-	5,891	12	-	-	$2,968,226	-	$2,968,226
Conference	$481	-	654	0	-	-	$314,791	-	$314,791
Consultation	$687	-	765	0	-	-	$525,447	-	$525,447
Office	$871	-	1,171	0	-	-	$1,020,065	-	$1,020,065
Public Toilet	$516	-	419	0	-	-	$216,393	-	$216,393
Public / Waiting / Lounge	$488	-	4,172	30	-	-	$2,034,807	-	$2,034,807
Staff Toilet	$481	-	251	0	-	-	$120,814	-	$120,814
Workroom	$615	-	1,147	0	-	-	$705,015	-	$705,015
Storage	$481	-	670	0	-	-	$322,492	-	$322,492
Total Non-Clinical	**$548**	-	**16,049**	**12**	-	-	**$8,795,107**	-	**$8,795,107**
Non-Clinical Contingency	**$33**	-	**16,049**	**12**	-	-	**$525,765**		**$525,765**
Non-Clinical + Non-Clinical Contingency	**$581**	-	**16,049**	**12**	-	-	**$9,320,872**	-	**$9,320,872**
TOTAL	**$601**	-	**32,447**	**23**	-	-	**$19,484,617**	-	**$19,484,617**

155

Project Costs and Sources of Funds
9/27/2017

[redacted] Project Costs and Sources of Funds [redacted]			
USE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Pre-planning Costs	$205,639	$188,586	$394,225
Site Survey and Soil Investigation	$15,404	$14,126	$29,530
Site Preparation	$302,268	$277,202	$579,470
Off Site Work	$0	$0	$0
Modernization Contracts	$0	$0	$0
New Construction Contracts	$9,590,435	$8,795,107	$18,385,543
Contingencies	$573,309	$525,765	$1,099,074
A/E Fees	$420,668	$385,782	$806,450
Consultant Fees	$636,043	$583,296	$1,219,339
Movable Equipment	$1,568,455	$1,438,384	$3,006,839
Bond Issuance Expense	$112,603	$103,265	$215,867
Net Interest Expense During Construction	$0	$0	$0
FMV Leased Space	$0	$0	$0
Other Capital Costs	$763,115	$699,830	$1,462,945
Acquisition of Building	$0	$0	$0
TOTAL USES OF FUNDS [redacted]	**$14,187,938**	**$13,011,343**	**$27,199,281**

SOURCE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Cash and Securities	$2,927,670	$2,684,880	$5,612,550
Pledges	$0	$0	$0
Gifts and Bequests	$0	$0	$0
Mortgages/Bonds	$11,260,268	$10,326,463	$21,586,731
Leases	$0	$0	$0
Governmental Appropriations	$0	$0	$0
Grants	$0	$0	$0
Other	$0	$0	$0
TOTAL SOURCES OF FUNDS [redacted]	**$14,187,938**	**$13,011,343**	**$27,199,281**

List of Items and Cost

Pre-Planning Costs - $394,225

The pre-planning costs include the preconstruction services provided by the general contractor.

Of the amount, $205,639 is the clinical pre-planning cost. This amount represents 1.75% of the clinical new construction, contingency and moveable equipment costs.

Site Survey and Soil Investigation - $29,530

The site survey and soil investigation costs includes the baseline testing of building mechanical systems, wireless internet coverage, and distributed antenna system coverage.

Of the total amount, $15,404 is the clinical site survey cost. This amount represents 0.15% of the clinical new construction and contingency costs.

Site Preparation - $579,470

The site preparation costs includes the demolition of the interiors of the 17th floor construction areas including the removal of existing flooring, furniture, drywall partitions, finished ceilings, and MEP systems.

Of the total amount, $302,268 is the clinical site preparation cost. This amount represents 2.97% of the clinical new construction and contingency costs.

New Construction Contract - $18,385,543

The new construction contract includes the cost of the construction contract to complete the project, including the general contractor's overhead and profit.

The new construction project consists of the build out of additional patient rooms, clinical support spaces and faculty offices. This work includes the necessary mechanical, electrical, plumbing, fire protection, telecommunications, and security infrastructure to support such additions.

Of the total new construction contract amount, $9,590,435 is the clinical new construction cost. The total clinical DGSF of the project is 16,398 square feet. The clinical cost/square foot is $585.

Contingencies - $1,099,074

The contingencies are an allowance for unforeseen conditions.

Of the total amount, $573,309 is the clinical contingency cost. This amount is 5.98% of the clinical new construction cost.

