19-008 ORIGINAL SIGNATURES

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

FEB 26 2019

HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Rehabilitation Institute of Chicago d/b/a Shirley Ryan AbilityLab		
Street Address:	355 East Erie Street		
City and Zip Code:	Chicago, IL 60611		
County: Cook	Health Service Area: VI	Health Planning Area: A-01	

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

Exact Legal Name:	Rehabilitation Institute of Chicago
Street Address:	355 East Erie Street
City and Zip Code:	Chicago, IL 60611
Name of Registered Agent:	Nancy E. Paridy
Registered Agent Street Address:	355 East Erie Street
Registered Agent City and Zip Code:	Chicago, IL 60611
Name of Chief Executive Officer:	Joanne Smith, MD
CEO Street Address:	335 East Erie Street
CEO City and Zip Code:	Chicago, IL 60611
CEO Telephone Number:	312/ 238-1000

Type of Ownership of Applicants

X 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:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court, Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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:	Ms. Nancy Paridy
Title:	Sr. Vice President, Chief Administrative Officer
Company Name:	Shirley Ryan AbilityLab
Address:	355 East Erie Street Chicago, IL 60611
Telephone Number:	312/238-1000
E-mail Address:	nparidy@sralab.org
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Rehabilitation Institute of Chicago
Address of Site Owner:	355 East Erie Street Chicago, IL 60611
Street Address or Legal Description of the Site:	355 East Erie Street Chicago, IL 60611

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:	Rehabilitation Institute of Chicago
Address:	355 East Erie Street Chicago, IL

X Non-profit Corporation ☐ Partnership
☐ For-profit Corporation ☐ Governmental
☐ Limited Liability Company ☐ 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 organized and the name and address of each partner specifying whether each is a general or limited partner.
- **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.

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 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

X 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.

The applicant proposed to add twenty (20) comprehensive physical rehabilitation ("rehabilitation") beds through the renovation of existing space.

The Shirley Ryan AbilityLab (formerly known as the Rehabilitation Institute of Chicago) relocated to its new 242-bed hospital in March, 2017, consistent with a CON Permit awarded on February 5, 2013. The applicant, however, has been determined not to qualify to add the proposed additional beds under the "twenty-bed rule" because the space to be renovated, which is currently used for equipment and supply storage, is viewed as "shell" space, therein requiring a CON Permit. The additional twenty beds will be located on portions of the 20th and 25th floors of the hospital, and will replace storage space.

Project Costs and Sources of Funds

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	$ 92,000	$ 8,000	$ 100,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	$ 6,244,462	$ 684,084	$ 6,928,546
Contingencies	$ 424,766	$ 127,218	$ 551,984
Architectural/Engineering Fees	$ 590,000	$ 60,000	$ 650,000
Consulting and Other Fees	$ 806,288	$ 70,112	$876,400
Movable and Other Equipment	$ 2,829,400		$ 2,829,400
Net Interest Expense During Construction Period			
Fair Market Value of Leased Space or Equipment			
Other Costs to be Capitalized			
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	**$ 10,986,916**	**$ 949,414**	**$11,936,330**
Sources of Funds:			
Cash and Securities	**$ 10,986,916**	**$ 949,414**	**$11,936,330**
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 10,986,916**	**$ 949,414**	**$11,936,330**

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 X No Purchase Price: $________________ Fair Market Value: $________________
The project involves the establishment of a new facility or a new category of service ☐ Yes X No If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100. Estimated start-up costs and operating deficit cost is $ ______________.

Project Status and Completion Schedules

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 X Schematics ☐ Final Working
Anticipated project completion date (refer to Part 1130.140): __June 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 X 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: X Cancer Registry X APORS X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted X 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: Shirley Ryan AbilityLab			**CITY: Chicago**		
REPORTING PERIOD DATES:	**From: January 1, 2018**		**to: December 31, 2018**		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation	242	3,250	72,127	+20	262
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	242	3,250	72,127	+20	262

CERTIFICATION

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 __Rehabilitation Institute 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.

Nancy E. Paridy	[signature]
SIGNATURE	SIGNATURE
NANCY E. PARIDY	JONATHAN TINGSTAD
PRINTED NAME	PRINTED NAME
SR. VICE PRESIDENT, CHIEF ADMINISTRATIVE OFFICER	SR. VICE PRESIDENT CHIEF FINANCIAL OFFICER
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 20 day of February	Notarization: Subscribed and sworn to before me this 20 day of February
Liana M Davila	Liana M Davila
Signature of Notary	Signature of Notary
Seal LIANA M DAVILA Official Seal Notary Public - State of Illinois My Commission Expires Nov 7, 2020	Seal LIANA M DAVILA Official Seal Notary Public - State of Illinois My Commission Expires Nov 7, 2020

*Insert the EXACT legal name of the applicant

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.

1110.110(a) – Background of the Applicant

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 listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
    a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
    b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.
    c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
    d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
    e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
4. 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.**
5. 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 1110.110(b) & (d)

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 1110.120 - 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 <u>ATTACHMENT 14,</u> 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 <u>has established</u> 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 <u>ATTACHMENT 15,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

B. Criterion 1110.205 - Comprehensive Physical Rehabilitation

1. Applicants proposing to establish, expand and/or modernize the Comprehensive Physical Rehabilitation category 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
X Comprehensive Physical Rehabilitation	**242**	**262**

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.205(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110. 205(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.205(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.205(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.205(b)(5) - Planning Area Need - Service Accessibility	X		
1110.205(c)(1) - Unnecessary Duplication of Services	X		
1110.205(c)(2) - Maldistribution	X		
1110.205(c)(3) - Impact of Project on Other Area Providers	X		
1110.205(d)(1), (2), and (3) - Deteriorated Facilities			X
1110.205(d)(4) - Occupancy			X
1110.205(e)(1) - Staffing Availability	X	X	
1110.205(f) - Performance Requirements	X	X	X
1110.205(g) - Assurances	X	X	

APPEND DOCUMENTATION AS <u>ATTACHMENT 19,</u> 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)**

VI. 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]:**

$11,936,330__	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;
________	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.
$11,936,330	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT 33, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII. 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 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

not applicable, funded through internal sources

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 35, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII.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

not applicable, funded through internal sources

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	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	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 <u>ATTACHMENT 36,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 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]:

not applicable, non-substantive project

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

SECTION X. 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			
	2016	2017	2018
Net Patient Revenue	**$196,740,531**	**$215,513,703**	**$241,740,831**
Amount of Charity Care (charges)	$1,457,070	$2,364,258	$1,576,079
Cost of Charity Care	$521,214	$861,856	$544,062

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

File Number 3272-594-5

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

REHABILITATION INSTITUTE OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 05, 1951, 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* 13TH *day of* FEBRUARY *A.D.* 2019 .

Authentication #: 1904403266 verifiable until 02/13/2020

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

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

355 E. Erie St., Chicago, IL 60611 | 844.355.ABLE (2253) | sralab.org

February 18, 2019

Illinois Health Facilities and
Services Review Board
Springfield, IL 62761

To Whom It May Concern:

I hereby certify that the site of the rehabilitation hospital addressed in this Certificate of Need application is owned by Rehabilitation Institute of Chicago.

Sincerely,

Nancy E. Parcy

Nancy E. Paridy
Sr. Vice President,
Chief Administrative Officer

Subscribed and sworn to before me at Chicago, IL
City, State

this 18 day of February, 2019.

Notary Public

LIANA M DAVILA
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 7, 2020

ATTACHMENT 2

File Number 3272-594-5

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

REHABILITATION INSTITUTE OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 05, 1951, 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* 13TH *day of* FEBRUARY *A.D.* 2019 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

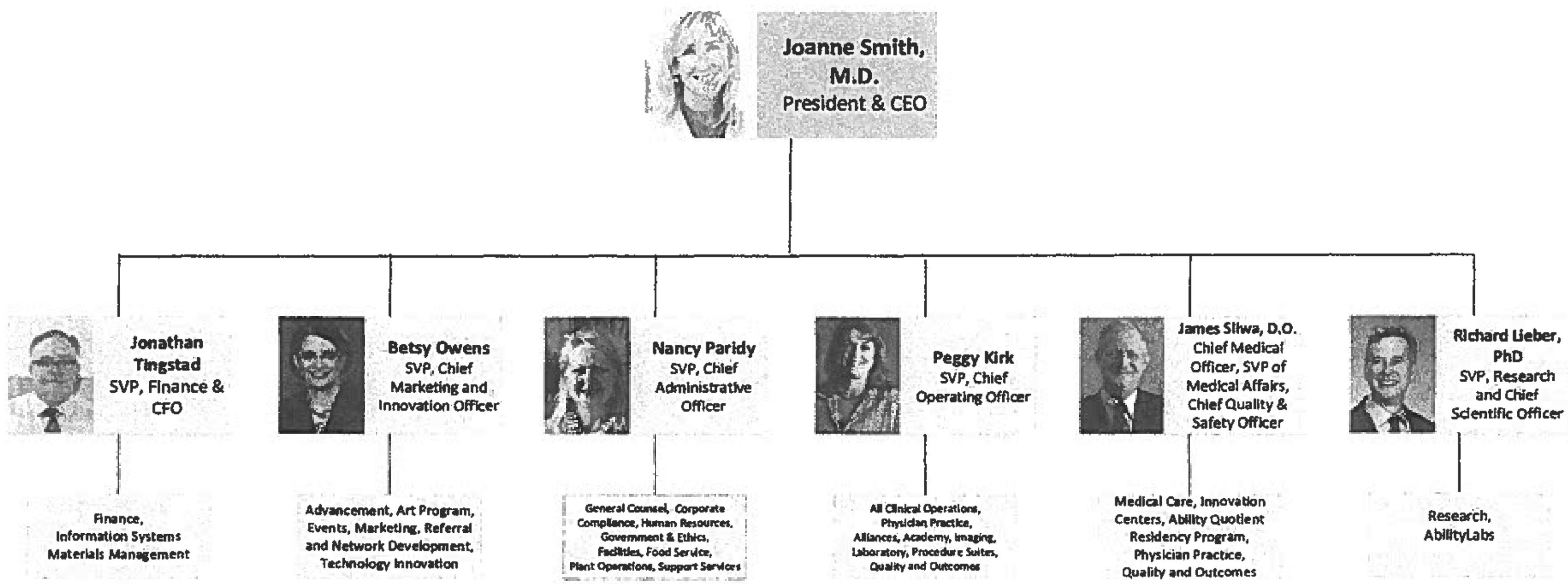
Authentication #: 1904403266 verifiable until 02/13/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 3

Shirley Ryan Abilitylab

EXECUTIVE LEADERSHIP TEAM



ATTACHMENT 4

24

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

February 15, 2019

Illinois Dept. of Natural Resources
Illinois State Historic Preservation Office
ATTN: Review and Compliance/Old State Capitol
1 Natural Resources Way
Springfield, IL 62702-1271

RE: Proposed Renovation to Shirley Ryan Ability Lab
Chicago

To Whom It May Concern:

I am in the process of developing a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

The project proposes the renovation of existing storage space in the Shirley Ryan Ability Lab (formerly known as the Rehabilitation Institute of Chicago) for use as patient units. The project involves no new construction or site work. As you may be aware, the hospital is a new building, with construction being completed in late 2016. There do not appear to be any structures of historical significance in the immediate area.

