

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

MAR 12 2019

Facility/Project Identification

Facility Name:	The University of Chicago Medical Center		
Street Address:	14290 S LaGrange Road		
City and Zip Code:	Orland Park, 60462-2350		
County:	Cook	Health Service Area:	6
		Health Planning Area:	A-04

HEALTH FACILITIES &
SERVICES REVIEW BOARD

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

Exact Legal Name:	The University of Chicago Medical Center
Street Address:	5841 S. Maryland Avenue
City and Zip Code:	Chicago, IL 60637
Name of Registered Agent:	John Satalic
Registered Agent Street Address:	5841 S. Maryland Avenue
Registered Agent City and Zip Code:	Chicago, IL 60637
Name of Chief Executive Officer:	Sharon O'Keefe
CEO Street Address:	5841 S. Maryland Avenue
CEO City and Zip Code:	Chicago, IL 60637
CEO Telephone Number:	(773) 702-6240

Type of Ownership of Applicants

- | | | |
|--|--|--------------------------------|
| ☒ 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 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:	John Beberman
Title:	Director, Capital Budget and Control
Company Name:	The University of Chicago Medical Center
Address:	5841 S. Maryland Avenue, Chicago, IL 60637
Telephone Number:	(773) 702-8184
E-mail Address:	john.bebberman@uchospitals.edu
Fax Number:	(773) 702-8184

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

Name:	Joe Ourth
Title:	Partner
Company Name:	Saul, Ewing, Arnstein & Lehr LLP
Address:	161 N. Clark Street, Suite 4200, Chicago, IL 60601
Telephone Number:	(312) 876-7815
E-mail Address:	joe.ourth@saul.com
Fax Number:	(312) 876-6215

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**This Section must be completed for all projects.****Facility/Project Identification**

Facility Name: The University of Chicago Medical Center			
Street Address: 14290 S LaGrange Road			
City and Zip Code: Orland Park, 60462-2350			
County: Cook	Health Service Area: 6	Health Planning Area: A-04	

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

Exact Legal Name: WDT Acquisition Corp.	
Street Address: 15601 Dallas Parkway, Suite 500	
City and Zip Code: Addison, Texas 75001	
Name of Registered Agent: Corporation Service Company	
Registered Agent Street Address: 251 Little Falls Drive	
Registered Agent City and Zip Code: 19808	
Name of Chief Executive Officer: James Potfremman	
CEO Street Address: 15601 Dallas Parkway, Suite 500	
CEO City and Zip Code: Addison, Texas 75001	
CEO Telephone Number: 469-398-4104	

Type of Ownership of Applicants

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

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Name:	Joe Ourth
Title:	Partner
Company Name:	Saul, Ewing, Arnstein & Lehr LLP
Address:	161 N. Clark Street, Suite 4200, Chicago, IL 60601
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City and Zip Code: Orland Park, 60462-2350			
County: Cook	Health Service Area: 6	Health Planning Area: A-04	

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

Exact Legal Name: The UCMC-Solis Off-Campus Mammography Services, LLC	
Street Address: 15601 Dallas Parkway, Suite 500	
City and Zip Code: Addison, Texas 7500-1000	
Name of Registered Agent:	CT Corporation System
Registered Agent Street Address:	208 S. LaSalle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	James Potfreman
CEO Street Address:	15601 Dallas Parkway, Suite 500
CEO City and Zip Code:	Addison, Texas 75001
CEO Telephone Number:	469-398-4104

Type of Ownership of Applicants

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Fax Number:	(312) 876-6215

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:	John Beberman
Title:	Director, Capital Budget and Control
Company Name:	The University of Chicago Medical Center
Address:	5841 S. Maryland Avenue, Chicago, IL 60637
Telephone Number:	(773) 702-8184
E-mail Address:	john.bebberman@uchospitals.edu
Fax Number:	(773) 702-8184

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	MCWS REC LLC
Address of Site Owner:	Tribune tower, 435 N. Michigan Avenue, Suite 2900, Chicago, IL 60611
Street Address or Legal Description of the Site:	
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.	
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Operating Identity/Licensee

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

Exact Legal Name:	The UCMC-Solis Off-Campus Mammography Services, LLC		
Address:	15601 Dallas Parkway, Suite 500, Addison, Texas 7500-1000		
☐	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
- ☒ 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.

On August 27, 2014, the University of Chicago Medical Center ("UCMC" or the "Medical Center") received Permit #14-023 from the Illinois Health Facilities & Services Planning Board ("IHFSB" or the "Review Board") to move forward with the construction of a four-story, ambulatory care medical office building in downtown Orland Park. The fourth floor was reserved as shell space.

UCMC, WDT Acquisition Corporation, the company with final control over Solis-NFP JV Holdings, LLC (referred to hereafter as "Solis"), and UCMC-Solis Off-Campus Mammography Services, LLC (the "JV" or "Joint Venture") (collectively the "Applicants") seek authority from the Review Board to develop and jointly operate a dedicated Mammography Suite in a portion of this shell space (the "Project").

Specifically, the Applicants seek to develop a dedicated Mammography Suite with a comprehensive line of women's imaging services consisting of one mammography machine (digital breast (3D) tomosynthesis), an ultrasound device that will be used by the radiologist following diagnostic scans and also for biopsy targeting, and a bone density scanner (DEXA) for the safety and convenience of the JV patients.

The purpose of the Project is to increase access to high-quality screening and diagnostic mammography, for which there is unmet demand and a disparate distribution of resources, alongside any necessary treatment modalities for medical care. The Applicants also seek to overcome barriers that prevent women from getting annual breast health screenings as part of a comprehensive preventative health program, as well as complementary diagnostic testing, by keeping patient safety, patient experience, and patient convenience foremost in mind.

The Project will utilize an existing mammography machine (digital breast (3D) tomosynthesis approved with Permit #14-023) that has an established and growing patient base since mammography services were first offered in the Orland Park MOB.

The build out would consist of 7,475 DGSF for both clinical and non-clinical space. The total project cost is expected to be \$4,992,894 and will be funded with cash and securities. The Project is expected to be complete by the first quarter of FY 2021.

The Applicants have only filed this application because the Joint Venture will convert a portion of the existing shell space previously approved in Permit #14-023, not because of the project cost, which remains well below the capital threshold.

Pursuant to 77 Ill. Adm. Code 1110.40(b), the Project is classified as "Non-Substantive" because it will not establish a new facility on a new site, establish or discontinue a category of service, or propose a change in the bed capacity.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$1,111,070	\$1,408,536	\$2,519,606
Modernization Contracts			
Contingencies	111,107	140,854	251,961
Architectural/Engineering Fees	126,495	160,362	286,857
Consulting and Other Fees	162,850	69,325	232,175
Movable or Other Equipment (not in construction contracts)	518,587	220,000	738,587
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	1,082,812	162,245	1,245,057
Other Costs To Be Capitalized	239,615	160,188	399,803
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$3,352,536	\$2,321,510	\$5,674,046
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$2,269,724	\$2,159,265	\$4,428,989
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	1,082,812	162,245	1,245,057
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$3,352,536	\$2,321,510	\$5,674,046
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

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

Land acquisition is related to project ☐ Yes ☒ No Purchase Price: \$ <u>N/A</u> Fair Market Value: \$ <u>N/A</u>
The project involves the establishment of a new facility or a new category of service ☐ Yes ☒ No If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100. Estimated start-up costs and operating deficit cost is \$ <u>N/A</u>.

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

- | | |
|---|---|
| ☐ None or not applicable | ☒ Preliminary |
| ☐ Schematics | ☐ Final Working |

Anticipated project completion date (refer to Part 1130.140): 2020

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

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

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

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:

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

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

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		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**.

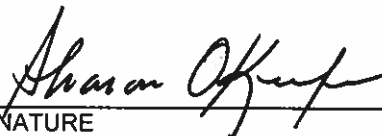
FACILITY NAME: The University of Chicago Medical Center			CITY: Chicago		
REPORTING PERIOD DATES: From: 01/01/2018 to: 12/31/2018					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	506	18,046	126,702	0	506
Obstetrics	46	2,781	6,423	0	46
Pediatrics	60	3,346	17,102	0	60
Intensive Care	146	6,078	33,882	0	146
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care	53	975	16,166	0	53
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	811	31,226	200,275	0	811

CERTIFICATION

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

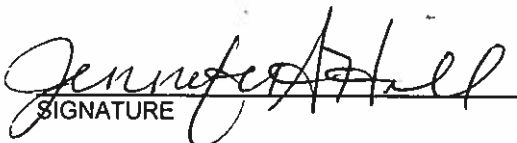
- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its 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 The University of Chicago Medical Center in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.


SIGNATURE

Sharon O'Keefe
PRINTED NAME

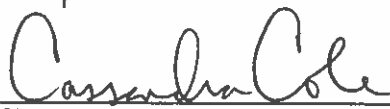
President
PRINTED TITLE


SIGNATURE

Jennifer Hill
PRINTED NAME

Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 4th day of March 2019


Signature of Notary

Seal

"OFFICIAL SEAL"
CASSANDRA COLE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

*Insert the EXACT legal name of the applicant

Notarization:
Subscribed and sworn to before me
this 4th day of March 2019


Signature of Notary

Seal

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NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 8/3/2021

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CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) 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);
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- in the case of a sole proprietor, the individual that is the proprietor.

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


SIGNATURE

James Polfreman
PRINTED NAME

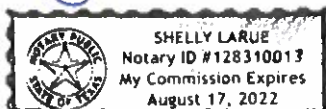
President & CEO
PRINTED TITLE

Notarization:

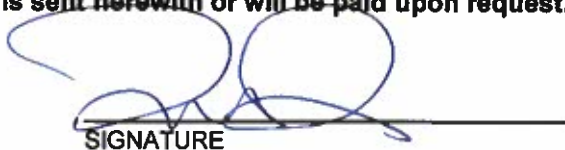
Subscribed and sworn to before me
this 4th day of March 2019


Signature of Notary

Seal



*Insert EXACT legal name of the applicant


SIGNATURE

David Pyle
PRINTED NAME

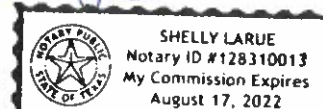
Chief Operating Officer
PRINTED TITLE

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- 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 for Permit is filed on the behalf of UCMC-Solis Off-Campus Mammography Services, LLC* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

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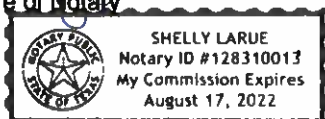
President & CEO of WDT Acquisition Corp.
and Solis-NFP JV Holdings, LLC, a Manager
of UCMC-Solis Off-Campus Mammography
Services, LLC
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 4th day of March 2019

Signature of Notary

Seal



SIGNATURE

Sharon O'Keefe
PRINTED NAME

President of The University of Chicago
Medical Center, a Manager of UCMC-Solis
Off-Campus Mammography Services, LLC

PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this _____ day of _____

Signature of Notary

Seal

*Insert EXACT legal name of the applicant

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SIGNATURE

James Polfreman
PRINTED NAME

President
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this ____ day of ____

Signature of Notary

Seal

SIGNATURE

Jason Keeler
PRINTED NAME

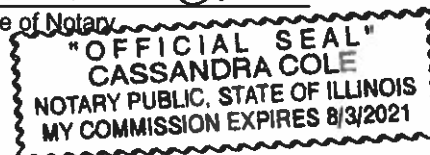
Vice President
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 4th day of March 2019

Signature of Notary

Seal



*Insert the EXACT legal name of the applicant

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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 ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

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

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. A narrative of the rationale that supports the projections must be provided.

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
 - a. Requirements of governmental or certification agencies; or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data is available; and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

ASSURANCES:

Submit the following:

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

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION V. SERVICE SPECIFIC REVIEW CRITERIA

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

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
☒ Mammography		
☒ Ultrasound		
☐		

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

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) - Need Determination - Establishment
Service Modernization	(c)(1) - Deteriorated Facilities
	AND/OR
	(c)(2) - Necessary Expansion
	PLUS
	(c)(3)(A) - Utilization - Major Medical Equipment
	OR
	(c)(3)(B) - Utilization - Service or Facility
APPEND DOCUMENTATION AS <u>ATTACHMENT 30</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

APPEND DOCUMENTATION AS ATTACHMENT-32, 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]:

\$5,674,046	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
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	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.
<u>\$5,674,046</u>	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.

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

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 ATTACHMENT 36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. SAFETY NET IMPACT STATEMENT

Not applicable because the proposed project is non-substantive.

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

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

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

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

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

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

	Inpatient				
	Outpatient				
	Total				

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

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

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	29-32
2	Site Ownership	33-34
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	35-36
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	37-38
5	Flood Plain Requirements	39-41
6	Historic Preservation Act Requirements	42-43
7	Project and Sources of Funds Itemization	44-47
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9	Cost Space Requirements	48
10	Discontinuation	
11	Background of the Applicant	49-61
12	Purpose of the Project	63-69
13	Alternatives to the Project	70-71
14	Size of the Project	72-75
15	Project Service Utilization	76-79
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	
19	Comprehensive Physical Rehabilitation	
20	Acute Mental Illness	
21	Open Heart Surgery	
22	Cardiac Catheterization	
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24	Non-Hospital Based Ambulatory Surgery	
25	Selected Organ Transplantation	
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28	Community-Based Residential Rehabilitation Center	
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	Financial and Economic Feasibility:	
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34	Financial Waiver	89-103
35	Financial Viability	103-203
36	Economic Feasibility	204-211
37	Safety Net Impact Statement	212
38	Charity Care Information	213-241

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

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

Section I, Type of Ownership of Applicant/Co-Applicant

Attachment 1

The University of Chicago Medical Center (“UCMC”) is an Illinois not-for-profit corporation. A copy of UCMC’s Good Standing Certificate is attached.

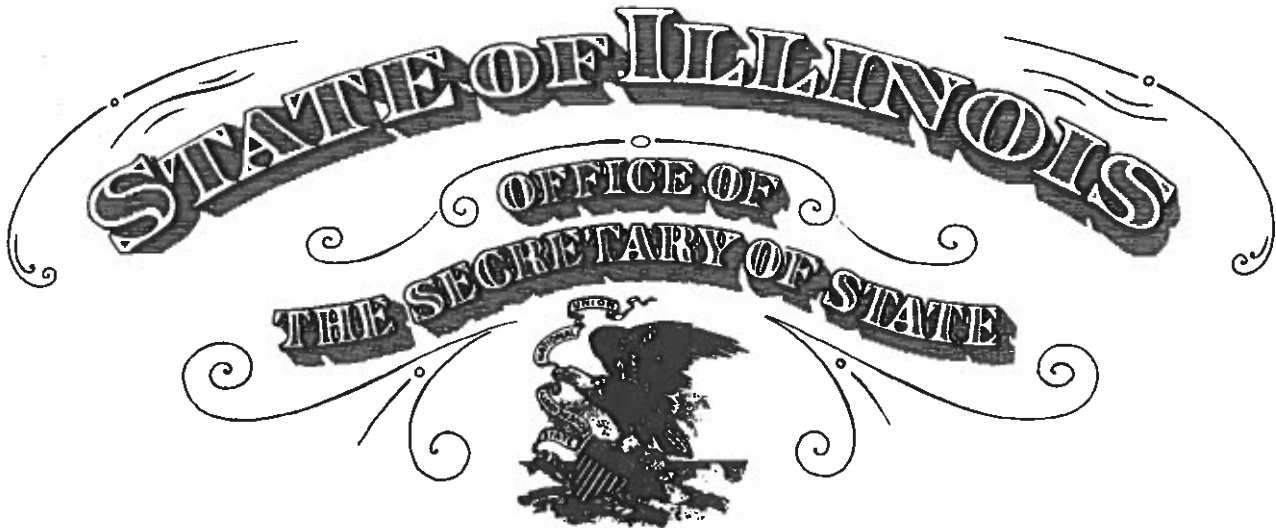
WDT Acquisition Corp. d/b/a Solis Mammography (“WDT”) is a Delaware for-profit corporation. A copy of WDT’s Delaware Good Standing Certificate is attached. WDT does not transact business in Illinois so it is exempt from obtaining a Good Standing Certificate from the Illinois State of Secretary.