Together, the clinical new construction and contingency costs are $10,163,744. The total clinical DGSF of the project is 16,398 square feet. The clinical new construction cost + contingency cost/square foot is $620.

Of the $620, approximately $213.15/SF is attributed to construction requirements that aren't associated with a typical project, as outlined below.

Lurie Children's Hematology/Oncology (Hem/Onc) unit treats patients with blood disorders and cancer. These patients are immunocompromised, and any expasure to environmental pathogens, such as mold spores and pneumania bacteria, or airborne pathagens, such as tuberculosis bacteria and chickenpox virus, can result in serious adverse patient outcomes. Lurie Children's implements infection control measures on its Hem/Onc unit to protect its patients in the form of a positive air pressure environment. In a positive pressure unit, air flow is cantrolled sa it flows out of the unit, instead of into the unit where immunacompromised patients reside. This positive air flaw prevents pathogens outside af the unit from entering into the unit and harming immunocompromised Hem/Onc patients.

During the construction of the proposed 24-bed Hem/Onc ICU, Lurie Children's will place an emphasis on the safety of its patients, especially its Hem/Onc immunocompramised patients, since canstruction activities can uncover and release environmental pathagens. In order ta protect these patients against airborne pathogens through the canstruction phases, a pasitive pressure enviranment must be maintained at all times in patient care spaces, which requires the creation of temporary barriers and ante rooms, cleaning, and ongoing monitoring of air flow. Constantly maintaining this environment is a significant undertaking and contributes to the need for many additional construction phases than would otherwise be required in a "typical" hospital project, resulting in increased costs.

The construction process is further complicated by the need, in the spaces where construction is underway, to configure air flow to a negative pressure, meaning that the air is pushed into the space, instead af out. This is to ensure that any uncovered environmental pathogens da not spread throughout the unit and hospital into the patient care spaces. Constantly maintaining a negative pressure environment in construction spaces, which invalves taking all exterior windows off the 17th flaor and retaining a barrier around the elevator, also contributes to the need for additional construction phases, resulting in increased costs.

1. 17th Floor Under-Slab Plumbing Premium
   Plumbing runs for the current 17th floor reside under the concrete flooring slab in the 16th floor ceiling cavity. The result of this requires extensive demolition and eventual re-installation of interior finishes on the 16th floor in order to access and construct the plumbing that will serve the floor above. The costs associated with this additional work includes $231,432 for interior finishes and re-construction, $102,000 for the removal of exterior glass for ventilation, and $250,000 for the plumbing work that will serve the 17th floor.

   Total Plumbing Costs: $231,432 + $102,000 + $250,000 = $583,432

   $583,432 ÷ 16,398 Clinical DGSF = $35.58/SF

2. Added Phasing and Enabling Premium
   The proposed project is planned to be constructed in the existing Lurie Children's hospital facility. This provides limitations regarding timing and availability of the construction areas due to the proximity of adjacent, active units. Mitigating disruptions will be a key factor in the successful execution of the project. The 16th floor PICU is directly below, the current 17th floor Hematology/Oncology unit is directly adjacent and the 18th floor infusion/outpatient Hematology/Oncology unit is located directly above. With the high level of specialized care occurring in these areas, detailed phasing and enabling is required to keep these units operational during construction. For example, over twenty phases are required to keep the public elevators and lobby accessible to the public on the 17th floor. These types of plans are required to ensure the standard high levels of care are not compromised for interim construction conditions. This phasing-plan has an associated cost of $1,188,218 for the 17th floor and $240,237 for the 16th floor.

   Total Enabling Costs: $1,188,218 + $240,237 = $1,428,455

   $1,428,455 ÷ 16,398 Clinical DGSF = $87.11/SF

3. Infection Prevention and Control Premium
   As mentioned in item #2, there is significant impact to the construction set-up and procedures due to the proximity of the new areas to existing patient care spaces. This direct adjacency to the north halves of both the 16th and 17th floors requires a high level of care with regards to temporary barriers, ante rooms, cleaning and ongoing monitoring. At all times, the patient care spaces must have positive air pressure in relation to the construction areas which requires large maintenance effort to assure all barriers and air movement is intact. The costs associated with this effort includes $98,957 for protection of existing-to-remain areas, $193,004 for equipment/rentals, $436,853 for ongoing maintenance/cleaning and $150,008 for temporary barriers.