I have enclosed the November 8, 2012 determination made by your agency, along with a map identifying the site and a photograph of the hospital.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,

Jacob M. Axel
President

enclosures

~~ATTACHMENT 6~~

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004

Project Costs and Sources of Funds

Project Costs				
Preplanning Cost				
Feasibility assessments	$	80,000		
Misc.	$	20,000		
			$	100,000
Moderization Contracts				
Per ATTACHMENT 37C			$	6,928,546
Contingencies				
Per ATTACHMENT 37C			$	551,984
Architectual & Engineering				
Design	$	580,000		
Project Monitoring	$	30,000		
Interaction with Agencies	$	20,000		
Misc.	$	20,000		
			$	650,000
Consulting and Other Fees				
Moving/Commissioning	$	50,000		
Interior Signage	$	40,000		
Artwork	$	250,000		
Project Management	$	255,400		
City and IDPH Reviews	$	26,000		
CON-Related	$	100,000		
A & E Reimbursables	$	80,000		
Misc./ Other	$	75,000		
			$	876,400
Moveable Equipment				
Patient Rooms	$	1,181,000		
Ability Labs	$	200,000		
Furniture	$	60,000		
IT	$	1,288,400		
Misc.	$	100,000		
			$	2,829,400
TOTAL PROJECT COST			**$**	**11,936,330**
Sources of Funds				
Cash and Securities			$	11,936,330
TOTAL SOURCES OF FUNDS			**$**	**11,936,330**

Shirley Ryan AbilityLab

355 E. Erie St., Chicago, IL 60611 | 844.355.ABLE (2253) | sralab.org

Ms. Courtney Avery
Illinois Health Facilities
And Services review Board

Dear Ms. Avery:

In accordance with Review Criterion 1110.230.b, Background of the Applicant, we are submitting this letter assuring the Illinois Health Facilities and Services Review Board that:

1. The Rehabilitation Institute of Chicago d/b/a the Shirley Ryan AbilityLab ("the hospital") has not had any adverse actions against it or any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and
2. The hospital authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me.

Sincerely,

Nancy E. Paridy

Nancy E. Paridy
Sr. Vice President, Chief Administrative Officer

LIANA M DAVILA
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 7, 2020

Date: FEBRUARY 18, 2019

Subscribed and sworn to before me at Chicago, IL
City, State

this 18 day of February, 2019

Liana M Davila
Notary Public

ATTACHMENT 8

Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Square Feet That is:			
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Patient Units	$ 9,009,271	184,026	196,431		12,405	184,026	
Gym	$ 1,098,692	148,863	156,108		7,245	148,863	
Therapy, Misc.	$ 878,953				1,588		
Total	$ 10,986,916				21,238		
Non-Reviewable							
Office, Private	$ 75,953				130		
Staff Areas	$ 151,906				363		
Computer Room	$ 123,424				186		
Storage	$ 598,131	170,510	148,593		24,765	123,828	21,917
Total	$ 949,414				25,444		
PROJECT TOTAL	**$ 11,936,330**				**46,682**		

Illinois Department of
PUBLIC HEALTH

HF115110

DISPLAY THIS PART IN A CONSPICUOUS PLACE

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
3/24/2019		0006056

Rehabilitation Hospital

Effective: 03/25/2018

Rehabilitation Institute of Chicago
dba Shirley Ryan Abilitylab
355 East Erie Street

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

Exp. Date 3/24/2019

Lic Number 0006056

Date Printed 1/30/2018

Rehabilitation Institute of Chicago
dba Shirley Ryan Abilitylab
355 East Erie Street
Chicago, IL 60611

FEE RECEIPT NO.

ATTACHMENT 11

PURPOSE OF THE PROJECT

The purpose of the proposed project is to increase access to the preeminent provider of rehabilitation and physical medicine services in the world. As a result, the proposed addition of twenty beds to the Shirly Ryan AbilityLab ("the hospital") will improve the health care and well being of the population served, which extends well beyond the metropolitan Chicago area, as demonstrated through the patient origin analysis provided in the table below.

The Shirley Ryan AbilityLab ("the hospital") is a research hospital, operating under an innovative model, combining the efforts of clinicians, scientists, innovators, and technologists, applying research in real time to maximize the care of current and future patients. The hospital is a global source of science-driven breakthroughs in physical medicine and human ability, with 350+ clinical trials and studies underway at any given time. As such, the hospital has become a destination for the most challenging cases, and for 28 consecutive years has held the distinction of being rated as the world's #1 rehabilitation hospital.

The issue addressed by this project is the hospital's insufficient number of diagnosis-appropriate rehabilitation beds to meet the anticipated future demand for admission to the hospital. In 2016, prior to the opening of the (larger) replacement hospital, the hospital (then known as the Rehabilitation Institute of Chicago) operated its 182 beds with an average daily census (ADC) of

161.4 patients and an occupancy rate of 88.7%. In 2018, the first full year of the 242-bed replacement hospital's operation the hospital operated with an ADC of 197.6, a 22.4% increase over the prior year. The goal of the project is to have a sufficient number of beds available to meet 2022 demand.

The patient origin analysis presented below segregates residents living within ten miles of the hospital (the HFSRB-designated geographic planning area/GSA), from other Illinois residents and patients residing outside of Illinois. While the hospital attracts patients world-wide, 55.2% of the patients admitted during 2018 resided in one of the 75 ZIP Codes in Chicago, Oak Park, Cicero, and Lincolnwood located within 10 miles (Searchbug) of the hospital. All ZIP Code areas accounting for a minimum of 0.5% of the hospital's admissions are located within Chicago.

2018 Patient Origin

GSA ZIP Codes, <0.5%	28.6%
GSA ZIP Codes, >0.5%	26.6%
Illinois, other	43.4%
Outside Illinois	1.4%

ATTACHMENT 12

ALTERNATIVES

Understanding the need to meet anticipated demand for admission to the Shirley Ryan AbilityLab ("the hospital"), the applicant evaluated two alternatives, both of which were determined by the applicant to be inferior to the proposed project from a variety of perspectives, including patient care.

The first alternative was the referring of patients to rehabilitation units in other hospitals, including those hospitals having a formal relationship with the applicant hospital. This alternative was immediately dismissed because the clinical capabilities of the applicant hospital exceed those of other hospitals; and that would be a primary concern, particularly for patients seeking care at the hospital because of its unique clinical programs and abilities. Had this alternative been selected, there would have been no capital cost or operating cost, but accessibility to the unique services of the hospital as well as the quality of care provided would be less than that of the proposed project.

The second alternative involved the development of a single 20-bed unit to house the proposed twenty beds, rather than to incorporate eight beds into an existing unit and twelve beds into another existing unit. Accessibility to the hospital's programs and quality of care would be identical to that of the proposed project; the cost of this alternative would, however, be significantly higher. The existing patient care units, which contain research, therapy, and support space, were designed with 760 square feet per bed, and an additional 20-bed unit would be designed in approximately the same function. Because the addition of eight and twelve beds to two existing units having contiguous available space would negate the need to provide a portion of the ancillary functions, the proposed project is being designed to provide 620 square feet per bed. The resultant incremental capital cost, assuming a renovation/modernization cost of $314/sf (please see ATTACHMENT 37C) is approximately $879,000. While the incremental operating (primarily staffing) costs have not been estimated, because of the duplication of staff resulting from the operating of another unit, this alternative's operating costs would clearly be higher than those of the proposed project.

SIZE

The proposed project involves only one functional area for which the HFSRB maintains a size standard, that being the proposed patient care units. Eight beds will be added to the patient unit located on the twentieth floor, and twelve beds will be added to the patient unit located on the twenty-fifth floor. This will be accomplished through the re-purposing of storage space located adjacent to the two units.

The space included in the proposed project has been planned through a collaborative effort, consisting of architects, planners, physicians, hospital staff, and patients, and based on the functionality of the hospital's existing patient care units, which also underwent an extensive planning process in 2011. As a result of the initial and more recent planning, the applicant is confident that the space included in the proposed project is necessary and not excessive; and, as noted in the table below, is in compliance with the standard provided in Appendix B to Section 1110.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Rehabilitation Units	12,405	13,200	(795)	YES

UTILIZATION

The proposed project is scheduled to be completed in mid-2020, and the applicant fully anticipates that the Shirley Ryan AbilityLab's ("the hospital's") occupancy rate will exceed the HFSRB's target occupancy rate of 85% by 2022.

During 2017, the first year following the hospital's re-locating to its current site, 66,999 patient days of care were provided, and during 2018, 72,127 patient days of care were provided, resulting in an increase of 7.6%. Utilization is anticipated to increase by the applicant for two primary reasons. First, the conditions treated at the hospital—some of which are not treated elsewhere—and the incidence of those conditions are growing, resulting in an increasing demand. Second, over the next two years, the hospital will be entering into a number of initiatives that will bring patients to the hospital, who would not otherwise seek care from the Shirley Ryan AbilityLab. While these programs are proprietary in nature, one of the programs was initiated earlier this year, and is therefore public. Specifically, the hospital is placing hospital liaisons in major cities, serving as a resource to local rehabilitation providers, and identifying patients that can benefit from services provided at the Shirley Ryan AbilityLab, but not at other or local hospitals. These are generally patients with complex conditions, often requiring a length of stay ("ALOS") exceeding the hospital's average.

In projecting utilization, the applicant is using very conservative assumptions. As noted above, patient days increased by 7.6% during the past year, and the assumption is being made that, going forward, utilization will only increase at an annual rate of only 4%. In addition, the ALOS is not projected to increase, even with anticipated increase in the admission of patients with more complex conditions. As a result, patient days are projected to increase to 84,405 (88% occupancy) by 2022.