The Solis-NFP JV Holdings, LLC (“JV Holdings”) is a Delaware limited liability company. JV Holdings is a wholly owned subsidiary of WDT (see the Organizational Chart in Attachment 4 for more details), and is included in this Attachment for informational purposes only, and it is not a Co-Applicant.

The UCMC-Solis Off-Campus Mammography Services, LLC (“Joint Venture”) is a Delaware limited liability company. A copy of the Joint Venture’s Good Standing Certificate is attached.

File Number

5439-757-7



To all to whom these Presents Shall Come, Greeting:

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

THE UNIVERSITY OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 01, 1986, 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 30TH
day of JULY A.D. 2018 .***

Jesse White

SECRETARY OF STATE

Authentication #: 1821101752 verifiable until 07/30/2019
Authenticate at: <http://www.cyberdriveillinois.com>

ATTACHMENT 1

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "WDT ACQUISITION CORP." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTH DAY OF MARCH, A.D. 2019.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



4009106 8300

SR# 20191829358

You may verify this certificate online at corp.delaware.gov/authver.shtml

A handwritten signature in black ink, appearing to read "JB", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

Authentication: 202396596

Date: 03-07-19

ATTACHMENT 1

File Number

0733505-9



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

UCMC-SOLIS OFF-CAMPUS MAMMOGRAPHY SERVICES, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON FEBRUARY 13, 2019, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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 6TH
day of MARCH A.D. 2019 .

Jesse White

SECRETARY OF STATE

Authentication #: 1906502796 verifiable until 03/06/2020

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

Section I, Site Ownership

Attachment 2

Attached is a certification of the Applicants relating to control of the site.

UCMC-Solis Off-Campus Mammography Services, LLC

March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Fair Market Value of Joint Venture Space Lease

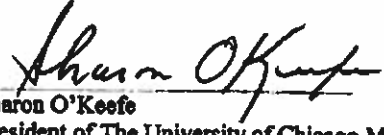
Dear Mr. Constantino:

MCWS REC LLC is the landlord and The University of Chicago Medical Center ("UCMC") is the master tenant of The University of Chicago Medicine - Center for Advanced Care, a 110,500 gross square foot ("gsf"), four-story ambulatory care medical office building located in Orland Park, Illinois (the "MOB"). We have reviewed the definitions of "fair market value" located at 77 Ill. Admin. Code §§ 1120.10(b)(7) and 1130.140. We are also familiar with the various rules and regulations concerning the submission of accurate materials to the Illinois Health Facilities & Services Review Board (the "Board"). Based on the foregoing, we hereby certify the following:

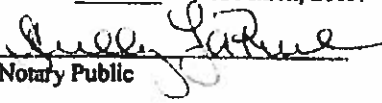
1. UCMC and Solis-NFP JV Holdings, LLC ("Solis-NFP") organized UCMC-Solis Off-Campus Mammography Services, LLC (the "Joint Venture") for the reasons set forth in the "The University of Chicago Medical Center Orland Park Mammography Suite" Certificate of Need Application.
2. UCMC and Solis-NFP, on behalf of the Joint Venture, have negotiated the terms of a proposed sublease for the Mammography Suite in the MOB (the "Space Lease").
3. The Space Lease has a ten (10) year term.
4. The Space Lease is contingent upon the Joint Venture receiving permission from the Board to enter into the Space Lease.
5. Under the terms of the Space Lease, the Joint Venture will lease 3,971 gsf of space in the MOB at an annual rate of \$25.00 per gsf (the "Rent").
6. Under the terms of the Space Lease, the Rent will increase by three percent (3%) per year.
7. It is our belief that a ten percent (10%) discount rate is normal and customary.
8. Based on the foregoing, the fair market value of the Space Lease would be \$683,384.

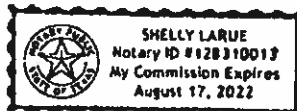
Sincerely,


James Polgren
President & CEO of WDT Acquisition Corp.
and Solis-NFP JV Holdings, LLC, a Manager of
UCMC-Solis Off-Campus Mammography Services,
LLC


Sharon O'Keefe
President of The University of Chicago Medical Center,
a Manager of UCMC-Solis Off-Campus Mammography
Services, LLC

SUBSCRIBED AND SWORN to before
me this 4th day of March, 2019.


Notary Public



Section I, Operating Identity/Licensee

Attachment 3

The UCMC-Solis Off-Campus Mammography Services, LLC ("Joint Venture") is a Delaware limited liability company. A copy of the Joint Venture's Good Standing Certificate is attached.

File Number

0733505-9



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

UCMC-SOLIS OFF-CAMPUS MAMMOGRAPHY SERVICES, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON FEBRUARY 13, 2019, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.



Authentication #: 1906502796 verifiable until 03/06/2020
Authenticate at: <http://www.cyberdriveillinois.com>

***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 6TH
day of MARCH A.D. 2019 .***

Jesse White

SECRETARY OF STATE

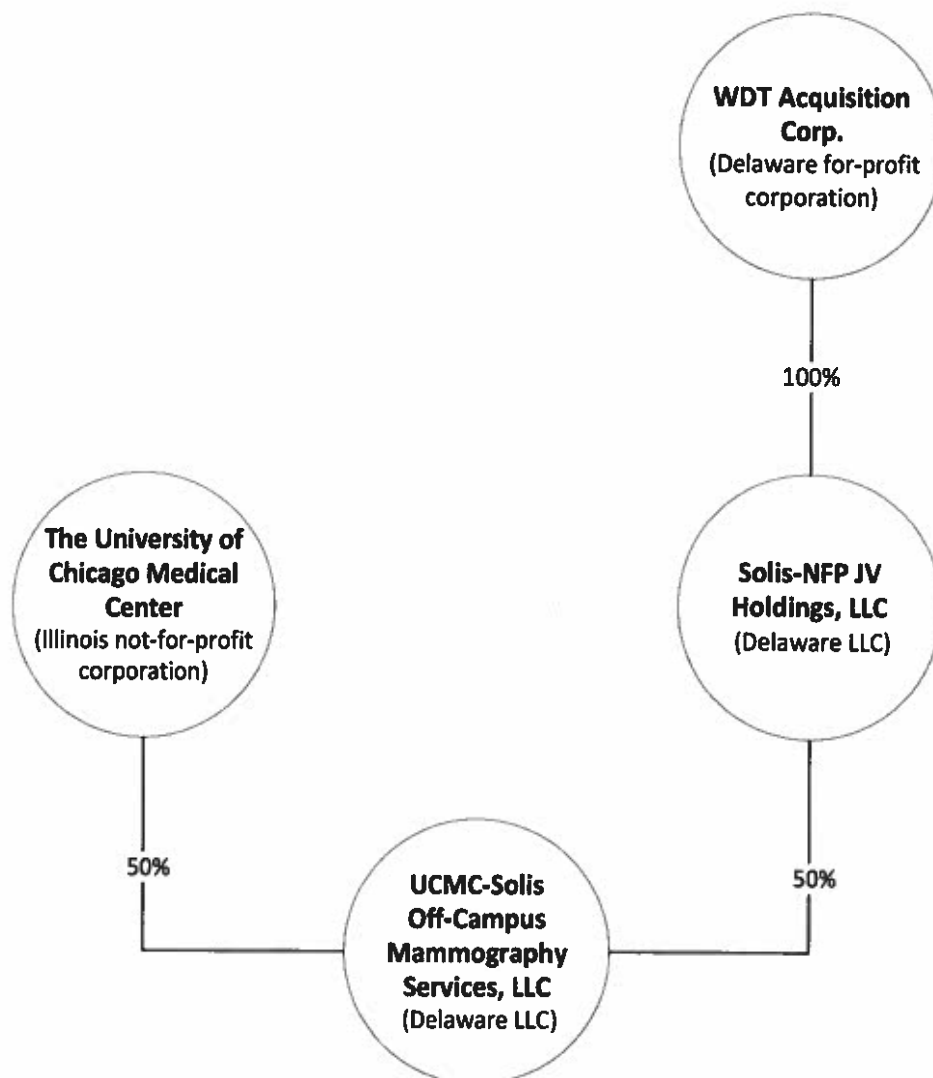
ATTACHMENT 3

Section I, Organizational Relationships

Attachment 4

A copy of The UCMS-Solis Off-Campus Mammography Services, LLC's ("Joint Venture") organizational chart is attached.

Entity Organization Chart



Section I, Flood Plain Requirement

Attachment 5

A letter attesting to the fact that the site of the Project is not located in a flood plain and that the Project complies with the Flood Plain Rules under Illinois Executive Order #2005-5 is attached.



Sharon O'Keefe
President

MC 1000 S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897
sharon.okefe@uchospitals.edu

June 15, 2018

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL. 62761

Re: Flood Plain Requirements

Dear Ms. Avery:

We hereby attest that our proposed project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. The accompanying map from www.FEMA.gov indicates that the site of our project is judged "Area of Minimal Flood Hazard".

Sincerely,

The University of Chicago Medical Center



Sharon O'Keefe
President

Encl.

Notarization:

Subscribed and sworn to before me
this 15th day of June, 2018



Cassandra Cole
Notary Public

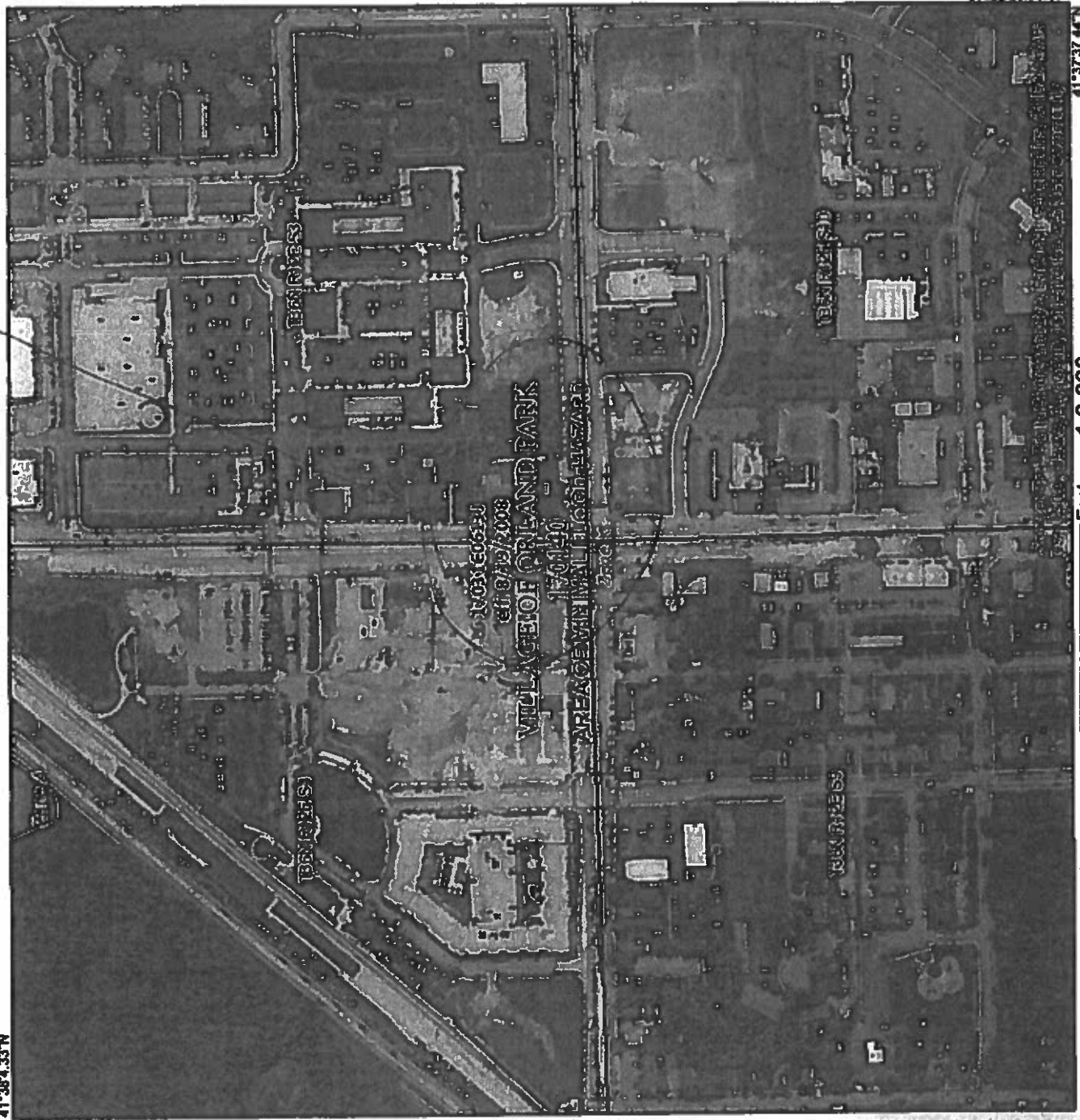


AT THE FOREFRONT OF MEDICINE

National Flood Hazard Layer FIRMette

11-10 3-4-2018
Orlando Park
FIRM 60462
FEMA

41°38'4.33"N



Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS	Without Base Flood Elevation (BFE) Zone A, V, AE, AH, X, Y, Z	With BFE or Depth Regulatory Floodway Zone AE, AO, AH, X, Y, Z
----------------------------	--	---

0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile (Zone X)
Future Conditions 1% Annual Chance Flood Hazard Zone X
Area with Reduced Flood Risk due to Levees. See Notes. Zone X
Area with Flood Risk due to Levees Zone D

Area of Minimal Flood Hazard Zone X
Effective LOMRs
Area of Undetermined Flood Hazard Zone
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall

Cross Sections with 1% Annual Chance
Water Surface Elevation
Coastal Transsect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transsect Baseline
Profile Baseline
Hydrographic Feature

Digital Data Available
No Digital Data Available
Unmapped

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The base map shown complies with FEMA's base map accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 6/13/2018 at 4:02:27 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: base map imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodified areas cannot be used for regulatory purposes.

Section I, Historic Resources Preservation Act Requirements

Attachment 6

Attached is a letter from the Illinois Department of Natural Resources dated July 12, 2018 noting that no historic, architectural or archaeological sites exists within the Project area.



Illinois Department of Natural Resources

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

Bruce Rauner, Governor
Wayne A. Rosenthal, Director

FAX (217) 524-7525

Cook County
Orland Park

Rehabilitation to Establish a Mammography Facility, University of Chicago Medicine Center
14290 S. LaGrange Road
SHPO Log #037060418

July 12, 2018

John R. Beberman
The University of Chicago Hospitals
14216 S. Meadowview
Orland Park, IL 60462-2350

Dear Mr. Beberman:

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

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

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

If you have any further questions, please contact me at 217/785-5031.