   Total Infection Control Costs: $98,957 + $193,004 + $436,853 + $150,008 = $878,822

   $878,822 ÷ 16,398 Clinical DGSF = $53.59/SF

4. Elevator Operator and Re-Programming Premium
   The current elevator system in Lurie Children's does not have a built-in solution to allow for construction crews to isolate a given car for material deliveries and construction activities; this requires re-programming of the system by the elevator contractor. Due to the square footage of the project, local unions require the use of an operator during all project work. The costs associated with this additional work includes $5,000 for elevator re-programming and modifications, $259,652 for a day shift operator and $339,946 for a weekend/off-hour operator.

   Total Elevator Costs = $5,000 + $259,652 + $339,946 = $604,598

   $604,598 ÷ 16,398 Clinical DGSF = $36.87/SF

Summary of Additional Justified Costs

Added Phasing and Enabling Premium: $87.11/SF
Infection Prevention and Control Premium: 53.59/SF
Elevator Operator and Re-Programming Premium: $36.87/SF
17th Floor Under-Slab Plumbing Premium: $35.58/SF

Total: $213.15/5F

Architectural and Engineering Fees - $806,450

The architectural and engineering fees include the design services for preliminary programming, schematic design, design development, the execution of construction documents, and construction administration services. The architectural fees represent $483,870 of the total A/E cost and include design services for the architecture, interior design, engineering coordination, and architectural project management. The engineering fees represent $322,580 of the total A/E cost and include design of all building systems including electrical, mechanical, plumbing, fire protection, telecommunications, and security.

Of the total amount, $420,668 is the clinical Architectural/Engineering Fee. This amount represents 4.14% of the clinical new construction and contingency costs.

Consultant Fees - $1,219,339

The consultant and other fees include services for various types of consulting and professional expertise plus the application costs associated with the required regulatory reviews.

The consulting fees include:

- Project Management Services
- Medical Equipment Planning
- FF&E Design
- IT/IM Project Management Services
- CON Advisory Services

The application costs include the cost associated with the following reviews and permits:

- CON Filing Fee
- IDPH Application Cost
- City of Chicago Permit Application Fee

Of the total amount, $636,043 is the clinical consultant and other fee costs. This amount represents 3.46% of the clinical modernization cost.

Movable Equipment - $3,006,839

The movable equipment cost includes all the equipment, furniture, artwork and fixtures to equip the new additions.

Of the total amount, $1,568,455 is the clinical movable equipment costs. This cost includes the medical equipment for the clinical space and is outlined below:

- Patient Beds & Cribs: $283,653
- Physiological Monitoring, Central Stations and Devices: $674,973
- Medication Carts, Storage and Dispensers: $127,721
- Other (Pumps, IV Stands, Defibrillators, Scales, Wheelchairs, etc): $482,108

The remainder of the total amount, $1,438,384, is associated with non-clinical movable equipment costs and is outlined below:

- Medical Equipment for Non-Clinical Space: $755,279
- Furniture: $564,897
- Artwork: $37,500
- Signage: $33,852
- Security: $46,856

Other Capital Costs - $1,462,945

The other capital costs include the fees for commissioning, furniture removal, moving costs and IT/AV equipment.

Of the total amount, $763,115 is the clinical, other capital cost.

SECTION X. SAFETY NET IMPACT STATEMENT

1. The project's material impact, if any, on essential sofety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) provides more pediatric patient care than any other hospital in Illinois in nearly every pediatric and surgical specialty. In addition, Lurie Children's is the largest provider of Medicaid pediatric services in the State of Illinois and one of the 19 "safety net hospitals" in Illinois as defined in 305 ILCS 5/5-5e.1. For Fiscal Year (FY) 2016 (ending August 31, 2016), Lurie Children's total charity care and community benefit was $144.7 million, which includes: $1.3 million for charity care and $94.1 million for the unreimbursed cost of providing Medicaid services.

While not a traditional safety net service such as emergency department or psychiatry services, Lurie Children's expansion of the Hematology/Oncology services should not adversely affect the safety net services provided by other providers in the community. Lurie Children's provides care, including hematology/oncology care to all patients, regardless of payor, at all locations where Lurie Children's offers services. In addition, many of these services are not available at other hospitals, particularly among the pediatric population. As further described below, many of the services involve complex clinical trials, so they are only available at an academic medical center. Instead, Lurie Children's is a resource for referral for patients requiring services that are not available elsewhere.