Rehabilitation	**Historical Utilization (PATIENT DAYS)**	**PROJECTED UTILIZATION YEAR 1**	**YEAR 2**	**STATE STANDARD**	**MET STANDARD?**
2017	66,999				
2018	72,127	81,159	84,405	81,285	YES

ATTACHMENT 15

Shirley Ryan
AbilityLab

355 E. Erie St., Chicago, IL 60611 | 844.355.ABLE (2253) | sralab.org

February 18, 2019

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom It May Concern:

By virtue of my signature below, I hereby attest to the applicant's full anticipation that, by the end of the second year following the completion of the proposed project, the Shirley Ryan AbilityLab will operate at, or in excess of the utilization standard identified in Appendix B to Section 1110.

Sincerely,

Nancy E. Paridy

Nancy E. Paridy
Sr. Vice President,
Chief Administrative Officer

Date: FEBRUARY 18, 2019

Advancing Human Ability

SERVICE TO PLANNING AREA RESIDENTS

The Shirley Ryan AbilityLab ("the hospital"), because of its clinical expertise and unparalleled reputation, attracts patients from throughout the United States and abroad. However, based on 2018 patient origin, the majority of the hospital's admissions come from within ten miles of the hospital, the HFSRB-designated geographic service area. As documented in ATTACHMENT 12, during 2018, 55.2% of the patients admitted to the hospital were residents of that area. It is not anticipated that the hospital's patient origin will shift sufficiently during the next 3-4 years to result in an excess of 50% of the admissions coming from outside of the geographic service area.

During 2018, patients residing in 607 different ZIP Code areas were admitted to the hospital. A complete listing of those ZIP Codes will be provided to HFSRB staff upon their request.

SERVICE DEMAND

The proposed project is scheduled to be completed in mid-2020, and the applicant fully anticipates that the Shirley Ryan AbilityLab's ("the hospital's") utilization will continue to grow, and that its occupancy rate will exceed the HFSRB's target occupancy rate by 2022.

During 2017, the first year following the hospital's re-locating to its current site, 66,999 patient days of care were provided, and during 2018, 72,127 patient days of care were provided, resulting in an increase of 7.6%. Utilization is anticipated to increase by the applicant for two primary reasons. First, the conditions treated at the hospital—some of which are not treated elsewhere—and the incidence of those conditions are growing, resulting in an increasing demand. Second, over the next two years, the hospital will be entering into a number of initiatives that will bring patients to the hospital, who would not otherwise seek care from the Shirley Ryan AbilityLab. While the programs are proprietary in nature, one of the programs was initiated earlier this year, and is therefore public. Specifically, the hospital is placing hospital liaisons in major cities, serving as a resource to local rehabilitation providers, and identifying patients that can benefit from services provided at the Shirley Ryan AbilityLab, but not at other or local hospitals. These are generally patients with complex conditions, often requiring a length of stay ("ALOS") exceeding the hospital's average.

In projecting utilization, the applicant is using very conservative assumptions. As noted above, patient days increased by 7.6% during the past year, and the assumption is being made that, going forward, utilization will only increase at an annual rate of only 4%. In addition, the ALOS is not projected to increase, even with anticipated increase in the admission of patients with more complex conditions. As a result, patient days are projected to increase to 84,405 (88% occupancy) by 2022.

STAFFING

The staffing of the incremental beds and the addition of staff in other areas to address increased utilization will be initiated by the applicants approximately six months prior to the opening of the proposed beds.

The Shirley Ryan AbilityLab is the preeminent provider of rehabilitation services nationwide, and as a result, employment positions at the hospital are highly sought after. Accordingly, the primary avenues of recruitment will be word of mouth and advertisements in local newspapers and professional publications.

PERFORMANCE REQUIREMENTS

The Shirley Ryan AbilityLab is a 242-bed rehabilitation hospital that, with the approval and completion of the proposed project, will expand to 262 beds. Therefore, the hospital is currently and will continue to operate in compliance with the performance requirement of operating with a capacity of a minimum of 100 beds.

Shirley Ryan AbilityLab

355 E. Erie St., Chicago, IL 60611 | 844.355.ABLE (2253) | sralab.org

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

The Rehabilitation Institute of Chicago d/b/a the Shirley Ryan AbilityLab fully anticipates that, by the second year of operation following the completion of the proposed project, it will achieve and maintain the target occupancy standard for comprehensive physical rehabilitation beds as identified in 77 Ill. Adm. Code 1100.

Sincerely,

Nancy E. Paridy

Nancy E. Paridy
Sr. Vice President,
Chief Administrative Officer

Date: FEBRUARY 18, 2019

ATTACHMENT 20g

Advancing Human Ability

Rehabilitation Institute, Inc. and Affiliates

(Also known as Shirley Ryan AbilityLab)

Consolidated Financial Statements as of and for the Years Ended August 31, 2018 and 2017, and Independent Auditors' Report

ATTACHMENT 35

Deloitte.

Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Finance and Audit Committee of
Rehabilitation Institute, Inc.
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rehabilitation Institute, Inc. and Affiliates (also known as the Shirley Ryan AbilityLab) ("the Corporation"), which comprise the consolidated balance sheets as of August 31, 2018 and 2017, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these 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 the auditor's 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, the auditor considers internal control relevant to the Corporation'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 Corporation'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of August 31, 2018 and 2017, and the consolidated 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.

Deloitte & Touche LLP

November 15, 2018

ATTACHMENT 35

REHABILITATION INSTITUTE, INC. AND AFFILIATES
(Also known as Shirley Ryan AbilityLab)

CONSOLIDATED BALANCE SHEETS
AS OF AUGUST 31, 2018 AND 2017
(Dollars in thousands)

ASSETS	**2018**	**2017**
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,593	$ 18,202
Patient accounts receivable—less allowance for doubtful accounts of $1,415 and $3,484 in 2018 and 2017, respectively	37,987	39,241
Inventories of supplies	1,898	1,976
Estimated third-party payor settlements receivable	-	137
Prepaid expenses	4,537	5,695
Pledges receivable	20,023	42,294
Grants receivable	5,512	5,532
Current portion of loan due from related party	8,000	8,000
Other current assets	4,813	2,823
Total current assets	98,363	123,900
INVESTMENTS:		
Unrestricted investments	231,689	216,602
Donor and other restricted investments	123,872	108,083
Total investments	355,561	324,685
INVESTMENTS IN JOINT VENTURES	11,492	11,652
PLEDGES RECEIVABLE—Net of current portion	34,820	39,097
LAND, BUILDING, AND EQUIPMENT—Net	621,188	622,712
LONG-TERM LOAN DUE FROM RELATED PARTY—Net of current portion	15,636	23,275
INTANGIBLES, AND OTHER LONG-TERM ASSETS	584	584
TOTAL	$1,137,644	$1,145,905

(Continued)

ATTACHMENT 35

REHABILITATION INSTITUTE, INC. AND AFFILIATES
(Also known as Shirley Ryan AbilityLab)

CONSOLIDATED BALANCE SHEETS
AS OF AUGUST 31, 2018 AND 2017
(Dollars in thousands)

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 7,823	$ 7,687
Accounts payable and accrued expenses	16,847	24,182
Accrued salaries and wages	22,699	21,057
Deferred revenue	2,053	1,965
Estimated third-party settlements payable	6,513	4,400
Current portion of self-insurance reserves	2,389	4,043
Total current liabilities	58,324	63,334
SELF-INSURANCE RESERVES—Net of current portion	4,763	4,995
ACCRUED PENSION BENEFITS	56,364	75,147
OTHER NONCURRENT LIABILITIES	27,402	28,720
LONG-TERM DEBT—Net of current portion	375,284	382,995
Total liabilities	522,137	555,191
NET ASSETS:		
Unrestricted	474,005	483,686
Temporarily restricted	85,373	54,747
Permanently restricted	56,129	52,281
Total net assets	615,507	590,714
TOTAL	$1,137,644	$1,145,905

See notes to consolidated financial statements. (Concluded)

ATTACHMENT 35

REHABILITATION INSTITUTE, INC. AND AFFILIATES
(Also known as Shirley Ryan AbilityLab)

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018
(Dollars in thousands)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
NET PATIENT SERVICE REVENUE:				
Patient service revenue (net of contractual allowances and discounts)	$ 241,422	$ -	$ -	$ 241,422
Provision for bad debts	(1,192)	-	-	(1,192)
Net patient service revenue, less provision for bad debts	240,230	-	-	240,230
OTHER REVENUE AND SUPPORT:				
Grants	17,068	-	-	17,068
Affiliation and partnerships	11,679	-	-	11,679
Unrestricted contributions	6,405	-	-	6,405
Net assets released from restriction for operating purposes	8,560	-	-	8,560
Investment returns appropriated for operating purposes	3,096	-	-	3,096
Other revenue	10,883	-	-	10,883
Total other revenue and support	57,691	-	-	57,691
Total revenue and support	297,921	-	-	297,921
EXPENSES:				
Salaries, wages, and employee benefits	186,283	-	-	186,283
Supplies and other	52,165	-	-	52,165
Professional fees and purchased services	31,613	-	-	31,613
Depreciation	28,050	-	-	28,050
Taxes other than income	754	-	-	754
Interest	12,816	-	-	12,816
Total expenses	311,681	-	-	311,681
LOSS FROM OPERATIONS	(13,760)	-	-	(13,760)
NONOPERATING GAINS:				
Net investment gains	4,547	-	-	4,547
Net gain on interest rate swap	3,138	-	-	3,138
Total nonoperating gains	7,685	-	-	7,685
DEFICIT FROM REVENUE, SUPPORT, AND GAINS LESS THAN EXPENSES AND LOSSES	(6,075)	-	-	(6,075)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	17,213	-	-	17,213
RESTRICTED CONTRIBUTIONS AND ADJUSTMENTS	27	12,058	3,848	15,933
INVESTMENT RETURN ON RESTRICTED INVESTMENTS	-	6,282	-	6,282
NET ASSETS RELEASED FROM RESTRICTIONS FOR CAPITAL PURPOSES	(20,846)	20,846	-	-
NET ASSETS RELEASED FROM RESTRICTIONS FOR OPERATING PURPOSES	-	(8,560)	-	(8,560)
CHANGE IN NET ASSETS	(9,681)	30,626	3,848	24,793
NET ASSETS—Beginning of year	483,686	54,747	52,281	590,714
NET ASSETS—End of year	$ 474,005	$ 85,373	$ 56,129	$ 615,507

See notes to consolidated financial statements.