Sincerely,

A handwritten signature in black ink, appearing to read "Rachel".

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

Section I, Project Costs and Source of Funds

Attachment 7

Section 1120.110, Project Costs and Sources of Funds

Project Costs and Sources of Funds			
USE OF FUNDS	REVIEWABLE	NONREVIEWABLE	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$1,111,070	\$1,408,536	\$2,519,606
Modernization Contracts			
Contingencies	111,107	140,854	251,961
Architectural/Engineering Fees	126,495	160,362	286,857
Consulting and Other Fees	162,850	69,325	232,175
Movable and Other Equipment (not in construction contracts)	518,587	220,000	738,587
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	1,082,812	162,245	1,245,057
Other Costs to be Capitalized	239,615	160,188	399,803
Acquisition of Building or Other property (excluding land)			
TOTAL USES OF FUNDS	\$3,352,536	\$2,321,510	\$5,674,046
SOURCE OF FUNDS			TOTAL
Cash and Securities	\$2,269,724	\$2,159,265	\$4,428,989
Pledges			
Gifts and Bequests			
Bond Issue (project related)			
Mortgages			
Leases (fair market value)	1,082,812	162,245	1,245,057
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOUCES OF FUNDS	\$3,352,536	\$2,321,510	\$5,674,046
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Project Costs - Detail

	Category				
		Total	Total	Reviewable	Non-Reviewable
New Construction		\$2,519,606			
Mammography Suite			\$1,111,070	\$1,111,070	
Public Space			1,408,536		\$1,408,536
Contingencies		251,961	251,961	111,107	140,854
Architectural/Engineering Fees		286,857	286,857	126,495	160,362
Consulting and Other Fees		232,175			
Legal			80,000	75,000	5,000
Test and Balance			8,000	5,000	3,000
Commissioning			4,000	2,000	2,000
Project Management			40,000	20,000	20,000
CON Consultant			40,000	30,000	10,000
CON Fee			10,975	6,250	4,725
City Permit Fees			30,000	15,000	15,000
IDPH Plan Review Fees			19,200	9,600	9,600
Movable and Other Equipment		738,587			
Imaging, Other Clinical			251,587	251,587	
Furnishings, Artwork, IT, Security, Signage			267,000	267,000	
Public			220,000		220,000
Fair Market Value of Leased Space or Equipment		1,245,057	1,245,057	1,082,812	162,245
Other Costs to be Capitalized		399,803			
Environmental Services			20,000	10,000	10,000
Movers, Storage			6,500	5,000	1,500
Physical Security, Locks, Etc.			10,000	5,000	5,000
Plant work orders			17,000	15,000	2,000
Capitalized Staff Salaries			346,303	204,615	141,688
Total Costs		\$5,674,046	\$5,674,046	\$3,352,536	\$2,321,509

Fair Market Value of Leased Space

	Annual Rent	Discount Factor (10%)	Rent Present Value
Year 1	\$117,575	0.90909	\$106,886
Year 2	\$140,405	0.82645	\$116,037
Year 3	\$163,235	0.75131	\$122,641
Year 4	\$186,065	0.68301	\$127,085
Year 5	\$208,895	0.62092	\$129,707
Year 6	\$231,725	0.56447	\$130,803
Year 7	\$254,555	0.51316	\$130,627
Year 8	\$277,385	0.46651	\$129,402
Year 9	\$300,215	0.42410	\$127,320
Year 10	\$323,045	0.38554	\$124,548
Total	\$2,203,100		\$1,245,057
Fair Market Value of Leased Space =			\$1,245,057
Mammography Suite, assigned public:			4,566
Projected Annual Base Rent (Year 1):			\$117,575
Rent Escalator: \$0.50/RSF			\$22,830 / YR

Equipment

Mammography Suite		
Clinical Equipment		
Mammography		
	Breast Biopsy Guidance System	\$55,000
	FMI Kit, Dimensions 1,7 Tomo Biopsy	\$25,000
	Dimensions Needle Localization Kit	\$5,577
	Adapter, Eviva, Affirm Kit	\$2,750
	Akrus Standard Mammography Chair	\$13,500
	Atec Unit	\$3,950
Ultrasound		
	Ultrasound Unit (Epiq 7G) (North Texas)	\$66,000

	Ultrasound Table		\$4,000
	DEXA Scanner		
	Bone Density Unit		\$54,775
	Other Clinical		
	IT - CD Burner		\$12,000
	IT - USB CD Burner		\$35
	Fax/Copier/Scanner		\$9,000
		Clinical Equipment Total	\$251,587
	IT, Security, Furniture, Artwork, Signage		
	IT Hardware, Set-up		\$120,000
	Telecommunications		\$50,000
	Security System		\$50,000
	Music System		\$5,000
	Furniture		\$22,000
	Artwork		\$12,000
	Signage		\$8,000
		IT, Security, Furniture, Artwork, Signage Total	\$267,000
		Mammo Suite Equipment, Furnishings Grand Total	\$518,587
	Fourth Floor Public Space		
	Information Technology		\$150,000
	Telecommunications		\$45,000
	Security System		\$25,000
	Furnishings		\$70,000
		Public Space Equipment	\$220,000
		Equipment Grand Total	\$738,587

Section I, Cost Space Requirements

Attachment 9

Cost Space Requirements

<u>Department/Area</u>	<u>Cost</u>	<u>Gross Square Feet</u>		<u>Amount of Proposed Total BGSF That Is:</u>				
		<u>Existing</u>	<u>Proposed</u>	<u>New Constr.</u>	<u>Modern.</u>	<u>As Is</u>	<u>Vacated Space</u>	<u>Re-assign</u>
Reviewable:								
Imaging	\$3,352,536		3,577	3,577			0	0
Sleep Studies								
Laboratories								
Infusion Therapy								
Total Reviewable	\$3,352,536	0	3,577	3,577	0	0	0	
Nonreviewable:								
Physician Offices								
Public	\$2,321,510		3,898	3,898			313	-313
Staff/Support								
Bldg. Systems								
Total Nonreviewable	\$2,321,510	0	3,898	3,898			313	-313
Grand Total	\$5,674,046	0	7,475	7,475	0	0	313	-313

This Proposed Project is relocating a mammography machine from a 313 NSF room on the 3rd floor and building a mammography suite on the 4th floor. The vacated room will be used for future radiographic expansion when needed.

Section III, Background of Applicant

Attachment 11

Section 1110.230, Background, Purpose of the Project and Alternatives

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

UCMC's full general hospital license #0003897, effective July 1, 2018, issued by the Illinois Department of Public Health ("IDPH"), is attached. UCMC's most recent accreditation letter from the Joint Commission, dated May 12, 2016, is attached.

UCMC also owns Ingalls Memorial Hospital ("Ingalls Hospital") and Ingalls Same Day Surgery Center, an ambulatory surgery treatment center ("Ingalls ASTC").

A copy of Ingalls Hospital's full general hospital license #0001099, effective January 1, 2018, issued by IDPH, is attached. Ingalls Hospital's most recent certificate of accreditation from the Centers for Medicare and Medicaid Services, dated April 17, 2018, is attached.

A copy of Ingalls ASTC's ambulatory surgery treatment center license #7001043, effective June 18, 2018, issued by IDPH, is attached. Ingalls ASTC's most recent accreditation letter from the Joint Commission, dated June 28, 2018, is attached.

Neither UCMC-Solis off Campus Mammography Services, LLC nor WDT Acquisition Corp. d/b/a Solis Mammography owns any health care facilities.

2. A certified listing of any adverse action taken against any facility owned and/or operated by applicant during the three years prior to the filing of the application.

There have been no adverse actions taken against UCMC, UCMC-Solis off Campus Mammography Services, LLC, or WDT Acquisition Corp. d/b/a Solis Mammography within the prior three years. A letter attesting to this fact is attached.

3. Authorization permitting HFSRB and DPH access to 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.

A letter granting the Review Board and the IDPH access to information to verify information in the application is attached.



**Illinois Department of
PUBLIC HEALTH**

HF115872

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
6/30/2019

CATEGORY

ID NUMBER
0003897

General Hospital

Effective: 07/01/2018

**The University of Chicago Medical Center
5841 South Maryland
MC 1112
Chicago, IL 60637**

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

→ **DISPLAY THIS PART IN A
CONSPICUOUS PLACE**

Exp. Date 6/30/2019

Lic Number 0003897

Date Printed 5/15/2018

Validation Num

The University of Chicago Medical Cen

5841 South Maryland

MC 1112

Chicago, IL 60637

FEE RECEIPT NO.

University of Chicago Medical Center

Chicago, IL

has been Accredited by

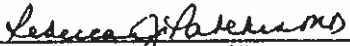


The Joint Commission

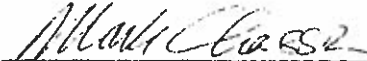
Which has surveyed this organization and found it to meet the requirements for the
Hospital Accreditation Program

March 12, 2016

Accreditation is customarily valid for up to 36 months.


Rebecca F. Patchin, MD
Chair, Board of Commissioners

ID #7315
Print Report Date: 05/23/2016


Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.





**Illinois Department of
PUBLIC HEALTH**

HF116911

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	ID NUMBER
12/31/2019		0001099
General Hospital		
Effective: 01/01/2019		

Ingalls Memorial Hospital
1 Ingalls Drive
Harvey, IL 60426

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

← **DISPLAY THIS PART IN A
CONSPICUOUS PLACE**

Exp Date 12/31/2019

Lic Number 0001099

Date Printed 11/14/2018

Ingalls Memorial Hospital

1 Ingalls Drive
Harvey, IL 60426

FEE RECEIPT NO.

ATTACHMENT 11

CERTIFICATE OF ACCREDITATION

Certificate No.:
180222-2018-AHC-USA-NIAHO

Initial date:
4/17/2018

Valid until:
4/17/2021

This is to certify that:

Ingalls Memorial Hospital

One Ingalls Drive, Harvey, IL 60426

has been found to comply with the requirements of the:

NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to DNV GL Healthcare USA, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482).

This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

For the Accreditation Body:
DNV GL - Healthcare
Katy, TX



Patrick Norine
Chief Executive Officer



Lack of continual fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.

DNV GL - Healthcare, 400 Tedline Center Drive, Suite 100, Milford OH, 45150 Tel: 513-947-8343

www.dnvglhealthcare.com

← DISPLAY THIS PART IN A
CONSPICUOUS PLACE

HF115957



**Illinois Department of
PUBLIC HEALTH**

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

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

Director

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	LIC. NUMBER
6/17/2019		7001043
Ambulatory Surgery Treatment Center		
Effective: 06/18/2018		

Ingalls Same Day Surgery
6701 West 159th Street
Tinley Park, IL 60477

Exp. Date 6/17/2019

Lic Number 7001043

Date Printed 5/23/2018

Ingalls Same Day Surgery
6701 West 159th Street
Tinley Park, IL 60477

FEE RECEIPT NO.



The Joint Commission

June 28, 2018

Kurt Johnson
President
Ingalls Same Day Surgery Center
6701 West 159th Street
Tinley Park, Illinois 60477

HCO ID: # 336

Dear Mr. Johnson:

This letter is to confirm that your Ambulatory Health Care Accreditation program accreditation has been extended until the upcoming triennial survey occurs and a new accreditation decision is rendered. The current accreditation decision was effective July 10th, 2015.

Once your triennial survey occurs and all post survey activity is completed successfully, a new award letter will be posted to your secure Joint Commission Extranet site.

We do apologize for any inconvenience that this may have caused.

If you have any questions, please do not hesitate to contact me at (630) 792-5089.

Sincerely,

Angela Malone

Angela Malone, MBA
Senior Account Executive
Accreditation and Certification Operations

State of Illinois Department of Financial and Professional Regulation Division of Professional Regulation		
LICENSE NO. 042.618791 036.047581	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:	EXPIRES: 01/01/2022
REGISTERED MEDICAL CORPORATION		
PRIMARY HEALTHCARE ASSOCIATES SC 71 W 156TH ST STE 500 HARVEY, IL 60426-4265		
	 JESSICA BAER ACTING SECRETARY	 JESSICA BAER DIRECTOR
The official status of this license can be verified at www.idfpr.com		
		13550632

Cut on Dotted Line ✂

For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 1456407



AT THE FOREFRONT
**UChicago
Medicine**

Sharon O'Keefe
President

MC 1000, S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897

March 1, 2019

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: **UCMC/Solis Off-Campus Mammography Services**
Permit Application – No Adverse Action

Dear Ms. Avery:

Please be advised that no disciplinary action relative to "Adverse Action" as defined under Section 1110.230(a)(1) of the Review Board Rules has been adjudicated against The University of Chicago Medical Center, or against any health care facility owned or operated by it, directly or indirectly, within three (3) years preceding the filing of the permit application.

Sincerely,

The University of Chicago Medical Center

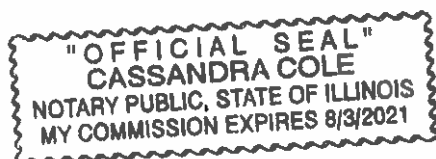
Sharon O'Keefe
President

Notarization:

Subscribed and sworn to before me
this 1st day of March, 2019

Signature of Notary Public

Seal



112758038.1



Audre Gvildys Bagnall
EVP Business Development
Chief Strategy Officer

MC 1000, O-114A
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 834-2390
fax (773) 702-9005

March 1, 2019

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC-Solis Off-Campus Mammography Services, LLC
Permit Application – No Adverse Action

Dear Ms. Avery:

Please be advised that no disciplinary action relative to “Adverse Action” as defined under Section 1110.230(a)(1) of the Review Board Rules has been adjudicated against UCMC/Solis Off-Campus Mammography Services, LLC, or against any health care facility owned or operated by it, directly or indirectly, within three (3) years preceding the filing of the permit application.

Sincerely,

UCMC-Solis Off-Campus Mammography Services, LLC

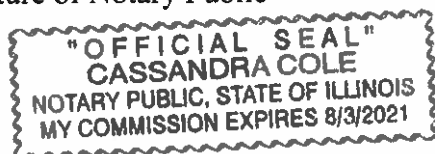
Audre Bagnall
Senior Vice President
The University of Chicago Medical Center

James Polfreman
President & CEO
WDT Acquisition Corp.

Notarization:
Subscribed and sworn to before me
this ____ day of March 1, 2019

Signature of Notary Public

Seal



Notarization:
Subscribed and sworn to before me
this ____ day of March 1, 2019

Signature of Notary Public

Seal

112758038.1



March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1110.110(a)(2)(C), No Adverse Actions Certification
(UCMC Orland Park Mammography Suite Project)

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(C), as follows:

1. There have been no adverse actions taken against any facility in Illinois owned or operated by Solis-NFP JV Holdings, LLC during the three (3) years prior to the filing of this application.
2. There have been no adverse actions taken against any facility in Illinois owned or operated by WDT Acquisition Corp. d/b/a Solis Mammography during the three (3) years prior to the filing of this application.

Sincerely,

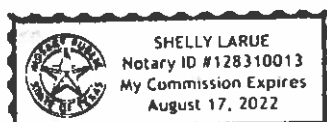
A handwritten signature in blue ink, appearing to read "James Polfreman", is written over a horizontal line.

James Polfreman
President & CEO
Solis-NFP JV Holdings, LLC
WDT Acquisition Corp. d/b/a Solis Mammography

Subscribed and Sworn to before me
this 4th day of March, 2019.