The hematology/oncology service is one of the fastest growing clinical services at Lurie Children's. This is the result of several factors. Lurie Children's holds the position as a regional referral center for complex pediatric cases, especially for patients with cancer who may have other clinical disorders. As a regional, national, and international referral site, Lurie Children's treats more than 300 new cancer patients each year. Lurie Children's sees more infants, children, and teens with cancer and blood disorders than any other hospital in Illinois, providing more than one-third of all Hematology/Oncology and Stem Cell Transplant discharges in the 7 county metropolitan market.

As access to health care remains a challenge for patients, the intent of Lurie Children's expansion of inpatient services furthers the commitment to our patients by ensuring that we have adequate capacity to provide a high quality level of care to our patients.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasanably known ta the applicant.

Other area hospitals provide emergency care, inpatient psychiatry, and other services they consider safety net services. None are dedicated to the unique and specialized needs of children. Fewer and fewer hospitals provide pediatric inpatient services at all and only a handful provide for the tertiary and quaternary needs of pediatric inpatients. The proposed expansion of pediatric intensive care and neonatal intensive care beds is not designed to, and to our knowledge will not, prevent another provider from providing essential safety net services.

3. How the discontinuation of a facility or service might impoct the remaining safety net providers in a given community, if reasonably known by applicant.

Not applicable; this project does not involve discontinuation of a facility or service.

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

Patient Care Related Safety Net Services

In FY 2016, Lurie Children's cared for 198,800 individual children from every county in Illinois, 50 states, and 51 countries. Lurie Children's is dedicated to making healthcare services accessible to pediatric patients without discrimination based on race, religion, gender, national origin, sexual orientation, or ability to pay.

As the premier pediatric Level 1 trauma center in the Chicago area, Lurie Children's Kenneth & Anne Griffin Emergency Care Center provides acute care for all sick and injured children, with more than 56,800 patient visits in FY 2016. The Emergency Care Center is staffed 24 hours a day by board-certified pediatric emergency medicine specialists and fellows and is supported by a broad range of pediatric medical and surgical subspecialties and state-of-the-art diagnostic services. Experienced physicians and nurses are appointed around the clock to handle even the most complicated, life-threatening cases. Lurie Children's received a 2014-2017 Lantern Award from the Emergency Nurses Association in recognition of exceptional practice and innovative performance in the core areas of leadership, practice, education, advocacy, and research.

In addition to the Emergency Care Center, Lurie Children's has partnerships with community hospitals to provide greater access to pediatric care throughout the Chicagoland area. These partnerships place Lurie Children's pediatric hospitalists and/or neonatologists on-site and on-call for outpatient services, pediatric emergency medicine, and telemedicine. In FY 2016, Lurie Children's board-certified pediatric emergency medicine physicians provided emergency care for more than 24,600 patients at community hospitals in the Chicago area.

Many of the children served by Lurie Children's are transferred from other hospitals by Lurie Children's Transport Team, a Midwest leader in neonatal and pediatric transport. The Transport Team received the 2015 Association of Air Medical (AAMS) Neonatal and Pediatric Transport Award of Excellence. The Transport Team recently received accreditation from the Commission on Accreditation of Medical Transport Systems (CAMTS), making Lurie Children's the first neonatal-pediatric specialty transport team in Illinois, and the region, to obtain this prestigious recognition of quality.

Lurie Children's also operates a Level III Neonatal Nursery that serves as a regional referral center for the State of Illinois' Perinatal Network. This nursery has cared for more than twice the number of children with life-threatening conditions than any other pediatric hospital in Illinois. Lurie Children's ability to treat the most critically ill infants is demonstrated by the fact that in FY 2017, 42 percent of all transports into its neonatal intensive care unit were from other Level III nurseries in the Chicago metropolitan area.

For almost 60 years, the Department of Child and Adolescent Psychiatry at Lurie Children's has provided psychiatric and psychological services to families and children of all ages, from every social and economic background. In FY 2017, Lurie Children's specialists provided mental health evaluation and care during more than 25,300 outpatient visits; 557 inpatient psychiatric admissions; and served 2,392 children in the Partial Hospitalization Program. In addition, Lurie Children's provided more than 1,600 psychiatric consultations in the emergency department and inpatient pediatric and surgical services.

Patient demographics are diverse and include a large number of families whose primary language is not English, as demonstrated by the fact that Lurie Children's spent over $1.3 million in translation services in FY 2016. In addition, Lurie Children's provides comprehensive family support services to patients and their families. An interdisciplinary team of social workers, chaplains, and child life specialists are available 24 hours a day, seven days a week. Most of these services are funded through philanthropic support.