ATTACHMENT 35

REHABILITATION INSTITUTE, INC. AND AFFILIATES
(Also known as Shirley Ryan AbilityLab)

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2017
(Dollars in thousands)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
NET PATIENT SERVICE REVENUE:				
Patient service revenue (net of contractual allowances and discounts)	$ 206,158	$ -	$ -	$ 206,158
Provision for bad debts	(1,670)	-	-	(1,670)
Net patient service revenue, less provision for bad debts	204,488	-	-	204,488
OTHER REVENUE AND SUPPORT:				
Grants	20,060	-	-	20,060
Affiliation and partnerships	13,854	-	-	13,854
Unrestricted contributions	9,392	-	-	9,392
Net assets released from restriction for operating purposes	10,762	-	-	10,762
Other revenue	8,800	-	-	8,800
Total other revenue and support	62,868	-	-	62,868
Total revenue and support	267,356	-	-	267,356
EXPENSES:				
Salaries, wages, and employee benefits	171,209	-	-	171,209
Supplies and other	52,450	-	-	52,450
Professional fees and purchased services	31,297	-	-	31,297
Depreciation	17,753	-	-	17,753
Interest	4,902	-	-	4,902
Total expenses	277,611	-	-	277,611
LOSS FROM OPERATIONS	(10,255)	-	-	(10,255)
NONOPERATING GAINS (LOSSES):				
Net investment gains	18,409	-	-	18,409
Loss on extinguishment of debt	(1,134)	-	-	(1,134)
Net gain on interest rate swap	3,279	-	-	3,279
Gain on sale of asset (former hospital facility)	27,686	-	-	27,686
Total nonoperating gains	48,240	-	-	48,240
EXCESS OF REVENUE, SUPPORT, AND GAINS OVER EXPENSES AND LOSSES	37,985	-	-	37,985
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	22,351	-	-	22,351
RESTRICTED CONTRIBUTIONS AND ADJUSTMENTS	-	32,691	22	32,713
INVESTMENT RETURN ON RESTRICTED INVESTMENTS	-	10,561	-	10,561
NET ASSETS RELEASED FROM RESTRICTIONS FOR CAPITAL PURPOSES	152,953	(152,953)	-	-
NET ASSETS RELEASED FROM RESTRICTIONS FOR OPERATING PURPOSES	-	(10,762)	-	(10,762)
CHANGE IN NET ASSETS	213,289	(120,463)	22	92,848
NET ASSETS—Beginning of year	270,397	175,210	52,259	497,866
NET ASSETS—End of year	$ 483,686	$ 54,747	$ 52,281	$ 590,714

See notes to consolidated financial statements.

ATTACHMENT 35

REHABILITATION INSTITUTE, INC. AND AFFILIATES
(Also known as Shirley Ryan AbilityLab)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017
(Dollars in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 24,793	$ 92,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	(17,213)	(22,351)
Provision for retirement costs	7,770	11,419
Retirement plan contributions	(9,340)	(18,073)
Depreciation and amortization	28,050	17,753
Gain on sale of assets	-	(27,686)
Amortization of bond premium and issuance costs	(50)	193
Net unrealized gain on investments	(3,058)	(3,764)
Net realized gain on investments	(11,425)	(22,363)
Net unrealized gain on swap valuation	(4,337)	(4,762)
Restricted contributions for permanent endowment	(3,848)	(22)
Restricted contributions for land, building, and equipment	(36,104)	(56,258)
Equity income in joint ventures—net of cash distributions received	160	14
Provision for uncollectible accounts	1,192	1,670
Changes in:		
Patient accounts receivable	62	(10,064)
Inventories	77	(363)
Estimated third-party payor settlements—net	2,250	(1,133)
Pledges receivable	26,548	29,581
Other assets	(2,460)	(2,130)
Accounts payable and accrued expenses	(793)	(190)
Accrued salaries and wages	1,642	(577)
Other liabilities	1,221	942
Net cash provided by (used in) operating activities	5,137	(15,316)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, building, and equipment	(33,069)	(119,806)
Purchases of investments	(94,900)	(119,748)
Proceeds from sale of assets	7,639	7,971
Sales of investments	80,157	136,662
Net cash used in investing activities	(40,173)	(94,921)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of debt principal	(7,525)	(7,347)
Issuance of long-term debt	-	275,002
Refinance of debt	-	(273,000)
Restricted contributions for permanent endowment	3,848	22
Restricted contributions for land, building, and equipment	36,104	56,258
Net cash provided by financing activities	32,427	50,935

(Continued)

ATTACHMENT 35

REHABILITATION INSTITUTE, INC. AND AFFILIATES
(Also known as Shirley Ryan AbilityLab)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017
(Dollars in thousands)

	2018	2017
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (2,609)	$ (59,302)
CASH AND CASH EQUIVALENTS—Beginning of year	18,202	77,504
CASH AND CASH EQUIVALENTS—End of year	$ 15,593	$ 18,202
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Total interest paid	$ 13,532	$ 12,414
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY—Purchases of land, building, and equipment in accounts payable and accrued expenses	$ 7,142	$ (16,658)

See notes to consolidated financial statements.

(Concluded)

ATTACHMENT 35

1. REHABILITATION INSTITUTE, INC. AND AFFILIATES

Rehabilitation Institute, Inc. (RII) was incorporated to promote and encourage rehabilitation services in the communities it serves. RII serves as the sole corporate member of Rehabilitation Institute of Chicago doing business as the Shirley Ryan AbilityLab (the "Shirley Ryan AbilityLab") and Rehabilitation Institute of Chicago Enterprises, Ltd. (RICE) (collectively, the "Affiliates"). RICE is a for-profit corporation that is currently not engaged in any business activities. RII has the authority to approve board membership and has certain reserve powers. The accompanying consolidated financial statements include the accounts of RII and Affiliates (collectively, the "Corporation") for which it serves as the parent corporation through ownership. Certain members of RII's Board of Directors are board members of Shirley Ryan AbilityLab. The Shirley Ryan AbilityLab is the sole corporate member of Pathways Foundation ("Pathways").

The Shirley Ryan AbilityLab is a not-for-profit rehabilitation hospital that provides comprehensive rehabilitative inpatient and outpatient services and programs. In addition to clinical care, the Shirley Ryan AbilityLab engages in, sponsors and promotes medical and scientific research relating to the prevention and treatment of physical disabilities.

Pathways is a not-for-profit corporation that provides free educational materials on early detection and early intervention tools to maximize children's motor, sensory and communication development, and engages in other charitable activities. The results of the operations for Pathways are included in the consolidated financial statements and notes of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These consolidated financial statements reflect only the operations of the organizations that are noted above. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents consist of demand deposits with banks and money market accounts with a maturity of less than 90 days from the date of purchase and are stated at cost which approximates fair value. Cash and cash equivalents held in the investment portfolio are classified as unrestricted investments. From time to time, cash balances held at banks and financial institutions may exceed federally insured amounts.

Patient Accounts Receivable—Patient accounts receivable are stated at net realizable value. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Corporation analyzes its history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Corporation records a provision for bad debts and charity care in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts was 2.7% and 6.4% of net patient accounts receivable at August 31, 2018 and 2017, respectively. In addition, the Corporation's self-pay net bad debt write-offs were $1,374,000 for the year ended August 31, 2018, and self pay net recoveries were $256,000 for the year ended August 31, 2017.

Inventories—Inventories, consisting primarily of pharmaceuticals and supplies, are stated at the lower of cost or market using the first-in, first-out method.

Financial Instruments—The Corporation's financial instruments consist primarily of cash, accounts receivable, accounts payable, fixed- and variable-rate debt, and an interest rate swap agreement. The carrying amounts for cash, accounts receivable, and accounts payable approximate their fair values.

Investments—Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Fair value is determined primarily on the basis of quoted market prices. Investments are classified as long term based on management's intent with respect to the expected use and reinvestment of such investments.

The Corporation pools its donor-restricted, self-insurance, and unrestricted investments. Investment returns are allocated among unrestricted and restricted net assets based on pro rata share of the balances in each fund to the total investment pool.

Investment gains (including realized and unrealized gains and losses on investments, interest, and dividends) are included in excess of revenues, support, and gains over expenses and losses, unless the income or loss is restricted by donors, in which case the investment return is recorded directly to temporarily restricted net assets. The Corporation appropriates investment returns for operating purposes to cover the costs of certain non-revenue producing supplemental support functions. In addition, the Corporation also appropriates investment returns for operating purposes for allocated earnings on an amount of investments equal to the average self-insurance reserve balance during the fiscal year.

Derivative Instruments—Derivative instruments, specifically interest rate swap settlements, are recorded in the consolidated balance sheets at their respective fair values. The change in the fair value of the derivative instrument and net settlements are reflected in nonoperating gains (losses).

Property and Equipment—Land, building, and equipment is stated at cost, less accumulated depreciation. Costs of computer software developed or obtained for internal use, including external direct costs of materials and services, payroll, and payroll-related costs for employees directly associated with internal-use software development projects, and interest costs incurred during the development period are expensed or capitalized depending on whether the costs are incurred in the preliminary project stage, development stage, or operational stage. Capitalized costs of internal-use computer software are included in property and equipment in the accompanying consolidated balance sheets. Depreciation is provided utilizing the straight-line method over the estimated useful lives of depreciable assets. Estimated useful lives are 10–40 years for building and components, 4–10 years for furniture and equipment, and 3–10 years for computer software. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the assets, and any related gain is reflected in the consolidated statement of operations and changes in net assets.

The Corporation completed construction of its replacement facility during fiscal year 2017 and relocated operations from its former location at 345 East Superior in Chicago, Illinois to the replacement facility at 355 East Erie in March 2017.

Asset Impairment—The Corporation evaluates long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured in the amount by which the carrying value of the asset exceeds the fair value of the asset.

Intangibles and Other Long Term Assets—Goodwill is included with intangibles, and other long-term assets in the accompanying consolidated balance sheets. The Corporation evaluates goodwill for impairment on an annual basis.

Loan Due from Related Party—A loan due from a related party for the sale of the former facility at 345 East Superior is reflected in the Corporation's Balance Sheet and Statement of Operations and Changes in Net Assets.

Deferred Revenue—The Corporation records a liability representing advance payments or unearned revenue. The liability consists of cash received for management fees, consulting fees, research grants, and other activities. For research grants, funds received prior to the incurrence of program expenses are recorded as deferred revenues and are recognized as revenues during the period in which the program expenses are incurred.