A handwritten signature in blue ink, appearing to read "Shelly Larue", is written over a horizontal line.
Notary Public

4847-5966-9897.2





AT THE FOREFRONT
**UChicago
Medicine**

Sharon O'Keefe
President

MC 1000, S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897

March 1, 2019

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC/Solis Off-Campus Mammography Services, LLC
Permit Application – Access to Information

Dear Ms. Avery:

I hereby authorize the State Board and State Agency access to information from any licensing/certification agency in order to verify any and all documentation or information submitted in relation to this permit application. I further authorize the Illinois Department of Public Health to obtain any additional documentation or information that said agency deems necessary for the review of the application as it pertains to Section 1110.230(a)(3)(C) of the Review Board Rules.

Sincerely,

The University of Chicago Medical Center


Sharon O'Keefe
President

Notarization:

Subscribed and sworn to before me
this 1st day of March, 2019


Signature of Notary Public

Seal





AT THE FOREFRONT
**UChicago
Medicine**

Audre Gvildys Bagnall
EVP Business Development
Chief Strategy Officer

MC 1000, O-114A
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March 1, 2019

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC/Solis Off-Campus Mammography Services – Access to Information

Dear Ms. Avery:

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Audre Bagnall
Senior Vice President
The University of Chicago Medical Center

James Polfreman
President & CEO
WDT Acquisition Corp.

Notarization:

Subscribed and sworn to before me
this ____ day of March 1, 2019

Signature of Notary Public

Seal



Notarization:

Subscribed and sworn to before me
this ____ day of March 1, 2019

Signature of Notary Public

Seal



March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1110.110(a)(2)(J), Authorization to Access Information
(UCMC Orland Park Mammography Suite Project)

Dear Mr. Constantino:

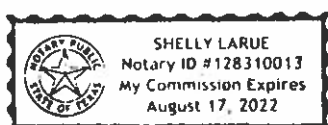
Pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by Solis-NFP JV Holdings, LLC or WDT Acquisition Corp. d/b/a Solis Mammography with this application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this application.

Sincerely,

A handwritten signature in blue ink, appearing to read "JP", is written over a horizontal line.

James Polfreman
President & CEO
Solis-NFP JV Holdings, LLC
WDT Acquisition Corp. d/b/a Solis Mammography

Subscribed and Sworn to before me
this 4th day of March, 2019.

A handwritten signature in blue ink, appearing to read "Shelly Larue", is written over a horizontal line.
Notary Public

4837-7079-7193.1

Section III, Purpose of Project

Attachment 12

Overview of Purpose

On August 27, 2014, the University of Chicago Medical Center (“UCMC” or the “Medical Center”) received Permit #14-023 from the Illinois Health Facilities & Services Planning Board (“IHFSB” or the “Review Board”) to construct a four-story, ambulatory care medical office building (“MOB”) in downtown Orland Park. The fourth floor was reserved as shell space. At that time, UCMC committed to the Review Board that it would pursue a permit when that shell space was built out.

UCMC, WDT Acquisition Corp. d/b/a Solis Mammography, the company with final control over Solis-NFP JV Holdings, LLC (referred to hereafter as “Solis”), and UCMC-Solis Off-Campus Mammography Services, LLC (the “JV” or “Joint Venture”) (collectively, the “Applicants”) seek approval from the Review Board to develop and jointly operate a dedicated Mammography Suite in a portion of this shell space (the “Project”).

Specifically, the Applicants seek to build out a dedicated Mammography Suite with a comprehensive line of women’s imaging services consisting of one mammography machine (digital breast (3D) tomosynthesis), an ultrasound device which will be used by the radiologist following diagnostic scans and also for biopsy targeting, and a bone density scanner (DEXA).

The purpose of the Project is to increase patients’ access to high-quality screening and diagnostic mammography, for which there is unmet demand and a disparate distribution of resources, alongside any necessary treatment modalities for medical care. The Applicants also seek to overcome barriers that prevent women from getting annual or regular breast health screenings as part of a comprehensive preventative health program, as well as complementary diagnostic testing, by keeping patient safety, patient experience, and patient convenience foremost in mind.

The Project will utilize an existing mammography machine (digital breast (3D) tomosynthesis) approved in Permit #14-023. UCMC has an established and growing patient base since mammography services were first offered in the Orland Park MOB.

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

The University of Chicago Medical Center (“UCMC”)

UCMC has been serving the City of Chicago since 1927 and is one of the nation’s leading academic medical institutions.

Its mission is to provide superior health care in a compassionate manner, ever mindful of each patient's dignity and individuality. To accomplish this mission, UCMC relies upon the skills and expertise of all who work together to advance medical innovation, serve the health needs of the community and further the knowledge of those dedicated to caring for patients.

UCMC is a nationally recognized leader in patient care, research and medical education and is the primary teaching hospital for the University of Chicago, Pritzker School of Medicine. Renowned for treating some of the most complex medical cases, UCMC brings the very latest medical treatments to patients in Chicago and continues to invest in the capital resources necessary to maintain this effort. Moreover, UCMC routinely ranks among the top providers of Medicaid services in Illinois.

Its main Hyde Park campus is home to the Center for Care and Discovery, Bernard Mitchell Hospital, Comer Children's Hospital and the Duchossois Center for Advanced Medicine. It also has a 108,000-square-foot facility in Orland Park as well as affiliations and partnerships that create a network of doctors in dozens of Chicago-area communities. Harvey-based Ingalls Health joined UCMC's network in 2016. UCMC offers a full range of specialty-care services for adults and children through more than 40 institutes and centers including an NCI-designated Comprehensive Cancer Center. It has 811 licensed beds, nearly 850 attending physicians, about 2,500 nurses and over 1,100 residents and fellows.

UCMC has a strong history of academic excellence in both mammography quality and clinical research. It is the home of many firsts in the realm of breast cancer care. Its breast cancer experts continually advance the program with research, leading-edge techniques and treatment options. It is also one of the country's leading sites for robust breast cancer clinical trials and is one of two NCI-designated Comprehensive Cancer Centers in Chicagoland. It is the leader in Chicago that offers phase one, two and three clinical trials for women with early-stage and metastatic breast cancer. Additionally, the academic medical center is the only institution in Chicago that is part of the Translational Breast Cancer Research Consortium. Its participation in these clinical trials means greater access to novel care, including neoadjuvant therapy (treatment before surgery), for breast cancer patients.

Programmatically, this Project champions the area in which UCMC is already serving its community. As one salient example, the addition of a dedicated Mammography Suite to increase access to such care is consistent with UCMC's commitment to reduce disparities of women's health outcomes in breast cancer and lower rates of mammography screening, a goal shared by Solis Mammography, with whom it selected to partner.

Solis Mammography ("Solis")

With more than 30 years in breast imaging, Solis Mammography, the nation's largest independent provider of breast imaging services, is a specialized healthcare provider focused on delivering patients an exceptional experience and exceptionally accurate results in mammography and imaging services. Solis offers dedicated experts in breast screening and diagnostic mammography (2-D and 3-D), breast ultrasound, stereotactic biopsy, and ultrasound-guided biopsy.

Serving more than 600,000 patients each year, Solis is recognized for making the patient experience exceptional such that women won't avoid getting their annual or regular mammogram. This patient-centric commitment begins the moment a woman decides to schedule and continues through her results and billing. At every step, dedication to the patient experience is treated with the same respect and priority as clinical accuracy.

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

As a major national academic medical center, UCMC essentially has two market areas. First, it serves much of the South Side of the City of Chicago, as well as South Suburbs. In addition, for its highly specialized tertiary and quaternary services, as well as personalized and compassionate primary care essential to the coordinated delivery of specialty medicine, UCMC serves much of the Chicago metropolitan area, the state and the Midwest, and even includes international patients.

Headquartered in Addison, Texas, Solis operates 62 centers across six major markets – North Texas; Houston, Texas; Phoenix, Arizona; Columbus, Ohio; Greensboro, North Carolina; and through its acquisition of Washington Radiology, the District of Columbia metropolitan area. The company operates both wholly owned centers and multiple successful joint ventures with hospital partners, such as this one. This Project, along with two other locations – one on UCMC's historic, Hyde Park campus and the other to be in a downtown MOB approved with Permit #18-025 in October 2018, will bring Solis to Illinois for the first time.

These service areas are more precisely delineated in Attachment 20.

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

A. Current location of Mammography in Orland Park MOB is insufficient for patient care, is not patient-centric, and there is no place to expand.

- Mammography is currently located on the third floor of the MOB with other imaging modalities and is limited to one room of 313 net square feet. It is clinically insufficient to meet the needs of UCMC's current patients and has no available room to expand.
- There are just two changing rooms to support the room housing the mammography equipment, and the waiting room is shared with patients seeking other types of imaging modalities. The new Mammography Suite will be dedicated to breast health and will feature a full-line of imaging modalities. The Mammography Suite cannot be accommodated on the existing first three levels of the MOB.

B. Patients of the Orland Park MOB currently must travel to other locations for diagnostic mammography and diagnostic testing

- Although mammography is a service approved in the UCMC's Orland Park MOB (Permit#14-023), the machine is used for screening mammograms only. This machine is located in one room among rooms with other imaging modalities. There is no space for diagnostic procedures, no reading room, and no sub-waiting room commonly found in a standard mammography suite.
- Patients are referred elsewhere for diagnostic mammograms and any additional testing, which provides a suboptimal patient experience and can lead to delays in treatment.
- This is a dissatisfier to patients and fragments the continuum of care with the UCMC breast surgeon who maintains a clinical practice within the MOB.

C. Need for increased access to high-quality breast health care for all women

- Local market demographics show a significant backlog of women trying to schedule their annual mammography screening. The current capacity challenges of screening mammography make it difficult for women to get the health care they need.¹
- Extensive market research with today's healthcare consumer demonstrates a high demand for off-campus (suburban) sites that offer easier access, quicker turnaround and enhanced center aesthetics.

D. There is a persistent disparity in breast cancer screening and mortality for minorities in Chicago, with a higher concentration on the south and west sides of Chicago

- Within the past decade, the Chicago area was noted to have lowest breast cancer screening rate in our nation.²
- An inequitable distribution of specially trained providers exists, with a high concentration in the Chicago Metro area, but insufficient access in surrounding communities and suburbs.
- Differential access to specialists, up-to-date technology and affiliations with academic medical centers are thought to account for such disparities.³

4. Cite the sources of the information provided as documentation

UCMC undertakes ongoing internal utilization studies and the source of this information includes those reports and other information reported to EMS, IDFP and IDPH. UCMC also relied upon data from Sg2 and MB Real Estate.

5. Detail how the project will address or improve the previously referenced issues or problems.

¹ Screening Mammography Need, Utilization, and Capacity in Chicago: Can We Fulfill our Mission and our Promises? Kristi L. Allgood, Garth Rauscher, and Steve Whitman, Sinani Urban Health Institute, Chicago, Illinois (2011).

² Metropolitan Chicago Breast Cancer Task Force, Breast Cancer Disparities, Improving Access to and Quality of Breast Health Services in Chicago, October 30, 2014, www.chicagobreastcancer.org.

³ Disparities in Screening Mammography Services by Race/Ethnicity & Health Insurance: J. Women's Health, 2012 Feb. 21(2):154-160. Accessed at ncbi.nlm.nih.gov/pmc/articles/PMC3270049 on 2/14/19).

The Project will address the previously referenced issues as well as improve and enhance the population's health status and well-being as follows:

A. Current location of mammography is insufficient for patient care, not patient-centric and there is no place to expand

The Applicants propose to create a dedicated Mammography Suite on the 4th floor by building out a portion of the shell space in the Orland Park MOB approved in Permit #14-023.

- The intention is to expand beyond a one-room mammography screening service to a self-contained women's imaging suite providing screening and diagnostic mammography, breast ultrasound, and DEXA scanning.
- The proposed Mammography Suite is anticipated to be operational at the beginning of FY21. Solis Mammography estimates 3,072 exams the first year and 5,069 in FY22, the second full year of operation, reaching the State standard of 5,000 annual exams. This forecast is based on market research and Solis's experience, which is extensive at 32 years and 62 mammography suites in operation.
- Solis Mammography provides patient-centric women's imaging service, and it is established in a modern and warm setting. The focus is on providing excellent care, specializing in breast health, with breast-dedicated radiologists that spend the majority of their time reading mammograms. The objective is to take the stress out of the mammogram experience and provide peace of mind throughout a patient's time at the center.

B. Patients of the Orland Park MOB currently must travel to other locations for diagnostic mammography and other diagnostic testing.

The Applicants propose to add capacity to the existing mammography service, including diagnostic mammography, and to expand diagnostic offerings to provide patients with a seamless continuum of care.

- The intention is to expand beyond a one-room mammography screening service to a self-contained women's imaging suite, which provides diagnostic and screening mammography, breast ultrasound, and DEXA scanning.
- Patients who need a diagnostic mammogram perhaps in conjunction with other imaging or a biopsy can now obtain these services on site, in comfortable, familiar surroundings and ready access to an established breast surgeon.

C. Need for Increased Access to High-Quality Breast Health Care for all Women by combining best of both UCMC and Solis

The Project proposes to improve both access to breast imaging services as well as quality of care and to leverage the best of both the academic and clinical talents of UCMC and Solis for the benefit of its patients.

- The combination of UCMC's academic medical center expertise in breast imaging and Solis's experience in providing efficient, quality and convenient outpatient facilities with state-of-the-art equipment will be a major benefit to women in the Chicagoland area.
- Solis will jointly manage the Mammography Suite in the Orland Park MOB, as well as expand its presence in Illinois with two other locations in conjunction with UCMC – one on UCMC's historic Hyde park campus and another in a MOB to built out downtown Chicago offering a full spectrum of women's services, thereby increasing access to mammography services at all ends of the socioeconomic spectrum.

D. There is a persistent disparity in breast cancer and mortality among minorities in Chicago, with a higher concentration on south and west sides of Chicago.

Through their combined strengths, the Applicants seek to reduce disparities in breast cancer screening and mortality for patients in Chicago.

- The Applicants, an academic medical center and a nationally renowned Mammography Services provider, will increase access and enhance clinical excellence by offering the benefits of an academic medical center setting, quality mammography interpretation and advanced technology, all of which have been found to have an effective and material impact on inequality. The Applicants will offer research-based protocols, state-of-the-art technology and an enhanced patient-centric experience.⁴
- The dedicated Mammography Suite will rely on radiologists, who specialize in breast imaging, and who have more success in detecting early cancers than general radiologists.
- An academic medical center environment, such as at UCMC, provides greater opportunity to advance interpretation skills and accuracy than non-academic medical centers and provides a continuum of care necessary for high-quality cancer treatment.
- The Applicants will utilize state-of-the-art technology. Solis has found that 3D mammography increases early detection of abnormalities by 54 percent and call back rates by 37 percent. One example of the concentration on breast health and improving the patient experience through advancing technology is Solis's development with Hologic (a manufacturer of mammography and tomosynthesis equipment) of SmartCurve in 2018. The plates in the machine that hold the breast are shaped in a curve that's similar to a woman's breast. A survey of patients trying this

⁴ UCMC recognizes that access to screening mammography is challenged at both ends of the socioeconomic spectrum and continues to partner with community organizations to make mammography screening available to more vulnerable populations. For example, UCMC partners with the Metropolitan Chicago Breast Cancer Task Force to provide free screening mammograms and diagnostics to uninsured and underinsured women living in Illinois each year. The program aims to emphasize the importance of breast cancer screening beyond breast cancer awareness month. A state funded program where UCMC participates in the mammography and breast cancer screening is the Illinois Breast and Cervical Cancer Program in partnership with the Illinois Department of Public Health and Chicago Family Health Center. UCMC also founded and funds Sisters Working it Out Breast Education and Awareness initiative, which focuses on educating at risk communities about breast cancer, increasing screening, and promoting use of local health services.

device found that 93 percent found increased comfort versus the flat plates. This improvement is used with 3D tomosynthesis machines, one of which will be relocated to the 4th floor in the proposed Project.