Lurie Children's also operates numerous outpatient specialty clinics in various locations throughout the Chicago metropolitan area, increasing convenient access to the scarce pediatric specialty and subspecialty services that would not otherwise be immediately available. Lurie Children's also provides physician coverage through neonatologists, pediatric intensivists, pediatric hospitalists, pediatric emergency care medicine physicians, and telemedicine services at 16 other hospitals located in Chicago and suburban areas.

Lurie Children's is consistently recognized for providing the highest level of safe and quality care. For example:

- In 2017, Lurie Children's was ranked by U.S. News & World Report as the 7th best children's hospital in the country and the only pediatric hospital in Illinois to be ranked in all 10 specialties evaluated. In fact, no other Illinois hospital scored higher in any one specialty area. Lurie Children's was also awarded the 2017-2018 Honor Roll designation—the highest level of recognition.
- In 2015, Lurie Children's earned the American Nurses Credentialing Center's Magnet Recognition for Nursing Excellence and Quality Patient Care for the fourth time; less than 1 percent of hospitals in the country have been recognized four times.
- In 2017, for the second year in a row, Lurie Children's was named a Level I pediatric surgery center by the American College of Surgeons, becoming the first children's hospital in Illinois to earn this status. Lurie Children's is currently one of five in the country to earn this status.
- In December 2016, Lurie Children's was one of 10 children's hospitals nationwide, and the only one in Illinois, named as one of The Leapfrog Organization's 2016 Top Hospitals, an elite national distinction given to hospitals with the highest quality in the nation. The Leapfrog Hospital Survey compares hospitals' performance on national standards of patient safety, quality, efficiency, and management structures that prevent errors, providing the most comprehensive picture of how patients fare at individual institutions.
- In 2012, The Joint Commission, the leading accreditor of health care organizations in the U.S., named Lurie Children's as one of three of the nation's Top Performers on Key Quality Measures. Children's hospitals were ranked in one area – children's asthma.
- Lurie Children's is certified by the Illinois Department of Public Health and the Emergency Medical Services for Children program as both a Pediatric Critical Care Center (PCCC) and an Emergency Department Approved for Pediatrics (EDAP). Together, these certifications signify that Lurie Children's has the essential resources and capabilities in place to meet the emergency and critical care needs of seriously ill and injured children.

Below are some specific areas where Lurie Children's has dedicated efforts in education, research, and community outreach to support and increase safety net services. For FY 2016, this included $19.4 million for education, including resident and fellows expenses; $11.8 million for research; $1.3 million for language assistance/translation services; $12.6 million for subsidized health services; and $4.2 million for bad debts that were not able to be collected.

Education-Related Safety Net Services

Lurie Children's is a major academic tertiary care medical center. It serves as the primary pediatric practice site for the Northwestern University Feinberg School of Medicine (NUFSM) and provides the clinical training for NUFSM's resident physicians, fellows, and medical students in pediatric specialties and subspecialties. Each year, the Lurie Children's Department of Pediatrics trains over 200 NUFSM physicians, almost half are pediatric residents, and the remainder are fellows in various pediatric subspecialties including cardiology, hematology/oncology, and neonatology. In addition, the Lurie Children's Department of Surgery provides formal resident education to NUFSM in each of its 10 divisions and trains rotating residents from various other medical schools. Lurie Children's invested more than $19.4 million in these educational programs in FY 2016.

Among the training opportunities for residents, supervised by attending physicians, is providing pediatric primary care at the Uptown Clinic in Chicago. This clinic is a medical home for more than 3,000 children who speak over 20 different languages. More than 200 of these children have conditions that the State considers "medically complex" or "highly medically complex." These conditions include spina bifida, cystic fibrosis, spastic quadriplegia cerebral palsy, seizure disorder, Down syndrome, chronic lung disease, neuromuscular scoliosis, hypo/hyperthyroidism, and obstructive sleep apnea. In 2015, this clinic was recognized as a Patient-Centered Medical Home Program by the National Committee for Quality Assurance. These primary care services would not otherwise be available to the patients treated at the site. The operating costs attributable to the primary care and dentistry clinics in FY 2016 are more than $3.2 million. Both programs are operated despite financial losses to the organization. The clinics provide health care to a largely underserved community.

In addition to training medical students, residents, and fellows of NUFSM and other institutions, Lurie Children's offers clinical experiences in pediatrics to nursing students and students in other allied health fields. Students in clinical placements must be candidates for a degree in their particular field of study. Lurie Children's is affiliated with 21 nursing training programs. In academic year 2016-17 there were 469 third and fourth year medical students, and in FY 2016, there were 968 nursing students and 348 allied health students, (totaling 1,785 student placements) studying in the fields of respiratory therapy, exercise physiology, rehabilitation services, social work, nutrition, radiology, pharmacy, child life, art therapy, and psychiatry-related studies. Students training to be operating room technicians and cardiac perfusion technicians also have clinical placements at Lurie Children's.