Income Taxes—RII, the Shirley Ryan AbilityLab, and Pathways are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Despite the general exemption from income taxes, RII and the Shirley Ryan AbilityLab are subject to federal and state income taxes at corporate rates on unrelated business income. In fiscal year 2018, the Corporation is also subject to the 2018 Tax Cuts and Jobs Act, generating various other taxes. Included in the consolidated statements of operations and changes in net assets is the provision for current taxes of $793,000 and $734,000 for the years ended August 31, 2018 and 2017, respectively. The corporations do not have any material tax positions as of August 31, 2018 and 2017.

Deferred Costs—Deferred bond issuance costs and underwriter fees related to the fixed-rate revenue bonds and variable-rate revenue bonds are being amortized on a straight-line basis (which approximates the effective interest method) over the period the debt instruments are expected to be outstanding.

Net Assets—Resources are classified for reporting purposes into three net asset categories as unrestricted, temporarily restricted, and permanently restricted according to the absence or existence of donor-imposed restrictions. Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets at August 31, 2018 and 2017, principally represent amounts restricted for specific program purposes. Permanently restricted net assets represent contributions to be held in perpetuity, the income from which is restricted to support specific programs.

Net Patient Service Revenue—Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive settlements under third-party reimbursement agreements with third-party payors. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions—Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Unrestricted contributions are reported as other revenues and support. Conditional pledges are reported at fair value when payments are received or when the conditions are substantially met. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the assets donated. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction. Net assets released from restriction for operating purposes are included within other revenues and support. Net assets released from restriction that are used for the construction of or purchase of fixed assets for capital purposes are reported in the consolidated statements of operations and changes in net assets as additions to unrestricted net assets. Donor-restricted contributions for operating purposes whose restrictions are met in the same reporting period as received are reported as unrestricted contributions in the consolidated statements of operations and changes in net assets.

Excess of Revenue, Support, and Gains over Expenses and Losses—The consolidated statements of operations and changes in net assets include revenues, support, and gains in excess of expenses and losses. Transactions deemed by management to be related to principal operations are reported as revenues, support, and expenses. Peripheral and incidental transactions are reported as nonoperating gains and losses. Changes in unrestricted net assets which are excluded from revenues, support, and gains in excess of expenses and losses include pension-related changes other than net periodic pension cost and contributions of long-lived assets, including assets constructed or acquired using contributions that by donor restriction were to be used for the purpose of constructing or acquiring such assets.

Adopted Accounting Pronouncements—In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework*–Changes to the Disclosure Requirements for Fair Value Measurement. This standard modified certain disclosure requirements related to the fair value measurement leveling categories. The Corporation adopted ASU No. 2018-13 in fiscal year 2018. The adoption did not have a material impact on the financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation–Retirement Benefits–Defined Benefit Plans–General (Subtopic 715-20): Disclosure Framework*–Changes to the Disclosure Requirements for Defined Benefit Plans. This standard modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The Corporation adopted ASU No. 2018-14 in fiscal year 2018. The adoption did not have a material impact on the financial statements and disclosures.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This standard requires reporting the service cost component of net periodic pension in operating expenses, while all other components of net periodic pension costs are reported as part of non-operating revenues and expenses. ASU No. 2017-07 is effective for the Corporation beginning on September 1, 2019. The Corporation has early adopted ASU No. 2017-07 effective fiscal year 2018. See note 12 (Employees' Retirement Plan) for further detail.

New Accounting Pronouncements—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 creates Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer and indicates an entity should disclose sufficient information to enable users of consolidated financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2014-09 is effective for the Corporation beginning September 1, 2018. ASU No. 2014-14 deferred the effective date of ASU No. 2014-09. The Corporation is currently assessing the impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. AUS No. 2016-02 is effective beginning September 1, 2019. The Corporation has not yet determined the impact on the financial statements and disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 reexamines existing standards for financial statement presentation by not-for-profit (NFP) entities, focusing on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this ASU include presenting on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions. Additionally, an NFP shall continue to present on the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting, but is no longer required to present or disclose the indirect method (reconciliation) if using the direct method. Furthermore, an NFP shall enhance disclosures about governing board imposed restrictions and liquidity. ASU No. 2016-14 is effective for the Corporation beginning September 1, 2018. The Corporation is currently assessing the impact on the consolidated financial statements and disclosures.

3. CONCENTRATIONS OF CREDIT RISK

The Corporation grants credit without collateral to its patients. The mix of receivables, net of contractual allowances and discounts, from patients and third-party payors as of August 31, 2018 and 2017, is as follows:

	2018	2017
Medicare	19 %	21 %
Medicaid	15	20
Managed care and commercial	46	39
Other	20	20
	100 %	100 %

4. INVESTMENT INCOME

The composition of investment gains on the Corporation's investment portfolio for the years ended August 31, 2018 and 2017, is as follows:

	2018	2017
Interest and dividend income—net of fees and expenses	$ 3,295	$ 3,123
Net realized gains on sale of investments	11,425	22,363
Net change in unrealized gains	3,058	3,764
Net investment gains	$17,778	$29,250

Net changes in unrealized gains and losses are included with nonoperating gains and losses in the accompanying consolidated statements of operations and changes in net assets. Investment returns included in the accompanying consolidated statements of operations and changes in net assets for the years ended August 31, 2018 and 2017, are as follows:

	2018	2017
Other revenue	$ 3,096	$ 280
Net nonoperating gains—investment gains	4,547	18,409
Investment gains on restricted investments	10,135	10,561
Net investment gains	$17,778	$29,250

5. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement and is determined based on the assumptions that market participants would use in pricing the asset or liability in a hypothetical transaction at the measurement date.

The fair value hierarchy requires the Corporation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2—Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets and liabilities in nonactive markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3—Unobservable inputs for which there is little or no market data available and are based on the reporting entity's own assessments about the assumptions that market participants would use in pricing the asset or liability.

Cash and cash equivalents are composed of checking, money market, invested cash, and short-term common collective funds. In the case of the short-term common collective fund, these are excluded from the hierarchy and valued using net asset value ("NAV") since they are not actively traded, although the quoted prices of the underlying assets (inputs) are observable directly or indirectly.

The Corporation's shares in mutual funds are stated at fair value based on quoted market prices, which represent the NAV of shares held by the Corporation at year-end.

Fair value of equity securities is determined primarily on the basis of quoted market prices. In the case of small cap and international equities, some of these assets are held in commingled funds and valued at NAV monthly. The underlying fund holdings are primarily exchange traded and readily marketable securities.

The fair value of governmental fixed-income obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

The fair value of investments in corporate and other bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, and issuer spreads.

In the case of absolute return, hedged equity, and international hedged equity funds, the holdings are valued monthly. The underlying fund holdings are primarily exchange traded and readily marketable securities including equities and bonds. A small percentage of holdings are in private investments and derivatives. All absolute return, hedged equity, and international hedged equity funds have pricing policies that depend on outside pricing services to validate their pricing.

In the case of real assets and private equity partnerships, the holdings are valued monthly or quarterly. The holdings are primarily private and not exchange traded. The fair value of these partnership investments is estimated by management of the limited partnerships based on audited consolidated financial statements and other relevant factors. As many factors are considered in arriving at the estimated fair value, the Corporation routinely monitors and assesses methodologies and assumptions used in valuing these partnership interests.

In the case of guaranteed investment contracts, the holdings are valued monthly. The fair values have been determined to approximate contract values as the terms of the contract prohibit transfer or assignment of rights under the contract and provide for all distributions at a contract value, frequent resetting of contractual interest rates based upon market conditions, no significant liquidity restrictions, and no defined maturities. In addition, management has determined that no adjustment from contract values is required for credit quality considerations.

The fair value of the interest rate swap agreement was determined using industry standard valuation models, which are based on a market approach.

Investments Measured at NAV—Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the investments at fair value line items presented in the consolidated balance sheets.

The information about the financial assets and liabilities measured at fair value on a recurring basis as of August 31, 2018 is as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Investments:					
Cash and cash equivalents	$ 10,593	$ -	$ -	$ 13,085	$ 23,678
Mutual funds	13,499	-	-	-	13,499
Large-cap equity	69,224	-	-	-	69,224
Small-cap equity	7	-	-	12,376	12,383
Governmental fixed income	-	24,256	-	-	24,256
International equity	17,099	-	-	32,429	49,528
Corporate and other bonds	-	50,647	-	-	50,647
Real assets	5,959	-	-	6,135	12,094
Guaranteed investment contracts	-	-	1,973	-	1,973
Absolute return	-	-	-	58,467	58,467
Hedged equity	-	-	-	18,853	18,853
International hedged equity	-	-	-	4,519	4,519
Private equity partnerships	-	-	-	16,440	16,440
Total investments	$ 116,381	$ 74,903	$ 1,973	$ 162,304	$ 355,561
Liabilities—obligations under interest rate swap agreement	$ -	$ 8,816	$ -	$ -	$ 8,816

The information about the financial assets and liabilities measured at fair value on a recurring basis as of August 31, 2017 is as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Investments:					
Cash and cash equivalents	$ 1,701	$ -	$ -	$ 14,772	$ 16,473
Mutual funds	12,115	-	-	-	12,115
Large-cap equity	68,876	-	-	-	68,876
Small-cap equity	7	-	-	10,354	10,361
Governmental fixed income	-	15,895	-	-	15,895
International equity	17,510	-	-	25,818	43,328
Corporate and other bonds	-	48,768	-	-	48,768
Real assets	4,915	-	-	6,193	11,108
Guaranteed investment contracts	-	-	2,679	-	2,679
Absolute return	-	-	-	53,538	53,538
Hedged equity	-	-	-	18,225	18,225
International hedged equity	-	-	-	11,251	11,251
Private equity partnerships	-	-	-	12,068	12,068
Total investments	$ 105,124	$ 64,663	$ 2,679	$ 152,219	$ 324,685
Liabilities—obligations under interest rate swap agreement	$ -	$ 13,154	$ -	$ -	$ 13,154

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The table summarizes the fair value measurements in investments calculated using a NAV (or its equivalent) with redemption restrictions as follows:

	Fair Value 2018	Fair Value 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Absolute return	$ 58,467	$ 53,538	None	Monthly, quarterly, annually	45–65 days
Hedged equity	18,853	18,225	None	Quarterly, annually	30–60 days
International hedged equity	4,519	11,251	None	Quarterly, Every three years	90-120 days
Private equity partnerships	16,439	12,068	$ 20,028	None	None
Real assets	6,135	6,193	614	None, Monthly	0-10 days

6. INVESTMENTS IN STRATEGIC ALLIANCES (JOINT VENTURES)

The Corporation is a joint venture partner and provides direction for the following rehabilitation programs:

Southern Illinois Hospital Services (SIH)—The Corporation holds a 12% ownership in a joint Physical Medicine and Rehabilitation Program at SIH licensed facilities. The intention of the limited liability company agreement is for the Corporation and SIH to utilize their respective experience and talents to brand PMR (physical medicine and rehabilitation services) in southern Illinois as the program of choice for rehabilitation services.