- The Project will extend the reach of specially-trained providers – long concentrated in the Chicago Metro area – to the suburbs and will seek to reduce the unequal distribution of resources. The Applicants have already combined forces to increase access to specialized care on UCMC's Hyde Park campus, a historically underserved area.

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

The Applicants' prevailing objective is to increase access to a comprehensive line of high-quality breast imaging services. Specifically, the goals of the Project are:

- To create a dedicated Mammography Suite with a full line of women's imaging services for the safety and convenience of UCMC's patients, alongside the ancillary diagnostic and treatment modalities required for their medical care.
- To provide more access to both high-quality screening and diagnostic mammography for which there is unmet demand and because of the disparate distribution of resources.
- To make the mammography experience more convenient and calming, thereby encouraging them to get an annual or regular breast health screening as part of a comprehensive preventative health program.

These goals can be achieved within the timeframe for Project completion.

Section III, Alternatives

Attachment 13

Alternatives

1. Project of Greater or Lesser Scope and Cost

A project with two (2) mammography machines was considered. This would have allowed one (1) machine dedicated solely to the more numerous screening mammograms and one (1) for diagnostic work if a screening procedure indicated an abnormality. The addition of a second machine would add 255 square feet for construction cost of \$87,128, an additional machine for \$404,700, increased fair market value of leased space of 43,164, and a higher CON fee of \$1,177, for a total higher cost of \$536,169. This was not pursued since patient volume was not considered adequate to make good use of two (2) machines.

The Applicants also considered not providing DEXA scanning. The cost savings would have been \$124,998. This was not pursued since offering a DEXA scan is a valuable convenience to women using this suite to also be able to have an important screening study to determine if there is bone loss. Women make higher use of this technology than men and it is most appropriate in this setting.

2. Joint Venture with Other Providers

A joint venture with other parties was not only consider but is being pursued. This venture is with Solis. Solis specializes in breast health and is known for providing women's imaging in dedicated suites that are welcoming and comforting to women. UCMC benefits by quickly bringing this high service level expertise to its patients, while Solis gains a strong and highly respected partner for its first centers in Illinois. The cost is shown at the \$5,674,046 project cost presented in this application.

3. Utilize Other Available Health Resources

There is presently a mammography (tomosynthesis) machine being used on the third floor of UCMC for Ambulatory Care. It was installed in one (1) available room in an imaging area, with the expectation that a joint venture might be established at a later date with Solis. While continuing with this present arrangement is a \$0 cost option, there are many drawbacks. There is no room for diagnostic work (no reading room), no sub waiting for gowned patients, no room for growth, and cannot give the high level of care and comforting experience that is anticipated with the proposed fourth floor suite.

4. Proposed Alternative

The proposed Project establishes a self-contained and dedicated suite for women's imaging that includes mammography, breast ultrasound, and bone density scanning. The suite will be warm and non-institutional, which is intended to provide a positive experience that will encourage women to have more regular screening mammograms,

which is recommended for those 40 year and older. Solis has an excellent record of providing this service since 1986, currently offering this care in 62 locations. This can also serve as an important model to UCMC for a high level of patient service and satisfaction.

Alternative - Mammography Suite			
	Cost	Pros	Cons
Project of Greater Scope	\$6.2m	Growth capacity.	Higher cost.
		Dedicated diagnostic mammogram capability.	Greater business risk.
Project of Lesser Scope	\$5.6m	Lower cost	Less convenient for women seeking bone density scan service.
		Less programmatic risk.	
Joint Venture	\$5.7m	Shared risk/losses.	More complicated application.
		Gain expertise of partner - better service experience.	Challenge to manage.
Utilize Existing Facilities	\$0	Less cost to UCMC.	Current space is deficient in many ways.
			Lacks ambiance, room for diagnostic mammo work.
Proposed Project	\$5.7m	Patient-centric, high ambiance.	Utilizes more square footage than current Mammo location.
		Imaging convenience.	
		Ideal layout and modalities for women's imaging.	

Section IV, Project Scope, Utilization, and Unfinished/Shell Space

Attachment 14

Project Scope, Utilization and Unfinished/Shell Space

The proposed space is necessary and appropriate.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED	STATE		MET
	BGSF/DGSF	STANDARD	DIFFERENCE	STANDARD?
Imaging:				
Mammography	2,356	900		No
Breast Ultrasound	570	900		Yes
DEXA (Bone Density)	651	900		Yes
Imaging Total	3,577	2,700	-877	No

A mammography suite will be a new service done in a joint venture with WDT Acquisition Corp. d/b/a Solis Mammography, which owns Solis-NFP JV Holdings, LLC, a company specializing in mammography centers (for brevity and clarity the company will be described in this Application as "Solis"). Solis has 62 women's imaging centers in states such as Texas, Pennsylvania, Ohio, Arizona, and Washington D.C. Some are wholly owned and others, as will be the case for the proposed Project, would be a joint venture, in this case with the University of Chicago Medical Center ("UCMC").

The company's mammography centers are known for warm, homelike settings, friendly staff, ease of scheduling, patient-centric care, state-of-the-art imaging, and fast results. For the proposed Project, mammography suite will have one mammography machine (digital breast (3D) tomosynthesis), an ultrasound device which will be used by the radiologist following diagnostic scans for additional views and also for biopsy targeting, and a bone density scanner (DEXA).

The mammography suite constitutes the reviewable space for this Application. There are State standards of 900 DGSF each for mammography and ultrasound. While there is no standard for DEXA scanning, it seems reasonable to apply the same standard as for ultrasound. A stand-alone DEXA scanning service would need some reception space, waiting space, a changing room (used occasionally), and possible sub-waiting space for gowned patients. The total standard for these three imaging services is 2,700 DGSF. The proposed square footage is 3,577.

This is, by intention, a self-contained suite. A founding principle of Solis was to encourage women to participate in regular breast screening by providing an environment that was not institutional, not overtly clinical, to make it warm, inviting, and encouraging. The traditional mammography service might be found within a hospital, and perhaps among other imaging services found in a radiology department. The waiting area might be shared with patients facing

serious health challenges, both women and men. The idea for establishing Solis 33 years ago was to provide a comforting environment for predominantly well women to encourage them to receive screening mammograms. This self-contained concept is not surprisingly larger than a typical service providing these modalities. The standard is based on actual square footage found in many standard settings. A large percentage of them will not be small and self-contained, but share such facilities as reception, registration, waiting, changing areas, sub-waiting for gowned patients, break rooms/locker rooms for staff, office for managers and technicians, reading rooms for radiologists, and bathrooms. There is no such sharing in the proposed suite and thus it does exceed the State standard by 877 DGSF. This is considered by the Applicants as a necessary trade-off to provide the supportive and peaceful environment that has earned Solis very high satisfaction scores, high loyalty and likely-to-recommend results from patient surveys, and the ability to increase from one initial women's imaging center in 1986 to 62 in 2019. After careful consideration, UCMC found great value in partnering with Solis to be the first locales in Illinois to offer this service.

The non-reviewable space is an elevator lobby and fire-rated entrance and alternate egress corridors that are required by life safety codes. This totals 3,898 DGSF for a total project of 7,475 DGSF or 8,245 BGSF.

A table summarizing the space program is attached. This identifies the key imaging rooms and support space. A line drawing of the space is also provided.

Mammography Suite	NSF
Reception	722
Semi-Private Registration	196
Dexa	137
Tech	74
Consult	96
Subwaiting	257
ADA Dressing Room	42
Dressing Room	38
Dressing Room	27
Dressing Room	27
Clean	45
Toilet Room	65
Mammo	241
Stero/Biopsy	255
Ultrasound	120

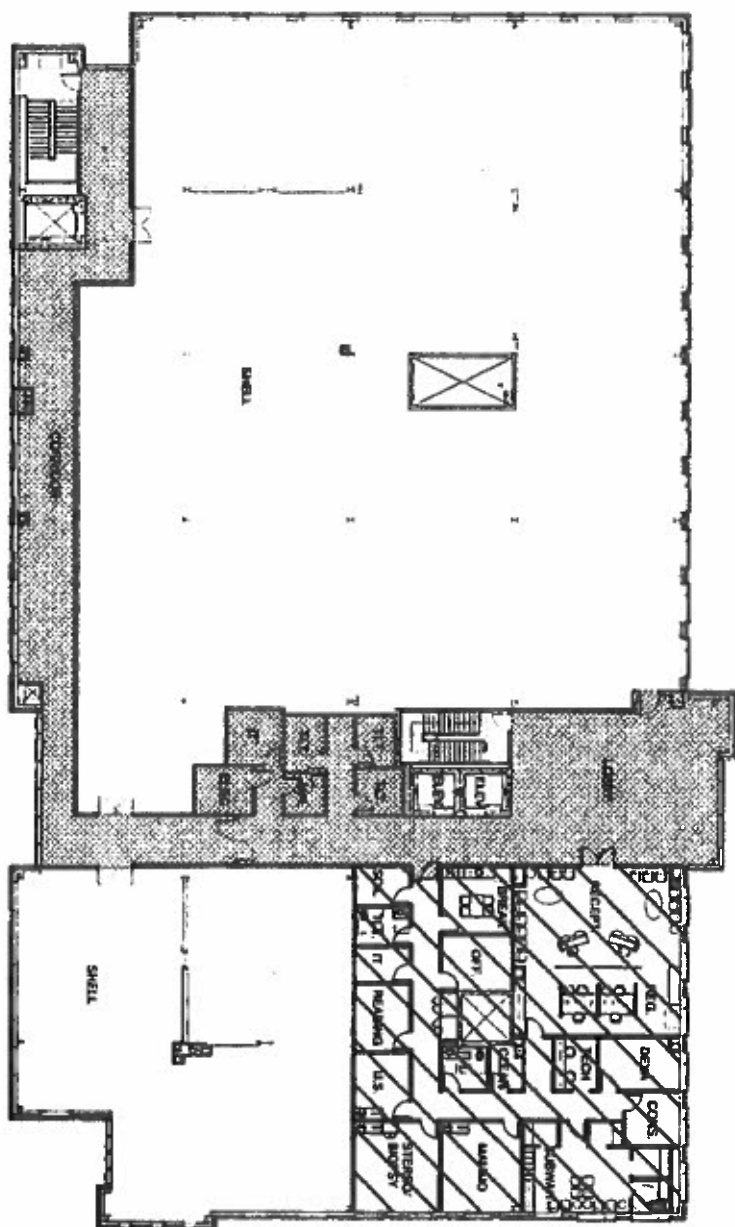
Reading	120
IT	63
Toilet Room	68
Soiled	70
Break Room	154
Center Director's Office	128
Storage	28
Circulation	435
NSF	3,408
DGSF	3,577
GSF	3,971

UCM Public Area	NSF
Lobby	1,170
Toilet 4102	70
Toilet 4103	72
Toilet 4104	65
Elec. 4105	90
Jan. Closet 4106	51
IT 4107	100
Circulation	2,233
NSF	3,851
DGSF	3,898
GSF	4,274

Grand Total	
NSF	7,259
DGSF	7,475
GSF	8,245



14290 S. LA GRANGE RD. - ORLAND PARK, IL
SCALE: 1/32" = 1'-0"
FEBRUARY 7, 2019



RS&H

Section IV, Project Services Utilization

Attachment 15

Appendix B, Project Services Utilization

1110.120 c) Project Size Utilization – For areas for which there are utilization standards as shown in Appendix B

Imaging – Mammography

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	Mammography	0				0
FY19		917				0
FY20			1,440			0
FY21			3,072			1
FY22			5,069	5,000	Yes	1
FY23			5,830		Yes	1
FY24			6,412		Yes	1
FY25			6,861		Yes	1

Mammography is a service approved in the University of Chicago Medicine Center (“UCMC”) for Advanced Care building (Project #14-023) which is to be the site of this proposed Project. A Hologic 3Dimensions (3D) Mammography System was purchased in June 2018 and installed in July 2018. The permit for 14-023 was closed a few months later. This machine is located in one room and is used for screening mammograms only. There is no space for diagnostic procedures, no reading room, and no sub-waiting commonly found in a mammography suite. There are just two changing rooms and the room housing the mammography (tomosynthesis) equipment. This proposed Project was anticipated at the time, but lengthy negotiations ensued to establish the joint venture between UCMC and Solis Mammography. The suite will be fully-featured and there was not adequate space to accommodate it on the lower three floors of the building.

Initial use of the mammography machine has been slow, but was ramping up quickly from 31 exams the second two weeks of July 2018 to 97 exams for October 2018. The radiology technician supporting this room left UCMC’s employ last fall. Filling in with a part-time technician while a replacement was sought has led to a reduction of days of service from 3 to 2 per week, which lowered volumes. Still it is anticipated that FY19 exams will total 917 and for FY20 workload is expected to reach 1,440.

The proposed mammography suite is anticipated to open at the beginning of FY21. Solis Mammography estimates 3,072 exams the first year and 5,069 in FY22, the second full year of operation, reaching the State standard of 5,000 annual exams. This forecast is based on market

research and Solis's experience, which is extensive at 32 years and currently with 62 mammography suites in operation. A Truven Market Expert survey of market conditions for Planning Area A-04 (in which this service will be located) estimates that in 2022 there will be 179,488 mammography exams provided in all settings, including hospital outpatient and medical offices, to name the predominant settings.

Underlying this forecast of strong growth is the high level of experience and special approach Solis Mammography brings. Dr. Timothy Freer, a radiologist at Medical City Plano in Plano, Texas understood that women were not comfortable sitting in a large waiting room, buried deep in a large hospital, with many other patients, including, for example, men waiting for things such as a lung scan. Dr. Freer surmised that these types of experiences made women patients, who were merely waiting for a screening mammogram, feel as though they were already sick. This raised their anxiety about the mammogram and might serve as a deterrent for having regular screenings. Thus, in 1986 he was inspired to open a dedicated women's imaging service, outside of a hospital, focused on women's wellness, with clinical efforts dedicated towards women. This began what became Solis Mammography ("Solis") which presently has 62 locations, concentrated in Texas, Arizona, North Carolina, Ohio, and Pennsylvania. The proposed Project would be Solis's first venture in Illinois, along with one which was part of UCMC's downtown medical office building ("MOB") approved as Project #18-025 in October 2018.

Solis's approach is patient-centric women's imaging, in a modern and warm setting. The focus is on providing excellent care, specializing in breast health, with breast-dedicated radiologists that spend the majority of their time reading mammograms. The objective is to take the stress out of the mammogram experience and provide peace of mind throughout the patient's time at the center.

One example of Solis's concentration on breast health and improving the patient experience is the development, in conjunction with Hologic (a manufacturer of mammography and tomosynthesis equipment) of SmartCurve in 2018. The plates in the machine that hold the breast have one shaped in a curve that's similar to a woman's breast. A survey of patients trying this device found that 93 percent found increased comfort versus the flat plates that most women find uncomfortable. This improvement is used with 3D tomosynthesis machines, one of which will be relocated to the 4th floor in the proposed Project. Solis has found that 3D increases early detection of abnormalities by 54 percent and call back rates by 37 percent.