Research Related Safety Net

Advances in research lead to better outcomes for all children, regardless of their family income or demographics. Lurie Children's has been committed to generating new knowledge about the prevention and treatment of disease since its founding in 1882. In FY 2017, more than 160 Lurie Children's researchers received more than $33.5 million in external funding to advance their discoveries. More than $18 million of these awards were from the National Institutes of Health (NIH) or other federal government sources. Researchers are currently participating in approximately 175 industry-sponsored clinical trials to uncover new cures and treatments to childhood diseases.

In addition to clinical and fundamental laboratory-based research, Lurie Children's conducts population-based and public health research that drives policy and community-based interventions that has garnered in excess of $4.4 million in grants and contracts. These studies address the most pressing issues faced by our city's most vulnerable children. Lurie Children's Mary Ann & J. Milburn Smith Child Health Research Program researchers focus on issues including violence, obesity, and unintentional injury.

Community Outreach Related Safety Net Services

The vision statement of Lurie Children's declares that "we are guided by the belief that all children need to grow up in a protective and nurturing environment where each child is given the opportunity to reach their full potential." These words call Lurie Children's to extend its expertise and resources beyond the confines of its buildings. For decades, Lurie Children's experts have gone out into communities throughout Illinois to understand the social, economic, and environmental factors that threaten children's health and well-being.

A Public Policy Committee of Lurie Children's Board of Directors considers institutional positions on key child health issues to help guide Lurie Children's advocacy in Washington, D.C., Springfield, and Chicago. These positions include improving access to health care and mental health services for children, preventing childhood injury, abuse and obesity, and encouraging safe childhood immunizations. In addition, in collaboration with local community leaders, Lurie Children's experts develop and implement targeted initiatives and programs to help create a healthier future for every child throughout the Chicagoland area.

Since 2013, Lurie Children's community outreach has been guided by its Community Health Needs Assessment (CHNA) and Implementation Plan. These reports were created by a committee comprised of key Lurie Children's staff, representatives of public health agencies, organizations that serve communities in Chicago that experience health disparities, and Lurie Children's patient population. In 2016, Lurie Children's CHNA identified the following priority areas as the focus for 2017—2019: social determinants of health; access to care; asthma; child maltreatment; children with complex chronic conditions; mental health; obesity, physical activity, and nutrition; and violence-related injury and mortality. Below is a summary of how Lurie Children's is addressing these priorities, which are barriers to child health in our community:

Lurie Children's Partnerships with School Districts

Lurie Children's experts partner with school districts across Illinois, with particular focus on Chicago Public Schools (CPS), to educate and train teachers, administrators, and school nurses on child health issues. Lurie Children's serves as a resource for school leaders to support children with a wide range of needs, including diabetes, food allergies, hearing disorders, mental health, gender support, HIV/STI, asthma, and epilepsy.

Center for Childhood Resilience

The Center for Childhood Resilience (CCR) was established in 2004 at Lurie Children's to promote access to high-quality mental health services for children and adolescents across Illinois and the region. Since 2013, CCR has been training mental health providers in the "Bounce Back" intervention, a skill-building resiliency program. A recent study found that 93 percent of CPS students who participated in the Bounce Back program experienced a reduction in post-traumatic stress disorder symptoms.

CCR is partnered with eight school districts across Illinois to build the capacity of school-based clinicians and staff to implement trauma-informed practices and deliver evidence-based mental health services. In 2016 alone, CCR staff trained more than 2,300 school and community clinicians and staff to improve support for youth struggling with emotional issues and ongoing traumatic stress. Also in 2016, CCR launched the "You Are Not Alone" initiative with a kick-off webinar, engaging more than 700 youth-serving professionals to better meet the mental health needs of refugee, immigrant, LGBTQ, religious, and ethnic minority youth and families.