Advocate Illinois Masonic Medical Center (AIMMC)—The Corporation holds a 50% ownership interest in the entity that operates for the purpose of developing, implementing, and operating a comprehensive continuum of high-quality and cost competitive inpatient acute rehabilitation services.

Similarly, the Corporation is a member of a two-member limited liability company for the following joint venture rehabilitation program:

AMITA Health—The Corporation holds a 49% ownership interest in the entity that provides the full continuum of rehabilitation services provided at various Amita Health System facilities.

Investments in joint ventures are accounted for using the equity method of accounting. Administrative fees earned by the Corporation from joint ventures are recognized in the period to which they relate. Amounts recognized as joint venture income, including management services and affiliation fees earned from joint ventures, are reported as other revenue and support in the accompanying consolidated statements of operations and changes in net assets.

A summary of financial information for joint venture activities for the years ended August 31, 2018 and 2017, is shown below:

	2018	2017
Joint venture operations:		
Net patient service revenue	$54,007	$53,850
Expenses	45,777	46,888
Excess of revenue over expenses	$ 8,230	$ 6,962
Components of joint venture income:		
Corporation share of joint venture revenues and expenses	$ 3,800	$ 3,733
Management services and affiliation fees—net	1,607	1,319
Joint venture income recognized by the Corporation	$ 5,407	$ 5,052

Cash distributions (net of contributions) received from joint ventures amounted to approximately $3,960,000 and $3,748,000 in fiscal years 2018 and 2017, respectively.

Included in other current assets at August 31, 2018 and 2017, are $1,130,000 and $1,319,000, respectively, representing amounts due from joint venture partners and strategic alliance partners for fees and reimbursement of expenses incurred by the Corporation on behalf of those partners.

During fiscal year 2018 the Corporation recorded an impairment loss of $425,000 relating to its investment in SIH. No impairment losses were recognized in fiscal year 2017.

7. LAND, BUILDING, AND EQUIPMENT

A summary of cost and accumulated depreciation as of August 31, 2018 and 2017, is as follows:

	2018	2017
Land	$ 33,913	$ 33,822
Building and fixtures	557,060	536,370
Furniture and equipment, including capitalized software	103,529	102,083
Total land, building, and equipment	694,502	672,275
Less accumulated depreciation	(77,956)	(52,837)
Construction in progress	4,642	3,274
Total net land, building, and equipment	$621,188	$622,712

Construction in progress at August 31, 2018 primarily relates to costs incurred by the Corporation for Information Systems and offsite renovation projects as well as ongoing replacement Inpatient Facility projects. The Corporation has outstanding contractual commitments related to these projects of approximately $645,000 net of liabilities recorded in the consolidated balance sheet as of August 31, 2018.

The Corporation capitalizes interest cost incurred on funds used for land, building, and equipment during construction. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the assets' useful life. The organization had no additional capitalized interest in 2018. In 2017, there was $6,142,000 of capitalized interest.

8. PLEDGES RECEIVABLE

Pledges receivable at August 31, 2018 and 2017, is composed of pledges restricted for specific operating purposes or future capital acquisitions. A schedule of the expected timing of pledge receipts at August 31, 2018 and 2017, is as follows:

	2018	**2017**
Pledges receivable—less than one year	$20,023	$42,294
Pledges receivable—one to five years	34,485	38,976
Pledges receivable—more than five years	335	121
Total pledges receivable—net	$54,843	$81,391

The Corporation has discounted pledges at the rate of 0.12% to 2.64%. Pledges receivable amounts are shown as net of such present value discounts of approximately $848,000 and $1,137,000 as of August 31, 2018 and 2017, respectively. The Corporation does not maintain an allowance for doubtful accounts from pledges receivable, nor did it have significant write-offs from pledges receivable.

9. LONG-TERM DEBT

A summary of long-term debt as of August 31, 2018 and 2017, is as follows:

	2018	2017
Illinois Finance Authority revenue bonds, Series 2013A, fixed interest rate ranging from 5.0% to 6.5%	$120,715	$122,910
Illinois Finance Authority revenue bonds, Series 2016A, variable interest (2.24% at August 31, 2018)	23,970	24,450
Illinois Finance Authority revenue refunding bonds, Series 2016B, variable interest (1.99% at August 31, 2018)	47,875	48,865
Illinois Finance Authority revenue refunding bonds, Series 2016C, variable interest (2.48% at August 31, 2018)	95,895	97,800
Illinois Finance Authority revenue refunding bonds, Series 2016D, variable interest (2.07% at August 31, 2018)	95,810	97,760
Capital lease	736	892
Total long-term debt	385,001	392,677
Unamortized premium—net	335	444
Unamortized issue costs—net	(2,229)	(2,439)
Total long-term debt	383,107	390,682
Less current portion of long-term debt	(7,823)	(7,687)
Long-term debt—net of current portion	$375,284	$382,995

The estimated fair value of the Corporation's total debt outstanding was approximately $392,213,000 as of August 31, 2018. The estimated fair market value was determined using an industry standard valuation model, which is based on a market approach as determined by management with input from financial advisers, which are classified as Level 2 measurements.

On April 1, 1997, the Shirley Ryan AbilityLab entered into a master trust indenture (MTI), which was subsequently supplemented, amended, and restated as of July 1, 2013, of which the Shirley Ryan AbilityLab is currently the only member of the Obligated Group formed pursuant to the MTI. The purpose of the MTI is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The MTI requires members of the Obligated Group to make principal and interest payments on notes issued for their benefit, as well as other Obligated Group members if the other members are unable to make such payments. Obligations under the MTI are joint and several obligations of Obligated Group members.

On July 11, 2013, the Illinois Finance Authority issued fixed-rate revenue bonds, Series 2013A, in the amount of $125,000,000, maturing annually in principal amounts ranging from $2,195,000 in 2018 to $8,935,000 in 2043. A portion of the proceeds from the Series 2013A bond issuance was used to refund outstanding revenue bonds and commercial paper revenue notes. The remaining proceeds were used to finance or reimburse the Corporation for a portion of the costs associated with the construction of the Shirley Ryan AbilityLab, provide capitalized interest funds, and pay issuance costs.

On December 1, 2016, the Illinois Finance Authority issued variable-rate revenue bonds directly placed with three commercial banks on behalf of the Shirley Ryan AbilityLab, in the aggregate maximum principal amount of $274,055,000 (collectively, the "Series 2016A-D bonds"), maturing annually from 2018 through 2048 and subject to mandatory redemption as described below. The Series 2016A-D bonds include the Series 2016A in the maximum principal amount of $24,915,000 placed with PNC Bank, National Association subject to mandatory redemption in December 2019; Series 2016B in the maximum principal amount of $49,830,000 placed with The Northern Trust Company, subject to mandatory redemption in December 2021; Series 2016C in the maximum principal amount of $99,655,000 placed with PNC Bank, National Association, subject to mandatory redemption in December 2023; and Series 2016D in the maximum principal amount of $99,655,000 placed with Banc of America Public Capital Corp, subject to mandatory redemption in December 2026. Interest on the Series 2016A-D bonds is variable based on the sum of 67% of the one-month London InterBank Offer Rate (LIBOR), plus an applicable margin and is payable monthly. Proceeds of the funds were used to refinance the Series 2013B-E bonds which were used in the construction and equipping of the Shirley Ryan AbilityLab.

The Corporation is required to maintain reporting, financial, and other covenants. Management believes the Corporation was in compliance with all financial covenants as of August 31, 2018.

Scheduled annual principal repayments on long-term debt and capital lease obligation for the ensuing five fiscal years and thereafter are as follows:

2019	$ 7,998
2020	8,283
2021	8,598
2022	8,804
2023	8,958
Thereafter	342,360
Total	$385,001

10. INTEREST RATE SWAP AGREEMENT

In December 2007, the Corporation entered into an interest rate swap agreement to offset future fluctuations in interest rates related to the Corporation's variable-rate debt. The swap agreement was a hedge for the Series 1997 variable-rate bonds resulting in the swap of variable rate debt to a fixed rate. The Corporation has elected to not apply hedge accounting to this agreement. During the fiscal year 2010, the Series 1997 variable-rate bonds were redeemed, and the Corporation chose not to link the swap to the 2013 variable-rate debt.

The terms of the swap agreement are as follows:

Notional Amount	Effective Date	Maturity	Receive	Pay
$52,700	December 19, 2007	April 1, 2032	67% of one-month LIBOR	3.40 %

	2018	2017
Non-current liabilities—		
Fair value of swap agreement	$8,816	$13,154
Non-operating gains and losses:		
Gain on fair value adjustment	4,337	4,762
Interest paid	1,200	1,483

11. LEASE OBLIGATIONS

The Corporation leases facilities for certain outpatient rehabilitation programs, medical office clinics, and administrative office space under various noncancelable operating lease arrangements. Future minimum rental commitments under operating leases are as follows: fiscal years 2019—$2,724,000; 2020—$2,976,000; 2021—$2,914,000; 2022—$2,910,000; 2023—$2,782,000; and thereafter—$18,547,000. Total rental expense for facilities, parking, and equipment under operating leases for the years ended August 31, 2018 and 2017, was $5,878,000 and $6,370,000, respectively.

12. EMPLOYEES' RETIREMENT PLAN

The Corporation has a noncontributory defined benefit pension plan (the "Plan"), which provides retirement benefits to substantially all eligible employees hired prior to November 1, 2012. The normal retirement benefit of the Plan is a monthly retirement income, which is computed based on an average of the employee's monthly earnings and is payable upon the participant's retirement date and continues throughout the participant's lifetime. The Corporation makes annual contributions to the Plan in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974 as calculated by an outside consulting actuary. The Corporation uses a measurement date of August 31 for Plan liabilities and assets. The assets of the Plan are held in trust by The Northern Trust Company. The Corporation recognizes the cost related to employee service using the unit credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of the Plan assets and the projected benefit obligation, are amortized over the expected future service period. Prior-service cost is being amortized over 15 years.