Traditionally, UCMC has been relatively sparing in its engagements in joint ventures, however, it has found Solis's accomplishments and approach very impressive and that this has led to UCMC's recent engagements with Solis.

Imaging – Breast Ultrasound

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	Breast Ultrasound	0				0
FY19		0				0
FY20		0				0
FY21			512			1
FY22			845	3,100	No	1
FY23			972		No	1
FY24			1,069		No	1
FY25			1,143		No	1

Breast ultrasound is used to produce images of the internal structures of the breast. It can help diagnose breast lumps or other abnormalities found during a physical exam or a mammogram. In the Mammography Suite, it would most often be used following a screening mammogram in which an abnormality was detected. A diagnostic mammogram would be done, often followed by a breast ultrasound. Ultrasound is also used in guiding a biopsy procedure. The estimated future workload for the one ultrasound device ranges from 512 the first year to 1,143 the fifth year. The second year's 845 ultrasound studies is below the State standard of 3,100. For context, Truven Market Expert predicts A-04 total breast ultrasound studies in 2022 of 39,473.

The relatively low second year utilization versus the State standard should be considered from several perspectives. Most importantly, the approach for the Mammography Suite is a self-contained center for screening and, if needed, diagnostic mammograms and breast ultrasounds. It is intended to serve a select population -- primarily well women coming to be screened to assure that there are no concerning abnormalities. Eighty percent will need nothing more than an initial screening. Those that need a diagnostic follow-up will have another, more definitive mammography study. In the majority of cases there will be ultrasound employed to provide more information to the radiologist. Solis's experience is that 16.6 percent of all mammograms performed will result in a biopsy, which can be assisted by ultrasound guidance. Thus, this center is not expected to utilize ultrasound heavily and would not expect to see high usage. Moreover, since it is intended to be self-contained, men and women with other health concerns would not be referred there for ultrasounds unrelated to breast health which further decreases the utilization rate.

The other important perspective is that of cost. The ultrasound machine planned for this suite will cost \$66,000. This compares to larger imaging devices that range in cost from \$500,000 to over \$2 million. It is common practice in hospitals, outpatient centers, and medical office buildings to have numerous small ultrasound devices for the convenience of patients and physicians to receive and provide care without lengthy and time consuming relocations. In this particular case, the \$66,000 machine will be depreciated over 5 years, resulting in an annual depreciation cost of \$13,200. In FY22, this will equate to only \$15.62 per ultrasound study.

1110.120 c) Project Size Utilization – For areas for which there are not utilization standards as shown in Appendix B

The following are clinical areas for which there are not utilization standards.

Imaging – Bone Densitometry

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	DEXA (Bone Densitometry)	0		NA	NA	0
FY19		0		NA	NA	0
FY20		0		NA	NA	0
FY21			320	NA	NA	1
FY22			528	NA	NA	1
FY23			607	NA	NA	1
FY24			668	NA	NA	1
FY25			715	NA	NA	1

Bone densitometry, also called dual-energy x-ray absorptiometry (DEXA) is an imaging study used to measure bone density, often to diagnose osteoporosis, and serves as an estimator of fracture risk. These exams are read and can be interpreted by a radiologist, rheumatologist, and endocrinologist. Clinical risk factors include rheumatoid arthritis, chronic renal or liver disease, respiratory disease, and inflammatory bowel disease. Bone density deficiency is greater in women. A typical exam takes 10 to 30 minutes, using an x-ray device and padded table. With room set up and clean up each patient requires approximately 30 minutes. A 75 percent utilization of 2,000 hours a year is 1,500 hours. At 30 minutes per exam, that is 3,000 annual scans.

DEXA scans are recommended for certain post-menopausal women at increased risk for osteoporosis and for women 65 and older. The proposed Project will provide DEXA scans in addition to mammography and ultrasound, which supports diagnostic mammography. Solis's approach is to provide a welcoming and comforting environment for woman screening for breast cancer and bone density deficiency. The University of Chicago Medicine Center for Advanced Care does not currently have a DEXA scanner. Thus, there is no historic utilization to report.

Based on Solis's extensive experience of the past 32 years, the projected workload is reasonable given the A-04 market in which the service would be located. According to a Truven Market Expert estimation of A-04 DEXA scans, the total expected for 2022 is 29,735, to give some perspective of market demand. By the second year of operation of the Proposed Project, there are expected to be 528 DEXA scans. Although this is below 3,000 scans per year, the equipment will only cost \$54,775, or just under \$11,000 a year based on an expected useful life of 5 years, which amounts to \$20.75 per exam in FY22. Thus, this is a reasonable capital investment for a screening exam that could help address a bone density loss and possibly prevent osteoporotic fracture.

Section V, Clinical Service Areas Other Than Categories of Service

Attachment 30

Clinical Services Other Than Categories of Service

1. Indicate Changes by Service.

The proposed Project is to develop a mammography suite on the shelled 4th Floor of the University of Chicago Medicine Center for Advanced Care in Orland Park, IL. Mammography is currently located in room 3223, which is 313 net square feet. There are two changing rooms nearby. No reading room or other space to perform diagnostic mammograms and perform breast biopsies. The installation of this machine was approved in Project #14-023 in June 2018. At the time the intention was to begin offering screening mammograms, but there were no definite plans at that time to enter into a joint venture with Solis to construct and equip a self-contained Mammography Suite offering imaging a diagnostic services to women, primarily regarding breast health.

2. Necessary Expansion

The main thrust of this Project is a change in the scope of services offered. The intention is to expand beyond a one-room mammography screening service to a self-contained women's imaging suite providing mammography, breast ultrasound, and DEXA scanning. The discussion of demand in Area A-04 and the subsequent expected utilization of the three imaging modalities is discussed in depth in Attachment 15. The Project is a joint venture between UCMC and Solis. Solis has been providing this service since 1986 in one location in Plano, Texas and currently operates 62 such centers in four states and Washington, D.C.

3. Major Medical Equipment

There is no major medical equipment in this Project.

4. Utilization (services with utilization standards)

Imaging – Mammography

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	Mammography	0				0
FY19		0				0
FY20		0				0
FY21			3,072			1
FY22			5,069	5,000	Yes	1

ATTACHMENT 30

FY23			5,830		Yes	1
FY24			6,412		Yes	1
FY25			6,861		Yes	1

Mammography is a service approved in the University of Chicago Medicine Center for Advanced Care building (Project #14-023) which is to be the site of this proposed Project. A Hologic 3Dimensions (3D) Mammography System was purchased in June 2018 and installed in July 2018. The permit for 14-023 was closed a few months later. This machine is located in one room and is used for screening mammograms only. There is no space for diagnostic procedures, no reading room, no sub-waiting commonly found in a standard mammography suite. There are just two changing rooms and the room housing the mammography (tomosynthesis) equipment. This proposed Project was anticipated at the time, but lengthy negotiations ensued to establish the Joint Venture between UCMC and Solis. The suite will be fully-featured and there is no adequate space to accommodate it on the lower three floors of the building.

Initial use of the mammography machine has been slow, but was ramping up quickly from 31 exams the second two weeks of July, to 97 exams for October 2018. The radiology technician supporting this room left UCMC's employ in the fall. Filling in with a part-time technician while a replacement was sought led to the reduction of days of service from 3 to 2 per week, which lowered volumes. Still it is anticipated that FY19 exams will total 917 and for FY20 workload is expected to reach 1,440.

The proposed mammography suite is anticipated to open at the beginning of FY21. Solis estimates 3,072 exams the first year and 5,069 in FY22, the second full year of operation, reaching the State standard of 5,000 annual exams. This forecast is based on market research and Solis's experience, which is extensive at 32 years and currently with 62 mammography suites in operation. A Truven Market Expert survey of market conditions for Planning Area A-04 (in which this service will be located) estimates that in 2022 there will be 179,488 mammography exams provided in all settings, including hospital outpatient and medical offices, to name the predominant settings.

Underlying this forecast of strong growth is the high level of experience and special approach Solis brings. Dr. Timothy Freer, a radiologist at Medical City Plano in Plano, Texas understood that women were not comfortable sitting in a large waiting room, buried deep in a large hospital, sitting among many other patients, perhaps a man waiting for a lung scan for example. Dr. Freer surmised it gave women patients there for a screening mammogram the idea they were sick. This raised their anxiety about the mammogram and might serve as a deterrent to having regular screenings. He was inspired in 1986 to open a dedicated women's imaging service, outside of a hospital, focused on women's wellness, with the clinical efforts dedicated towards women. This began what became Solis that presently has 62 locations, concentrated in Texas, Arizona, North Carolina, Ohio, and Pennsylvania. This Project would be the first in Illinois, along with one which was part of the UCMC Downtown MOB approved as Project #18-025 in October 2018.

Solis's approach is patient-centric women's imaging, in a modern and warm setting. The focus is on providing excellent care, specializing in breast health, with breast-dedicated radiologists that spend the majority of their time reading mammograms. The objective is to take the stress

out of the mammogram experience and provide peace of mind throughout the patient's time at the center.

One example of the concentration on breast health and improving the patient experience is the development with Hologic (a manufacturer of mammography and tomosynthesis equipment) of SmartCurve in 2018. The plates in the machine that hold the breast have one shaped in a curve that's similar to a woman's breast. A survey of patients trying this device found that 93 percent found increased comfort versus the flat plates that most find uncomfortable. This improvement is used with 3D tomosynthesis machines, one of which will be relocated to the 4th floor in the proposed Project. Solis has found that 3D increases early detection of abnormalities by 54 percent and call back rates by 37 percent.

Traditionally, UCMC has been relatively sparing in its engagements in joint ventures, however, it found that Solis's accomplishments and approach very impressive and that has led to the recent engagement with Solis.

Imaging – Ultrasound

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	Breast Ultrasound	0				0
FY19		0				0
FY20		0				0
FY21			512			1
FY22			845	3,100	Yes	1
FY23			972	3,100	Yes	1
FY24			1,069	3,100	Yes	1
FY25			1,143	3,100	Yes	1

Breast ultrasound is used to produce images of the internal structures of the breast. It can help diagnose breast lumps or other abnormalities found during a physical exam or a mammogram. In the mammography suite it would most often be used following a screening mammogram in which an abnormality was detected. A diagnostic mammogram would be done, often followed by a breast ultrasound. Ultrasound is also used in guiding a biopsy procedure. The estimated future workload for the one ultrasound device ranges from 512 the first year to 1,143 the fifth year. The second year's 845 ultrasound studies is below the State standard of 3,100. For context, Truven Market Expert predicts A-04 total breast ultrasound studies in 2022 of 39,473.

The relatively low second year utilization versus the standard should be considered from several perspectives. Most important, the approach for the mammography suite is a self-contained center for screening and if needed, diagnostic mammograms and breast ultrasounds. It is to serve a select population, primarily of well women coming to be screened to assure that there are no concerning abnormalities. Eighty percent of patients will need nothing more than the initial screening. Those that need a diagnostic follow-up will have another, more definitive mammography study. In the majority of cases, there will be ultrasound employed to provide more information to the radiologist. The experience of Solis Mammography is that 16.6 percent

of all mammograms performed will result in a biopsy, which can be assisted by ultrasound guidance. Thus, this center is not expected to utilize ultrasound heavily and would not expect to see high usage. But it is intended to be self-contained, so men and women with other health concerns would not be referred there for ultrasounds not related to breast health.

The other perspective is one of cost. The ultrasound machine planned for this suite will cost \$66,000. This compares to larger imaging devices that range in cost from \$500,000 to over \$2 million. It is common practice in hospitals, outpatient centers, and medical office buildings to have numerous small ultrasound devices for the convenience of the patients and physicians to receive and provide care without lengthy and time consuming relocations. In this particular case, the \$66,000 machine will be depreciated over 5 years, resulting in an annual depreciation cost of \$13,200. In FY22, this is \$15.62 per ultrasound study.

Customarily in CON reviews, there is a “rounding up” convention. Because there will be just one DEXA scanner, the projected 528 annual scans in the second year of operation meets the standard set by the Applicants.

5. Utilization (services without utilization standards)

Imaging – DEXA (Bone Densitometry)

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	DEXA (Bone Densitometry)	0				0
FY19		0				0
FY20		0				0
FY21			320	NA	NA	1
FY22			528	NA	NA	1
FY23			607	NA	NA	1
FY24			668	NA	NA	1
FY25			715	NA	NA	1

Bone densitometry, also called dual-energy x-ray absorptiometry (DEXA) is an imaging study used to measure bone density, often to diagnose osteoporosis, and to serve as an estimator of fracture risk. These exams are read and can be interpreted by a radiologist, rheumatologist, and endocrinologist. Clinical risk factors include rheumatoid arthritis, chronic renal or liver disease, respiratory disease, and inflammatory bowel disease. Bone density deficiency is greater in women. A typical exam takes 10 to 30 minutes, using an x-ray device and padded table. Assuming with room set up and clean up that each exam requires 30 minutes. A 75 percent utilization of 2,000 hours a year is 1,500 hours. At 30 minutes per exam, that is 3,000 annual scans.

DEXA scans are recommended for certain post-menopausal women at increased risk for osteoporosis and for women 65 and older. The proposed Project will provide DEXA scans in addition to mammography and ultrasound which supports diagnostic mammography. Solis’s

approach is to provide a welcoming and comforting environment for women screening for breast cancer and bone density deficiency. The University of Chicago Medicine Center for Advanced Care does not currently have a DEXA scanner. Thus, there is no historic utilization to report.

Based on Solis's extensive experience of the past 32 years, the projected workload is reasonable given the A-04 market in which the service would be located. According to a Truven Market Expert estimation of A-04 DEXA scans, the total expected for 2022 is 29,735, to give some perspective of market demand. By the second year of operation of the proposed Project, there are expected to be 528 DEXA scans. This is below the standard of the Applicants suggest of 3,000 scans per year. However, it must be considered that the equipment will cost \$54,775, or just under \$11,000 a year based on an expected useful life of 5 years, which amounts to \$20.75 for machine cost per exam in FY22. It can be argued that this is a reasonable capital investment for a screening exam that could help address a bone density loss and possibly prevent osteoporotic fracture.

Customarily in CON reviews, there is a "rounding up" convention. Because there will be just one DEXA scanner, the projected 528 annual scans in the second year of operation meets the standard set by the Applicants.



AT THE FOREFRONT
**UChicago
Medicine**

Audre Gvildys Bagnall
EVP Business Development
Chief Strategy Officer

MC 1000, O-114A
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 834-2390
fax (773) 702-9005

March 1, 2019

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC/Solis Off-Campus Mammography Services, LLC – Assurance of Utilization

Dear Ms. Avery:

This letter attests to the fact that if this Project is approved by the Illinois Health Facilities and Services Review Board, UCMC-Solis Off-Campus Mammography Services, LLC understands that it is expected to achieve and maintain the utilization standard specified in for Mammography 77 Ill. Adm. Code §1110. Appendix B by the second year of operation after Project completion. UCMC-Solis Off-Campus Mammography Services, LLC reasonably expects to meet this utilization. While we anticipate that we may not achieve the utilization standards specified for ultrasound and DEXA within the same time frame, we will use our best efforts consistent with sound medical practice. In our application, we fully explain the patient safety rationale for providing a full-line of women's imaging services in one location and how the lower utilization of the ultrasound and DEXA correlates to the frequency of clinical findings.