Injury Prevention and Research Center

The Injury Prevention and Research Center (IPRC) coordinates all hospital activities in both unintentional and intentional injuries. The IPRC strives to reduce preventable injuries in several ways. In 2016, Lurie Children's experts: taught 42 car seat classes and distributed 898 car seats with 21 community partners; distributed 1,800 home safety bags, 1,600 bicycle helmets, 700 window safety devices, and 650 smoke detectors; trained more than 700 coaches and taught 1,000 athletes how to reduce the likelihood of anterior cruciate ligament (ACL) injuries through the Knee Injury Prevention Program (KIPP); and provided "Return to Learn" training for approximately 1,000 school administrators, teachers and nurses to help them care for children who experience concussions. The IPRC also houses the Illinois Violent Death Reporting System (IVDRS), which, in 2016, produced and shared six data briefs with more than 2,000 individuals and community organizations to develop a state-wide data repository related to violent deaths. With these data, policy makers and researchers will be able to analyze the causes and correlates of violent deaths in order to develop effective prevention policies and programs for the State of Illinois.

Lurie Children's has been a vocal advocate for motor vehicle safety and has helped pass legislation to expand car seat use to children through age 8, seat belt use for all passengers, expanded use of bicycle helmets, and graduated licensure for adolescent drivers. As a result of these types of efforts, hospitalizations and deaths due to motor vehicle injuries have dropped by approximately 20% since 2000. In addition, Lurie Children's has provided free and reduced price car seats to parents in need for more than 20 years. Lurie Children's experts also have trained staff members at 14 hospitals and community agencies to be Child Passenger Safety Technicians to serve their clients.

Lurie Children's is also home to national experts in concussion policy and procedures. They have worked with legislators to pass critical legislation about when children with concussions can return to both sports and school. They also train Chicago Park District coaches, and others who supervise children's sports, on the prevention and treatment of concussions. In addition, Lurie Children's experts have conducted 29 playground safety checks at childcare centers that serve 2,000 children.

Strengthening Chicago's Youth

In 2012, Lurie Children's launched Strengthening Chicago Youth (SCY) to build capacity among numerous public and private stakeholders to connect, collaborate, and mobilize around a public health approach to violence prevention. With more than 4,000 partners, SCY efforts focus on policy development, providing technical assistance and training to community organizations, encouraging conversations about how every individual can play a role in the prevention of violence, and fostering connections between community organizations and researchers. SCY collaborative uses a public health approach to prevent violence in Chicago. SCY hosts approximately 15 training and educational sessions per year, which are attended by more than 1,000 partners, to address the organizations' needs.

In early 2017, SCY, together with Cook County Juvenile Probation Department, TASC, the Illinois Collaboration on Youth, and 10 community-based service providers, launched the Juvenile Justice Collaborative, an innovative pilot program that helps arrested youth access community services and avoid further involvement with the juvenile justice system by facilitating and coordinating access to comprehensive support services that meet adolescents' developmental needs. Throughout 2017, up to 50 young people, ages 12 to 18, will be referred to the Collaborative to receive appropriate mental health and other services instead of spending time in the juvenile justice system.

Consortium to Lower Obesity in Chicago Children

The Consortium to Lower Obesity in Chicago Children (CLOCC), a nationally recognized childhood obesity prevention coalition, was founded by Lurie Children's in 2002. With more than 3,000 participants representing over 1,200 organizations, CLOCC is data-driven and evidence-based, committed to building capacity among partners. The Institute of Medicine, the U.S. Surgeon General, the American Medical Association, and the Centers for Disease Control and Prevention have recognized CLOCC as an outstanding community obesity prevention model. CLOCC's obesity prevention strategies include environmental change, public education, advocacy, research, outcome measurement, and program evaluation.

CLOCC supported the efforts of more than 30 public schools to achieve Healthy CPS designation, which demonstrates a school's commitment to a safe and healthy learning environment by offering access to daily physical activity, nutritious foods, school-based health services, health education and supports for students with chronic conditions. CLOCC has successfully advocated for Healthy Vending contracts to improve healthy options in vending machines in Chicago Park District locations and buildings owned or managed by the City of Chicago. CLOCC has trained more than 1,900 staff from over 145 organizations to deliver its 5-4-3-2-1 Go!® healthy lifestyle message to millions of children and their families.

Adolescent Medicine Team

Lurie Children's Adolescent Medicine Team plays a leadership role in advocacy and outreach around the health needs and legal rights of marginalized children and young adults, especially those in the LGBTQ and HIV+ community. The Adolescent Medicine team has provided professional development and education about gender-inclusive practices for trans and gender-expansive youth in more than 150 schools through Lurie Children's Gender & Sex Development Program. Lurie Children's is the first pediatric hospital in the country to create a model policy for student gender support as a resource for schools striving to be inclusive of all students. Lurie Children's provided free HIV/STI testing at more than 30 community events targeting young people in 2016.