The Plan was closed to new employees hired on or after November 1, 2012. Existing Plan members were given the option to terminate their future Plan participation effective December 31, 2012, and elect to participate in a new 401(k) Plan beginning January 1, 2013. As of January 1, 2013, all new employees are eligible only for the 401(k) Plan of which the Corporation incurred expense of $3,577,000 and $2,736,000 in fiscal years 2018 and 2017, respectively. The change in the projected benefit obligations and changes in Plan assets for the defined benefit plan during fiscal years 2018 and 2017 and the assumptions used in making these estimates are as follows:

	2018	2017
Change in benefit obligation:		
Benefit obligation—beginning of year	$208,710	$211,862
Service cost	3,912	4,471
Interest cost	7,357	7,049
Actuarial (gain)/loss	(11,001)	(10,920)
Benefits paid	(4,602)	(3,752)
Benefit obligation—end of year	204,376	208,710
Change in Plan assets:		
Fair value of Plan assets—beginning of year	133,563	107,710
Actual return on plan assets	9,711	11,532
Employer contributions	9,340	18,073
Benefits paid	(4,602)	(3,752)
Fair value of plan assets—end of year	148,012	133,563
Unfunded status—reported as accrued pension benefits	$ (56,364)	$ (75,147)
Amounts recorded in unrestricted net assets, but not yet recognized as a component of periodic benefit cost for the plan as of August 31, 2018 and 2017:		
Prior-service cost	$ 162	$ 205
Unrecognized actuarial loss	53,040	70,205
Total amounts recorded in unrestricted net assets	$ 53,202	$ 70,410

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The components of net periodic pension cost for fiscal years ended August 31, 2018 and 2017, are as follows:

	2018	2017
Components of net periodic pension cost:		
Service cost	$ 3,912	$ 4,471
Interest cost	7,357	7,049
Expected return on plan assets	(9,655)	(8,455)
Amortization of unrecognized net loss	6,108	8,310
Amortization of unrecognized prior-service cost	43	44
Net periodic pension cost	$ 7,765	$ 11,419
Pension-related changes other than net periodic pension cost recognized as changes in unrestricted net assets for the Plan for fiscal years 2018 and 2017:		
Unrecognized actuarial (gain)/loss arising during the year	$ (11,057)	$ (13,997)
Amortization of unrecognized actuarial loss	(6,108)	(8,310)
Amortization of prior-service cost	(43)	(44)
Total recognized as changes in unrestricted net assets	$ (17,208)	$ (22,351)
Accumulated benefit obligation	$189,658	$192,066

The actuarial loss for the Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the following fiscal year are as follows:

Prior-service cost	$ 43
Net actuarial loss	4,048

	2018	2017
Weighted-average assumptions for consolidated balance sheet liability at end of year:		
Discount rate	4.33 %	4.05 %
Expected long-term rate of return	6.50	7.00
Rate of compensation increase	3.50	4.00
Weighted-average assumptions for benefit cost at beginning of year:		
Discount rate	4.05 %	3.90 %
Service Cost Discount Rate	4.22	4.08
Interest Cost Discount Rate	3.57	3.38
Expected long-term rate of return	7.00	7.00
Rate of compensation increase	4.00	4.00
Expected fiscal year 2018 contributions	$7,200	$ 8,400
Estimated future benefit payments:		
Fiscal 2018	$6,198	$ 5,591
Fiscal 2019	6,219	6,148
Fiscal 2020	6,756	6,132
Fiscal 2021	7,643	6,878
Fiscal 2022	8,502	7,749
Fiscal 2023–2027	52,291	48,534

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The Corporation's overall expected long-term rate of return on assets is 6.5% and 7.0% for August 31,2018 and 2017, respectively. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of returns on individual asset categories. The return is based exclusively on historical returns without adjustments.

The Corporation has a plan investment policy, which is reviewed and approved by the investment committee and the board of directors. The policy establishes goals and objectives of the fund, distinction of responsibilities, allocation, liquidity, diversification of assets, and performance evaluation for managers. The policy dictates a target asset allocation and an allowable range for such categories based on quarterly investment fluctuations. Investments are managed by independent advisers who are contracted by the Corporation and monitored by the management and the investment committee.

The target allocation, acceptable ranges, and actual asset allocation as of August 31, were as follows:

	Target (+/- 5%)		**Actual**	
Asset Class	**2018**	**2017**	**2018**	**2017**
Large-cap equity	30.0 %	30.0 %	30.5%	31.0 %
Small-cap equity	5.0	5.0	4.6	4.5
International equity	15.0	15.0	15.2	16.0
Fixed income	20.0	20.0	17.6	14.6
Absolute return	15.0	15.0	14.4	15.2
Hedged equity	10.0	10.0	12.2	12.8
Real assets	5.0	5.0	4.5	4.2
Cash and cash equivalents	-	-	1.0	1.70
Total	100 %	100.0 %	100.0 %	100.0 %

The Corporation monitors the asset allocation and executes required rebalancing of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

Investments Measured at NAV—Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the investments at fair value line items presented in the consolidated balance sheets.

The information about the Plan assets measured at fair value on a recurring basis as of August 31, 2018, is as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Assets:					
Cash and equivalents	$ 810	$ -	$ -	$ 1,608	$ 2,418
Large-cap equity	53,977	-	-	-	53,977
International equity	-	-	-	12,433	12,433
Governmental fixed income	-	6,941	-	-	6,941
International hedged equity	9,330	-	-	6,080	15,410
Corporate and other bonds	-	17,270	-	-	17,270
Real assets	3,493	-	-	2,943	6,436
Absolute return	-	-	-	21,128	21,128
Hedged equity	-	-	-	11,999	11,999
Total assets	$67,610	$24,211	$ -	$56,191	$148,012

The information about the Plan assets measured at fair value on a recurring basis as of August 31, 2017, is as follows:

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Assets:					
Cash and equivalents	$ 278	$ -	$ -	$ 2,668	$ 2,946
Large-cap equity	46,924	-	-	-	46,924
International equity	-	-	-	11,866	11,866
Governmental fixed income	-	5,108	-	-	5,108
International hedged equity	9,554	-	-	6,084	15,638
Corporate and other bonds	-	14,346	-	-	14,346
Real assets	2,881	-	-	2,777	5,658
Absolute return	-	-	-	20,153	20,153
Hedged equity	-	-	-	10,924	10,924
Total assets	$59,637	$19,454	$ -	$54,472	$133,563

The table summarizes the fair value measurements in investments calculated using a NAV (or its equivalent) with redemption restrictions as follows:

	Fair Value 2018	Fair Value 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Absolute return	$21,128	$20,153	None	Quarterly, annually	45–65 days
Hedged equity	11,999	10,924	None	Quarterly, annually	30–60 days
International hedged equity	6,080	6,084	None	Quarterly, annually	90 days
Real assets	2,943	2,777	None	None	None

13. SELF-INSURANCE RESERVES

The Corporation maintains insurance programs for professional liability risks, employee health and dental plans, worker's compensation, and owner-controlled insurance program (OCIP) for the replacement facility construction, each of which have varying degrees of self-insured retention. Included in self-insurance reserves in the accompanying consolidated balance sheets is $5,159,000 and $6,115,000 at August 31, 2018 and 2017, respectively, representing the corporation's estimate of the ultimate cost for the self-insured portion of known professional liability claims, as well as claims incurred but not reported as of the consolidation date. Estimated self-insured professional liability claims have been discounted at a rate of 3.30% and 2.55%, representing a total discount of $401,000 and $400,000 at August 31, 2018 and 2017, respectively. Included in self-insurance reserves in the accompanying consolidated balance sheets is $1,273,000 and $1,043,000 at August 31, 2018 and 2017, respectively, representing the Corporation's estimate of health claims incurred but not reported. Also included in self-insurance reserves in the accompanying consolidated balance sheets is $510,000 and $514,000 at August 31, 2018 and 2017, respectively, representing the Corporation's estimate of the ultimate cost for the self-insured portion of workers' compensation claims and $209,000 and $1,367,000 at August 31, 2018 and 2017, respectively, for OCIP claims.

14. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets as of August 31, 2018 and 2017, were available for the following purposes:

	2018	2017
Temporarily restricted net assets:		
Construction and equipping of the replacement facility	$27,782	$ -
Research	4,078	5,134
Community programs, education, charity, and other	8,061	6,228
Unappropriated endowment appreciation available for operations	45,453	43,385
Total temporarily restricted net assets	$85,374	$54,747
Permanently restricted net assets, income from which is expendable to support:		
Endowed chairs	$11,237	$11,237
Clinical	3,830	3,830
Medical education	18,455	18,455
Research	8,249	8,249
Community programs, charity, and other	14,358	10,510
Total permanently restricted net assets	$56,129	$52,281

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15. PERMANENT ENDOWMENT

The Corporation's permanent endowment consists of 72 individual funds established for a variety of purposes. Net assets associated with permanent endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—The Corporation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation 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, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

Endowment Investment and Spending Policies—The Corporation has adopted investment and spending policies for permanent endowment assets that attempt to provide a predictable stream of funding to programs supported by its permanent endowment, while seeking to maintain the purchasing power of the permanent endowment.

The permanent endowment funds are pooled as part of the overall Corporation's portfolio and managed under the direction of the investment committee of the board of directors and its approved policy. Investment returns consist of realized and unrealized returns, net of investment manager fees. Returns are consistently allocated across all asset categories. The investment committee of the board of directors is responsible for defining and reviewing the investment policy to determine an appropriate long-term asset allocation policy. Investments in the portfolio are diversified by asset class and investment manager and style.

The objective of the investment policy is to generate an annual total rate of return for the fund sufficient to finance annual distributions, grow the value of the corpus of the funds annually by at least the annual rate of inflation, and cause the real value of the funds to increase. These results, if not attainable in any given year, should be achieved on an average over long periods of time to the extent allowed by returns in the broad markets. The Corporation has established market-related benchmarks to evaluate the permanent endowment funds' performance on an ongoing basis.

The finance and audit committee of the board of directors approves the annual spending policy for program support. In establishing the annual spending policy, the Corporation's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the permanent endowment. The spending rate was 4.5% for the fiscal years ended August 31, 2018 and 2017, and income from the permanent endowment fund provided $4,213,776 and $4,115,774 of support for the Corporation's programs during the fiscal years ended August 31, 2018 and 2017, respectively. The spending rate is applied to the average of ending market values for the trailing 12 calendar quarters ended June 30.