Audre Bagnall
Senior Vice President
The University of Chicago Medical Center

James Polfreman
President & CEO
WDT Acquisition Corp.

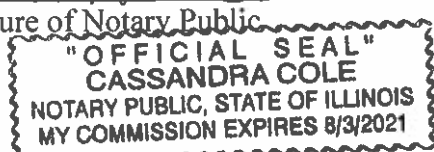
Notarization:
Subscribed and sworn to before me
this ____ day of March 1, 2019

Notarization:
Subscribed and sworn to before me
this ____ day of March 1, 2019

Signature of Notary Public

Seal

112758038



Signature of Notary Public

Seal

UCMC-Solis Off-Campus Mammography Services, LLC

March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1110.120(e), Utilization Assurance
(UCMC Orland Park Mammography Suite Project)

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code § 1110.120(e), we hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

1. The University of Chicago Medical Center ("UCMC") and Solis-NFP JV Holdings, LLC ("Solis-NFP") organized UCMC-Solis Off-Campus Mammography Services, LLC (the "Joint Venture") for the reasons set forth in the "The University of Chicago Medical Center Orland Park Mammography Suite" Certificate of Need Application (the "Project").
2. We have reviewed the utilization standards for mammography imaging services set forth in Section 1110, Appendix B.
3. We understand that the Review Board's regulations require the Joint Venture to achieve and maintain the utilization standards for mammography imaging services set forth in Section 1110, Appendix B, by the second year of operation after Project completion.
4. It is our current expectation that the Joint Venture will meet the utilization standards for mammography imaging services set forth in Section 1110, Appendix B, by the second year of operation after Project completion.
5. While we fully anticipate that the Joint Venture will meet the utilization standards for mammography imaging services set forth in Section 1110, Appendix B, by the second year of operation after Project completion, there is a slight possibility that the Joint Venture may not achieve the utilization standards specified for ultrasound and DEXA within the same time frame (in which case, the Joint Venture will exercise its best efforts to meet the utilization standards for mammography imaging services set forth in Section 1110, Appendix B, consistent with sound medical practice.)

Mr. Michael Constantino
Criterion 1110.120(e), Utilization Assurance
March 3, 2019
Page 2

6. In our CON Application, we fully explain the patient safety rationale for providing a full-line of women's imaging services in one location and how the lower utilization of the ultrasound and DEXA correlates to the frequency of clinical findings.

Sincerely,

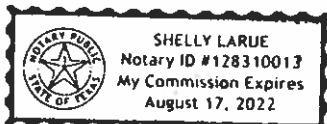


James Polfreman
President & CEO of WDT Acquisition Corp.
and Solis-NFP JV Holdings, LLC, a Manager
of UCMC-Solis Off-Campus Mammography
Services, LLC



Audre Bagnall
Senior Vice President of The University of
Chicago Medical Center, a Manager of
UCMC-Solis Off-Campus Mammography
Services, LLC

SUBSCRIBED AND SWORN to before
me this 4th day of March, 2019.


Notary Public

Section VI, Availability of Funds

Attachment 33

Since UCMC 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, this Section is not applicable. A copy of UCMC's bond rating is included in Attachment 34.

ATTACHMENT 33

Attachment 34

Financial Viability Waiver

UCMC's most recent bond ratings from Fitch Ratings (AA-), Standard & Poor's (AA-) and Moody's (Aa3) are attached.

Section VII 1120.120 Availability of Funds

Section 1120.120

The University of Chicago Medical Center received the following ratings, with the oldest dated January 31, 2018:

Moody's Investors Service	Aa3
----------------------------------	------------

S&P Global	AA-
-----------------------	------------

Fitch Ratings	AA-
----------------------	------------

Supporting documents from these agencies are provided in this section. Section VII therefor does not need to be addressed.

MOODY'S

INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York 10007
www.moodys.com

May 4, 2018

Ms. Ann McColgan
Vice President
The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527

Dear Ms. McColgan:

We wish to inform you that on April 19, 2018, Moody's Investors Service changed the rating outlook of the University of Chicago Medical Center to **negative** from **stable**. At the same time, Moody's affirmed UCMC's **Aa3** long term revenue bond ratings.

Credit ratings issued by Moody's Investors Service, Inc. and its affiliates ("Moody's") are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

This letter uses capitalized terms and rating symbols that are defined or referenced either in *Moody's Definitions and Symbols Guide* or *MIS Code of Professional Conduct* as of the date of this letter, both published on www.moodys.com. The Credit Ratings will be publicly disseminated by Moody's through normal print and electronic media as well as in response to verbal requests to Moody's Rating Desk. Moody's related research and analyses will also be published on www.moodys.com and may be further distributed as otherwise agreed in writing with us.

Moody's Credit Ratings or any corresponding outlook, if assigned, will be subject to revision, suspension or withdrawal, or may be placed on review, by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current Credit Rating, please visit www.moodys.com.

Moody's has not consented and will not consent to being named as an expert under applicable securities laws, such as section 7 of the Securities Act of 1933. The assignment of a rating does not create a fiduciary relationship between Moody's and you or between Moody's and other recipients of a Credit Rating. Moody's Credit Ratings are not and do not provide investment advice or recommendations to purchase, sell or hold particular securities. Moody's issues Credit Ratings with the expectation and understanding that each investor will make its own evaluation of each security that is under consideration for purchase, sale or holding.

Moody's adopts all necessary measures so that the information it uses in assigning a Credit Rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently validate or verify information received in the rating process. Moody's expects and is relying upon you possessing all legal rights and required consents to disclose the information to

May 4, 2018

Ms. Ann McColgan
Vice President
The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527

Moody's, and that such information is not subject to any restrictions that would prevent use by Moody's for its ratings process. In assigning the Credit Ratings, Moody's has relied upon the truth, accuracy, and completeness of the information supplied by you or on your behalf to Moody's. Moody's expects that you will, and is relying upon you to, on an ongoing basis, promptly provide Moody's with all information necessary in order for Moody's to accurately and timely monitor the Credit Ratings, including current financial and statistical information.

Under no circumstances shall Moody's have any liability (whether in contract, tort or otherwise) to any person or entity for any loss, injury or damage or cost caused by, resulting from, or relating to, in whole or in part, directly or indirectly, any action or error (negligent or otherwise) on the part of, or other circumstance or contingency within or outside the control of, Moody's or any of its or its affiliates' directors, officers, employees or agents in connection with the Credit Ratings. **ALL INFORMATION, INCLUDING THE CREDIT RATING, ANY FEEDBACK OR OTHER COMMUNICATION RELATING THERETO IS PROVIDED "AS IS" WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND. MOODY'S MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH INFORMATION.**

Any non-public information discussed with or revealed to you must be kept confidential and only disclosed either (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such with a need to know that have entered into non-disclosure agreements with Moody's in the form provided by Moody's and (iii) as required by applicable law or regulation. You agree to cause your employees, affiliates, agents and advisors to keep non-public information confidential.

If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supercede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact the analyst assigned to this transaction, Diana Lee at 212-553-4747.

Sincerely,
Moody's Investors Service Inc
Moody's Investors Service Inc.

S&P Global Ratings

130 East Randolph
Street
Suite 2000
Chicago, IL 60601
tel 312-333-7000
reference no. 246035

January 31, 2018

University of Chicago Medical Center
8201 South Cass Avenue
Darien, IL 60561
Attention: Ms. Ann M. McColgan, Treasurer

Re: Illinois Finance Authority (University Of Chicago Medical Center) , Illinois

Dear Ms. McColgan:

S&P Global Ratings hereby affirms its rating of "AA-" for the above-referenced obligations and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

S&P Global Ratings
a division of Standard & Poor's Financial Services LLC

js
enclosure

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FitchRatings

Fitch Affirms University of Chicago Medical Center (IL) Revenue Bonds at 'AA-'; Outlook Stable

Fitch Ratings-Chicago-18 June 2018: Fitch Ratings has assigned a 'AA-' Issuer Default Rating (IDR) to the University of Chicago Medical Center (UCMC) and affirmed the 'AA-' rating on approximately \$750 million of revenue bonds issued by the Illinois Finance Authority on behalf of UCMC. The Rating Outlook is Stable.

SECURITY

Debt payments are secured by a pledge of unrestricted receivables of the UCMC obligated group. Ingalls Health System, which joined UCMC in October 2016, is not yet a member of the obligated group.

ANALYTICAL CONCLUSION

The 'AA-' rating is driven by UCMC's strong financial profile assessment under the "U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria" (published January 2018) in the context of the system's mid-range revenue defensibility and strong operating risk profile assessments. The rating reflects UCMC's capital-related ratios that are strong through-the-cycle in Fitch's rating case, broad reach for high-acuity services, broadly stable service area characteristics, very tight relationship with the University of Chicago (rated AA+), and Fitch's expectation that operating EBITDA margin will improve in the coming years as the system continues to absorb Ingalls Health System (which joined UCMC early in fiscal 2017 and is now known as the UCM Community Health and Hospital Division). These characteristics are balanced by a high degree of competition in the Chicago area and continued challenges at Ingalls.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'; Broad Reach for High-Acuity Services; Competitive Market

UCMC's revenue defensibility is mid-range. UCMC faces considerable competition in the Chicago area, although the system has considerable reach for high-acuity academic services. Moreover, UCMC is a component unit of the University of Chicago (AA+). The service area quality of the broad Chicago area is generally stable.

Operating Risk: 'a'; More Favorable Results Expected after Somewhat Modest 2018

UCMC's operating risk profile is strong. The system's operating EBITDA margin is expected to be consistent with a strong profile assessment over the long term, despite compressed margins in interim fiscal 2018. Capital spending plans are manageably elevated and flexible.

Financial Profile: 'aa'; Strong Capital-Related Ratios Through the Cycle

UCMC's financial profile is very strong. Fitch expects the system's capital-related ratios to be consistent with the lower range of the 'AA' category through the cycle in the out years of the stressed rating case of Fitch's FAST scenario analysis.

Asymmetric Additional Risk Considerations

There are no asymmetric risk factors associated with UCMC's rating.

RATING SENSITIVITIES

SUSTAINED OPERATING EBITDA MARGINS: Fitch expects UCMC's operating EBITDA margin to rebound after somewhat compressed results in fiscal 2018. In the long term, Fitch believes UCMC's operating EBITDA margin will be sustained at above 8% or higher. Fitch expects that under the stressed rating case, UCMC's capital-related ratios should be consistent with the lower end of the broad 'AA' category, given the system's mid-range revenue defensibility and strong operating risk profile. Failure to sustain operating EBITDA margins consistent with a strong operating risk profile would likely begin to pressure the rating, particularly if compounded with more modest liquidity.

CREDIT PROFILE

Revenue Defensibility

UCMC's payor mix is mid-range, although boarder-line weak. Through nine-months fiscal 2018, Medicaid (23.2%) and self-pay (1.8%) combined for 25.0% of the system's gross revenue. This is consistent with recent years, as Medicaid and self-pay combined for 25.2% of fiscal 2017 gross revenue and 25.0% of fiscal 2016. Fitch notes that academic medical centers (AMC), particularly those with a sizeable children's services similar to UCMC's Comer Children's Hospital, tend to have high exposure to Medicaid that is not reflective of the overall financial health of the organization. Both Illinois and Indiana expanded Medicaid under the Affordable Care Act (ACA).

Despite facing considerable competition in the service area, Fitch considers UCMC's market position to be mid-range. UCMC's primary service area (PSA) includes the south Chicago metro area and extends well into Northwest Indiana. The total service area (TSA) extends throughout the entirety of the Chicago metro area.

The TSA is very competitive, with no individual hospital capturing more than 4.2% market share (Northwestern Memorial Hospital). UCMC is the fifth largest hospital in the TSA by market share, capturing 2.7% share in calendar 2016 (up from 2.1% in calendar 2012, due to UCMC's growth strategies in recent years).

UCMC achieves the mid-range market position due to the system's considerable reach for very high-acuity services aided by the very tight relationship with the University of Chicago. UCMC is among the industry national leaders for research-oriented academic clinical services, including oncology. This status is bolstered by UCMC's relationship with the University of Chicago. The university is the sole corporate member of UCMC and appoints the entirety of UCMC's board. To illustrate the level of integration, the university's Biological Sciences Division (BSD), of which UCMC is a fundamental part, comprises over half of the university's budget. In addition to governance overlap, there is considerable management integration between UCMC and the university; for example, Dr. Kenneth Polonsky, the Executive Vice President of the BSD is also the President of the UC Health System.

UCMC's service area economy is stable. As a major metro area, Chicago benefits from a diversified economy. Population trends in Cook County are stagnant, although Will County immediately south of Cook has experienced modest population growth. The median household income level in Cook County is just above the national average, while well above average in Will County. The unemployment rate in the Chicago-Naperville-Elgin metropolitan statistical area is just below the national average.

Operating Risk

UCMC's operating cost flexibility is strong. The system's operating EBITDA margin averaged 8.5% between fiscal 2014 and fiscal 2017 (equity transfers to the university treated as an operating expense). UCMC's operating EBITDA margin compressed to 7.6% through unaudited nine-months fiscal 2018, due in part to continued integration of Ingalls into the system. Despite the softer margins in interim 2018, Fitch expects UCMC to sustain stronger margins at least in-line with recent trends or better. Moreover, while Fitch considers the roughly \$72 million of annual equity transfers from UCMC to the university as an operating expense, Fitch recognizes that this expense represents investments in UCMC's operating platform supporting areas such as clinical research and physician integration.

A key driver for UCMC's cash flow generation in recent years has been rapid volume growth. For example, adult inpatient discharges have increased by a compound annual growth rate (GAGR) of over 9% between fiscal 2011 and fiscal 2016. This growth was due in large part to a change in strategy from UCMC being focused almost

exclusively on ultra-high-acuity services to more broad-based. While the rate of growth may taper, continued volume growth should continue as UCMC has made considerable investments in recent years to expand its ambulatory and outpatient cancer reach, its new adult ED opened in December 2017, and the trauma center opened in May 2018.

These investments should fuel continued top-line revenue growth. In order to enhance operating margins, UCMC has also engaged a consultancy to develop multiple near-term and long-term expense management tools, including reduced overtime, minimized clinical variation, reduced length of stay, and pharmacy and other supply cost savings. Continued efficiencies and optimization of Ingalls should drive improved margins as well.

UCMC's capital expenditure requirements are manageably elevated. The system has invested heavily in capital in recent years (the capital spending ratio averaged 193% between fiscal 2013 and fiscal 2017), translating to a very low average age of plant of 7.7 years. Recent key investments included large outpatient centers in Orland Park, IL and the South Loop neighborhood of Chicago and expansion of Mitchell Hospital on the main campus. UCMC has approximately \$760 million of capital spending plans between fiscal 2019 and fiscal 2023, just over the expected level of depreciation expense over the period. Outpatient development and cancer are areas of focus of future investments. Capital plans include \$175 million in the Ingalls market over 10 years. Fitch believes UCMC has considerable flexibility in its capital plans. No future debt issuances or acquisitions have been factored into this rating; however, it is Fitch's opinion that the Chicago market is on a path to further consolidation, which may present UCMC – and others in the market – with strategic decisions to make in the future. UCMC implemented the Epic electronic medical record (EMR) system in 2016.

Financial Profile

UCMC's financial profile is very strong. The system's capital-related ratios should be consistent with the lower range of the broad 'AA' category through the cycle in the out years of the stressed rating case of Fitch's FAST scenario analysis, given UCMC's mid-range revenue defensibility and strong operating risk profile.