Workforce Development and Clinical Units

Lurie Children's Workforce Development and Clinical Units provide internships and mentoring opportunities for African-American, Latino, and chronically ill Chicago public high school students, ages 17-19, to introduce them to a wide range of healthcare careers and help build a more diverse workforce. Workforce Development manages four customized internship programs for students, housed at Lurie Children's main hospital, outpatient centers, and Lurie Children's Pediatrics - Uptown primary care clinic. In 2016, approximately 200 students were engaged in internships at Lurie Children's. Lurie Children's has hired more than 65 former interns as full-time employees. The program has 3,600 alumni who work in hospitals around the country.

Community Volunteer Corps

Lurie Children's Community Volunteer Corps is an opportunity for community members, hospital volunteers, and staff to serve as advocates for childhood health and safety throughout Chicago. During the summer months, volunteers attend community events and festivals around the city, bringing interactive games and educational material to share with children and families. In 2016, the Community Volunteer Corps reached more than 3,000 families by engaging more than 100 volunteers and participating in more than 10 events across the city each summer.

Safety Net Impact Statement			
	FY14	**FY15**	**FY16**
Charity Care			
Charity (# of potients)			
Inpatient	253	257	227
Outpatient	2,780	3,294	2,797
Total	3,033	3,551	3,024
Chority (cost in dollars)			
Inpatient	383,188	526,014	202,065
Outpatient	1,005,290	1,008,446	842,026
Total	1,388,478	1,534,460	1,044,091
Medicaid			
Medicaid (# of potients)			
Inpatient	4,574	4,412	4,371
Outpatient	50,203	56,086	59,237
Total	54,777	60,498	63,608
Medicaid (cost in dollars)			
Inpatient	167,973,638	157,675,579	181,656,672
Outpatient	80,803,510	89,669,177	95,345,653
Total	248,777,148	247,344,756	277,002,325

XI. CHARITY CARE INFORMATION

Since 1882, Ann & Robert H. Lurie Children's Hospital of Chicago's (Lurie Children's) mission has been to improve the health and well-being of all children. Lurie Children's is the State of Illinois' primary partner in bringing high-quality and accessible health care to the most vulnerable children. As the State's only freestanding, acute care children's hospital, Lurie Children's treats more children insured by Medicaid than any other Illinois hospital.

Lurie Children's is steadfast in its commitment to care for all children and families, despite reimbursment the Medicaid program provides the hospital and its physicians. In FY 2016, Lurie Children's was reimbursed $94.1 million less than the actual cost of providing Medicaid services to children.

Lurie Children's has a robust financial assistance program that is widely publicized and available to patients at any time. In FY 2016, 1,214 individuals applied for financial assistance. More than 95 percent of these applicants received financial assistance. Eligibility for financial assistance from Lurie Children's is based upon a family's income as compared to national poverty levels. In general, the few applicants who were not approved for such assistance failed to provide documentation of income and financial resources to demonstrate eligibility.

The primary reason Lurie Children's does not receive more requests for financial assistance is that the State of Illinois has established nearly universal health coverage for all children who reside in the State through its Medicaid/All Kids programs. Lurie Children's assists the Illinois Department of Healthcare and Family Services by enrolling children who require inpatient services and who qualify for Medicaid/All Kids.

In FY 2016, Lurie Children's provided $1,044,091 in charity care.

CHARITY CARE			
	FY14	**FY15**	**FY16**
Net Patient Revenue	622,825,298	645,272,675	698,477,020
Amount of Charity Care (charges)	4,197,334	4,832,946	3,545,301
Cost of Charity Care	1,388,478	1,534,460	1,044,091

Ann & Robert H. Lurie
Children's Hospital of Chicago™

October 10, 2017

BY OVERNIGHT DELIVERY
Mr. Michael Constantino
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Permit Application
Hematology/Oncology ICU Bed Expansion
Ann & Robert H. Lurie Children's Hospital of Chicago

Dear Mr. Constantino:

On behalf of Ann & Robert H. Lurie Children's Hospital of Chicago, I am pleased to submit the Certificate of Need permit application for a Hematology/Oncology ICU bed expansion. Enclosed is an original and one copy.

Also enclosed is check #643693 in the amount of $2,500 as payment of the initial application fee.

We look forward to the upcoming review of the project by the Illinois Health Facilities and Services Review Board.

Sincerely,

Reagen Atwood

Reagen Atwood
Associate General Counsel
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Avenue, Box 261
Chicago, IL 60611

Enclosures

cc: Ralph Weber, Consultant