Changes in permanent endowment net assets for the fiscal year ended August 31, 2018, consisted of the following:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 1,000	$ 43,385	$ 52,281	$ 96,666
Investment return:				
Investment income	-	1,164	-	1,164
Net appreciation (realized and unrealized)	-	5,118	-	5,118
Total investment return	-	6,282	-	6,282
Contributions	-	-	3,848	3,848
Appropriation of endowment assets for expenditure	-	(4,214)	-	(4,214)
Endowment net assets—end of year	$ 1,000	$ 45,453	$ 56,129	$ 102,582

Changes in permanent endowment net assets for the fiscal year ended August 31, 2017, consisted of the following:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 1,000	$ 36,939	$ 52,259	$ 90,198
Investment return:				
Investment income	-	1,128	-	1,128
Net appreciation (realized and unrealized)	-	9,433	-	9,433
Total investment return	-	10,561	-	10,561
Contributions	-	-	22	22
Appropriation of endowment assets for expenditure	-	(4,115)	-	(4,115)
Endowment net assets—end of year	$ 1,000	$ 43,385	$ 52,281	$ 96,666

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16. NET PATIENT SERVICE REVENUE

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—The Corporation provides health care services under a Medicare provider agreement. The provisions of this agreement stipulate that services will be reimbursed under a prospective payment system. Prospective payment rates are determined based on clinical and diagnosis factors associated with services provided to Medicare beneficiaries. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through August 31, 2014.

Medicaid—The Corporation is reimbursed by the Illinois Department of Healthcare and Family Services at per diem formula rates for services rendered to Medicaid inpatients. The majority of outpatient services rendered are reimbursed using the Practitioner Fee Schedule. Medicaid reimbursement may be subject to periodic adjustment as well as to changes in existing payment methodologies and rates based on the amount of funding available to the Medicaid program.

In November 2006, the Centers for Medicare and Medicaid Services approved the Illinois Hospital Assessment Program to improve Medicaid reimbursement for Illinois hospitals. The Illinois Hospital Assessment Program has subsequently been approved through June 30, 2020. 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 operations and changes in net assets. For the years ended August 31, 2018 and 2017, additional Medicaid payments of $10,199,000 and $10,755,000, respectively, were included in net patient service revenue. Tax assessments of $8,390,000 and $8,301,000 for the years ended August 31, 2018 and 2017, respectively, are included in supplies and other expense. Accordingly, during the years ended August 31, 2018 and 2017, the Corporation recorded a net benefit of $1,809,000 and $2,454,000, respectively.

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. In addition, a portion of the Corporation's insured patients will be unable or unwilling to pay the portion of their bill for which they are financially responsible. The Corporation records a provision for bad debts related to uninsured patients and to insured patients for the portion of their bill for which they are financially responsible in the period the services are provided. Patient service revenue, gross and net of contractual allowances, and discounts (but before the provision for bad debts and excluding the Illinois Hospital Assessment Program revenue) recognized in the period from these major payor sources is as follows:

	Gross Revenues		Net Revenues	
	2018	2017	2018	2017
Medicare	36 %	33 %	26 %	24 %
Medicaid	15	15	9	10
Blue Cross	21	24	26	29
Managed care, commercial, and other	28	28	39	37
	100 %	100 %	100 %	100 %

Due to the nature of the Corporation's patient base, the majority of uninsured patients qualify for Medicare or Medicaid programs, resulting in a very limited amount of self-pay revenue.

17. COMMUNITY BENEFIT

It is an inherent part of the Corporation's mission to provide necessary medical care free of charge, or at a discount, to individuals without insurance or other means of paying for such care. As the amounts determined to qualify for charity care are not pursued for collection, they are not reported as patient service revenue. Using the published Community Services Administration's poverty guidelines, the Corporation uses a sliding scale that provides charity care to individuals with incomes of up to 600% of these guidelines. The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its discounted rates. The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy as well as equivalent service statistics.

In addition, the Corporation maintains records that estimate the cost of unreimbursed services provided and supplies furnished under its charity care policy and the excess of cost over reimbursement for Medicaid patients. Actual cost for providing the care is estimated in the table below based on cost to charge ratios reported in the previous year's cost reports. The Medicaid cost report is used for the portion related to the Medicaid population and the Medicare cost report is used for all other charity care.

The level of community benefit provided for the years ended August 31, 2018 and 2017, is as follows:

	2018	2017
Excess of allocated costs over reimbursement for services provided to Medicaid patients	$14,765	$ 9,609
Net benefit under the Medicaid Provider Assessment Program (Note 16)	(1,808)	(2,454)
Excess of allocated cost over reimbursement for services provided to Medicaid patients	12,957	7,155
Excess of allocated cost over reimbursement for services provided to Medicare dual eligible patients	3,046	1,577
Unreimbursed other means tested program services	226	175
Estimated costs and expenses incurred to provide charity care	699	787
Total cost of unreimbursed services provided	16,928	9,694
Other community benefits:		
Health professions education	7,295	6,184
Subsidized health services	3,669	4,193
Research	11,068	8,640
Language assistance	1,081	911
Volunteer services	689	583
Total community benefit provided	$40,730	$30,205

Many of the Corporation's patients are reluctant and do not provide the information necessary to qualify for charity care. Therefore, management believes that a portion of the Corporation's provision for bad debt represents patients that do not have the financial ability to pay.

18. FUNCTIONAL EXPENSES

The Corporation incurs expenses for the provision of health care services, research, fund-raising, and related general and administrative activities. For the years ended August 31, 2018 and 2017, expenses related to providing these services are as follows:

	2018	2017
Health care services	$235,752	$207,325
Research services	20,410	23,315
General and administrative	53,435	43,894
Fund-raising	2,084	3,077
Total functional expenses	$311,681	$277,611

19. RELATED PARTIES

The Corporation engages in transactions in the ordinary course of business with organizations with which members of the board of directors are affiliated. Such transactions are conducted at arm's length and are fully disclosed to the board of directors.

In addition, the Corporation is a cooperative member of the McGaw Medical Center and has agreements for medical and support services with other cooperative member entities. Services provided to and by these member entities are charged at negotiated rates. Northwestern University and Northwestern Memorial Hospital are members of McGaw Medical Center. Payments to Northwestern University during fiscal years 2018 and 2017 were approximately $2,694,000 and $4,275,000, respectively. Payments to Northwestern Memorial Hospital during fiscal years 2018 and 2017 were approximately $2,572,000 and $2,605,000, respectively. Payments to McGaw Medical Center during fiscal years 2018 and 2017 were approximately $3,026,000 and $2,789,000, respectively.

On June 30, 2017 the Corporation closed on the sale of its former hospital facility to Northwestern University. The results of the sale are reflected in the consolidated balance sheets. The current portion of the loan due from a related party is $8,000,000 as of August 31, 2018 and 2017, respectively. The long term portion due from related party is $15,636,000 and $23,275,000, as of August 31, 2018 and 2017, respectively.

20. COMMITMENTS AND CONTINGENCIES

Litigation—The Corporation is involved in litigation arising in the normal course of business. In consultation with legal counsel, management believes that reserves are adequate and estimates that these matters will be resolved without material adverse effect on the Corporation's consolidated financial position or results of operations.

Regulatory Investigations—The US Department of Health and Human Services Office of Inspector General and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. The Corporation is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Insurance Coverage—The Corporation is commercially insured for excess professional liability, general liability, and workers' compensation claims. There are no assurances that the Corporation will be able to renew existing policies or procure coverage on similar terms in the future.

21. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through November 15, 2018, the date the consolidated financial statements were issued.

* * * * * *

Shirley Ryan
Abilitylab.

355 E. Erie St., Chicago, IL 60611 | 844.355.ABLE (2253) | sralab.org

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

Please be advised that the total estimated project costs and related costs associated with the proposed project are below the Certificate of Need threshold, and will be funded in total with cash and equivalents, Including investment securities, unrestricted funds, and funded depreciation.

Sincerely,

Nancy E. Parindy

Nancy E. Paridy
Sr. Vice President,
Chief Administrative Officer

Date: FEBRUARY 18, 2019

Subscribed and sworn to before me at Chicago, IL
City, State

this 18 day of February, 2019.

Notary Public

LIANA M DAVILA
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 7, 2020

ATTACHMENT 36

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	Cost/Sq. Ft.		DGSF		DGSF		New Const. $	Modernization $	Costs
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)
Reviewable									
Patient Units		$ 305.00			12,405			$ 3,783,525	$ 3,783,525
Gym		$ 275.00			7,245			$ 1,992,276	$ 1,992,276
Therapy, Misc.		$ 295.00			1,589			$ 468,661	$ 468,661
Contingency		$ 20.00						$ 424,766	$ 424,766
		$ 314.02			21,238			$ 6,669,228	$ 6,669,228
Non-Reviewable									
Office, Private		$ 270.00			130			$ 34,992	$ 34,992
Staff Areas		$ 270.00			363			$ 98,064	$ 98,064
Computer Room		$ 300.00			186			$ 55,728	$ 55,728
Storage		$ 20.00			24,765			$ 495,300	$ 495,300
Contingency		$ 5.00						$ 127,218	$ 127,218
		$ 31.89			25,444			$ 811,302	$ 811,302
PROJECT TOTAL		**$ 160.24**			**46,682**			**$ 7,480,530**	**$ 7,480,530**

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ATTACHMENT 37C

PROJECTED OPERATING COSTS
and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

Shirley Ryan AbilityLab

YEAR 2 OPERATING COST per PATIENT DAY

Projected Pt Days: 84,000

Salaries & Benefits		$236,118,623
Medical Supplies		$72,335,109
		$308,453,732
per Patient Day:	$	3,672.07

YEAR 2 CAPITAL COST per PATIENT DAY

Projected Pt Days: 84,000

Interest, Dep. & Amort	$	40,866,000
per Patient Day:	$	486.50

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

INDEX OF ATTACHMENTS

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

by FedEX

February 22, 2019

Ms. Courtney Avery
Administrator
Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: Shirley Ryan AbilityLab

Dear Ms. Avery:

Enclosed please find two copies of a Certificate of Need ("CON") application filed on behalf of applicant Rehabilitation Institute of Chicago, proposing the addition of twenty (20) comprehensive physical rehabilitation beds to the Shirley Ryan AbilityLab, located in Chicago. Also enclosed is a check in the amount of $2,500.

Should you require any additional information, please do not hesitate to call me.

Sincerely,

Jacob M. Axel
President

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004