UCMC had just over \$1.03 billion of total debt outstanding as of unaudited March 31, 2018. Unrestricted cash and investments at March 31, 2018 measured nearly \$1.2 billion.

UCMC's debt equivalents are manageable. The system participates in the University of Chicago's defined benefit pension plan. The pension plan was 80% funded at fiscal year-end 2017 compared to a projected benefit obligation (PBO) of \$545 million. Because the plan is more than 80% funded, Fitch does not include the underfunded status in calculating adjusted debt. Operating lease expense was \$7.7 million in fiscal 2017, translating to a debt equivalent of \$38.5 million (based on 5x lease expense method). Consequently, UCMC's adjusted debt (direct debt plus underfunded defined benefit pension plan below 80% funded plus operating leases) measured \$1.07 billion at fiscal year-end 2017. Net adjusted debt (adjusted debt minus unrestricted cash and investments) measured a negative \$95 million at fiscal year-end 2017 and a Fitch estimated negative \$113 million at March 31, 2018. Fitch expects net adjusted debt to remain favorably negative through the cycle in the FAST base case and return to a negative position by year four in the stressed rating case.

Per Fitch's scenario analysis, UCMC's capital-related ratios should be consistent with the low-end of the broad 'AA' rating category by year five of the stressed rating case. Based on annualizing fiscal 2018 results, UCMC's net adjusted debt-to-adjusted EBITDA is -0.7x and cash-to-adjusted debt 115%. Through the cycle in the stressed rating case (which assumes a modest recession in year one followed by a modest recovery and then stability), net adjusted debt-to-adjusted EBITDA is favorably negative by years four and five and cash-to-adjusted debt reaches 120% by year five.

Asymmetric Additional Risk Considerations

There are no asymmetric risk factors associated with UCMC's rating. The system has a stable management team. A new CFO joined UCMC within the last year, who recently held a similar position with Partners Health (rated AA-). A new Chief Physician/Dean of Clinical Affairs joined UCMC from Johns Hopkins (AA-). There are no retirements planned among key senior management in the next two years.

6/18/2018

[Press Release] Fitch Affirms University of Chicago Medical Center (IL) Revenue Bonds at 'AA-'; Outlook Stable

With over 200 days cash on hand, liquidity does not pose an asymmetric risk.

Debt Structure

Maximum annual debt service (MADS) is \$60.2 million, inclusive of Ingalls debt (2.7% of 2018 annualized revenue). MADS coverage is 3.7x based on interim fiscal 2018 and does not pose an asymmetric risk. Approximately 40% of UCMC's debt is demand debt in the form of commercial paper (CP) and variable rate demand bonds (VRDB), supported by letters of credit with staggered termination dates. UCMC has three fixed payor interest rate swaps (total notional amount of \$353 million) (the system terminated its basis swap in December 2017). The net termination value of the swaps at March 31, 2018 was negative \$103 million to UCMC.

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Applicable Criteria

Rating Criteria for Public-Sector, Revenue-Supported Debt (pub. 26 Feb 2018)

(<https://www.fitchratings.com/site/re/10020113>)

U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub. 09 Jan 2018)

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ATTACHMENT 34

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6/19/2018

[Press Release] Fitch Affirms University of Chicago Medical Center (IL) Revenue Bonds at 'AA-'; Outlook Stable

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Attachment 35

Audited Financial Statements

UCMC's financial statements for the years June 30, 2016, 2017 and 2018 are attached.

Also attached is an excerpt from the 2018 financial statements of WDT showing the availability of funds for its portion of the Project.



THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheet as of June 30, 2016, and the related consolidated statements of operations, consolidated changes in net assets, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 audit. We conducted our audit 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 auditors' 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the 2016 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Chicago Medical Center as of June 30, 2016, and the



results of their operations and of their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

The accompanying consolidated financial statements of The University of Chicago Medical Center as of June 30, 2015 and for the year then ended were audited by other auditors whose report thereon dated October 29, 2015, expressed an unmodified opinion on those financial statements.

KPMG LLP

Chicago, Illinois
October 10, 2016

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2016 and 2015

(In thousands)

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 20,335	163,969
Patient accounts receivable, net of estimated uncollectibles of \$73,746 in 2016 and \$51,737 in 2015	288,401	209,736
Current portion of investments limited to use	36,768	5,033
Current portion of malpractice self-insurance receivable	18,289	20,129
Current portion of pledges receivable	1,661	1,102
Prepays, inventory and other current assets	62,614	43,148
Total current assets	428,068	443,117
Investments limited to use, less current portion	894,808	1,013,224
Property, plant and equipment, net	1,380,132	1,232,784
Pledges receivable, less current portion	2,489	1,522
Malpractice self-insurance receivable, less current portion	99,121	92,571
Other assets, net	22,040	19,350
Total assets	\$ 2,826,658	2,802,568
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 166,173	127,477
Current portion of long-term debt	13,255	11,535
Current portion of other long-term liabilities	—	197
Current portion of estimated third-party payor settlements	139,429	98,975
Current portion of malpractice self-insurance liability	18,289	20,129
Due to University of Chicago	22,146	59,437
Total current liabilities	359,292	317,750
Other liabilities:		
Worker's compensation self-insurance liabilities, less current portion	6,305	8,174
Malpractice self-insurance liability, less current portion	99,121	92,571
Long-term debt, less current portion	850,252	868,008
Interest rate swap liability	165,417	110,447
Other long-term liabilities, less current portion	30,618	44,071
Total liabilities	1,511,005	1,441,021
Net assets:		
Unrestricted	1,225,616	1,267,336
Temporarily restricted	81,925	86,109
Permanently restricted	8,112	8,102
Total net assets	1,315,653	1,361,547
Total liabilities and net assets	\$ 2,826,658	2,802,568

See accompanying notes to financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Operations

June 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Net patient service revenue	\$ 1,574,252	1,493,816
Provision for doubtful accounts	<u>84,243</u>	<u>52,166</u>
Net patient service revenue after provision for doubtful accounts	1,490,009	1,441,650
Other operating revenues and net assets released from restrictions used for operating purposes	<u>126,625</u>	<u>101,643</u>
Total operating revenues	<u>1,616,634</u>	<u>1,543,293</u>
Operating expenses:		
Salaries, wages and benefits	698,752	681,909
Supplies and other	427,739	400,536
Physician services from the University of Chicago	215,727	205,461
Insurance	11,324	16,774
Interest	32,940	35,632
Medicaid provider tax	36,110	36,935
Depreciation and amortization	<u>87,603</u>	<u>81,902</u>
Total operating expenses	<u>1,510,195</u>	<u>1,459,149</u>
Operating revenue in excess of expenses	106,439	84,144
Nonoperating gains and losses:		
Investment income (loss) and unrestricted gifts, net	(18,359)	26,788
Derivative ineffectiveness	<u>(2,506)</u>	<u>(567)</u>
Revenue and gains in excess of expenses and losses	85,574	110,365
Other changes in net assets:		
Equity transfers to University of Chicago, net	(72,025)	(70,501)
Net assets released from restriction for capital purchases	—	2,204
Change in accrued pension benefits other than net periodic benefit costs	(4,429)	(8,192)
Effective portion of change in valuation of derivatives	(50,775)	(12,396)
Other, net	<u>(65)</u>	<u>—</u>
Increase (decrease) in unrestricted net assets	\$ <u>(41,720)</u>	<u>21,480</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

June 30, 2016 and 2015

(In thousands)

	2016	2015
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	\$ 85,574	110,365
Equity transfers to University of Chicago, net	(72,025)	(70,501)
Net assets released from restriction for capital purchases	—	2,204
Change in accrued pension benefits other than net periodic benefit cost	(4,429)	(8,192)
Effective portion of change in valuation of derivatives	(50,775)	(12,396)
Other, net	(65)	—
Increase (decrease) in unrestricted net assets	(41,720)	21,480
Temporarily restricted net assets:		
Contributions	3,677	2,697
Net assets released from restrictions used for operating purposes	(5,501)	(5,124)
Investment income	(2,425)	2,786
Net assets released from restriction for capital purchases	—	(2,204)
Other, net	65	—
Decrease in temporarily restricted net assets	(4,184)	(1,845)
Permanently restricted net assets:		
Contributions and other	10	10
Change in net assets	(45,894)	19,645
Net assets at beginning of year	1,361,547	1,341,902
Net assets at end of year	\$ 1,315,653	1,361,547

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (45,894)	19,645
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in unrealized gains and losses on investments	35,951	37,631
Equity transfers to University of Chicago	72,025	70,501
Restricted contributions and investment return	(1,262)	(2,697)
Realized gains on investments	(6,451)	(58,351)
Net change in valuation of derivatives	54,970	14,637
Change in accrued pension benefits other than net period benefit cost and other	4,429	8,192
(Gain) loss on disposal of assets	853	(10)
Provision for doubtful accounts	84,243	52,166
Net assets released from restrictions for operations	5,501	—
Depreciation and amortization	87,603	81,902
Changes in assets and liabilities:		
Patient accounts receivable, net	(162,908)	(77,137)
Other assets	(27,551)	(12,678)
Accounts payable and accrued expenses	6,985	8,398
Due to the University of Chicago	(37,291)	43,676
Estimated settlements with third-party payors	23,267	15,931
Self-insurance liabilities	2,841	(67)
Other liabilities	4,133	(4,943)
Net cash provided from operating activities	<u>101,444</u>	<u>196,796</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(234,191)	(109,524)
Change in construction payables	26,892	—
Physician practice acquisitions	(1,447)	—
Purchases of investments	(46,138)	(346,607)
Sales of investments	100,894	370,733
Net cash used in investing activities	<u>(153,990)</u>	<u>(85,398)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	74,874
Payments on long-term obligations	(14,824)	(36,064)
Equity transfers to the University of Chicago, net	(72,025)	(70,501)
Net assets released from restriction for operations	(5,501)	—
Restricted contributions and investment return	1,262	4,564
Net cash used in financing activities	<u>(91,088)</u>	<u>(27,127)</u>
Net increase (decrease) in cash and cash equivalents	(143,634)	84,271
Cash and cash equivalents:		
Beginning of year	<u>163,969</u>	<u>79,698</u>
End of year	\$ <u>20,335</u>	<u>163,969</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(1) Organization and Basis of Presentation

The University of Chicago Medical Center (UCMC) is an Illinois not-for-profit corporation. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, LLC and various other outpatient clinics and treatment areas.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC's Board of Trustees and approves its By-Laws. The UCMC President reports to the University's Executive Vice President for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center By-Laws, an Affiliation Agreement, an Operating Agreement, and several Leases. See note 3 for agreements and transactions with the University.

UCMC is a tax-exempt organization under Section 501(c) 3 of the Internal Revenue Code. The University of Chicago Medicine Care Network, LLC is awaiting its approval of tax-exempt status.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of UCMC have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) New Accounting Pronouncements

During 2015, UCMC adopted the provisions of Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This pronouncement is effective for fiscal years beginning on or after December 15, 2016, and UCMC elected early adoption in 2015. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. See note 6 for related fair value disclosures.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Community Benefits

UCMC's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals under the provisions of the Emergency Medical Treatment and Active Labor Act (EMTALA). UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

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UCMC developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since UCMC does not pursue collection of these amounts, they are not reported as net patient service revenue. The cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research and other community programs for the years ended June 30, 2016 and 2015, are reported in note 5.

(e) Fair Value of Financial Instruments

Fair value is defined as the price that UCMC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

UCMC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of UCMC. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – quoted market prices in active markets for identical investments.

Level 2 – inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques.

Level 3 – valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all.

(f) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited or restricted.

(g) Inventory

UCMC values inventories at the lower of cost or market, using the first-in, first-out method. During 2016, UCMC changed its non-GAAP policy for recording certain inventory. This change resulted in

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(Dollars in thousands)

an \$8,200 increase in inventory at June 30, 2016 and a corresponding \$8,200 reduction in supplies and other expense in the accompanying 2016 consolidated statement of operations.

(h) Investments

Investments are classified as trading securities. As such, investment income or loss (including realized or unrealized gains and losses on investments, interest, and dividends) is included in excess of revenues and gains over expenses and losses unless the income is restricted by donor or law.

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by UCMC and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. UCMC's interests in alternative investment funds such as private debt, private equity, real estate, natural resources, and absolute return are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016 and 2015, UCMC had no plans to sell investments at amounts different from NAV.

A significant portion of UCMC's investments are part of the University's Total Return Investment Pool (TRIP). UCMC accounts for its investments in TRIP on the fair value method based on its share of the underlying securities and accordingly, records the investment activity as if UCMC owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University of Chicago has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing UCMC's investments as of June 30, 2016 and 2015 is included in note 6.

(i) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. As of June 30, 2016 and 2015, endowments in deficit positions were \$65 and \$0, respectively.

(j) Investments limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board of Trustees for future capital improvements and other specific purposes, over which the Board retains control and may at their discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust fund and investments whose use is restricted by donors. Investments limited as to use are reported as unrestricted net assets. Investments whose use is restricted by donors are reported as temporarily restricted or permanently restricted.

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(Dollars in thousands)

(k) Derivative Instruments

UCMC accounts for derivatives and hedging activities in accordance with ASC No. 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the balance sheet at their respective fair values.

For hedging relationships, UCMC formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the balance sheet.

(l) Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost less accumulated depreciation and amortization. Depreciation of property, plant and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

UCMC periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment, based on estimated, undiscounted future cash flows exist. Management considers factors such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset.

(m) Asset Retirement Obligation

UCMC recognizes a liability for the fair value of a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event if the amount can be reasonably estimated. Upon recognition of a liability, the asset retirement cost is recorded as an increase in the carrying value of the related long-lived asset and then depreciated over the life of the asset. The UCMC asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. UCMC's obligation to remove asbestos was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable.

(n) Other Assets and Liabilities

Other assets and liabilities, including deferred financing costs, which are amortized over the term of the related obligations, do not differ materially from their estimated fair value.

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(Dollars in thousands)

(o) *Net Assets*

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of UCMC.

Unconditional promises to give cash and other assets to UCMC are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-adjusted interest rate at the time the pledge is made. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the statements of operations if restricted for operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue.

(p) *Statement of Operations*

All activities of UCMC deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses.

The consolidated statement of operations includes revenue and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses include transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions which by donor restriction were to be used for acquisition of UCMC assets), the effective portion of changes in the valuation of derivatives, and change in accrued pension benefits other than net periodic benefit costs and other.

(q) *Net Patient Service Revenue, Accounts Receivable and Allowance for Doubtful Accounts*

UCMC maintains agreements with the Centers for Medicare and Medicaid Services under the Medicare Program, Blue Cross and Blue Shield of Illinois, Inc. (Blue Cross), and the State of Illinois under the Medicaid Program and various managed care payors that govern payment to UCMC for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on allowable costs, subject to certain limitations, for inpatient care and discounted charges or fee schedules for outpatient care.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and UCMC estimates are adjusted in future periods as adjustments become known or as years are no longer subject to UCMC

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(Dollars in thousands)

audits, reviews and investigations. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenues of \$3,874 in 2016 and \$900 in 2015. Contracts, laws and regulations governing Medicare, Medicaid, and Blue Cross are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. A portion of the accrual for settlements with third-party payors has been classified as long-term because UCMC estimates they will not be paid within one year.

The process for estimating the ultimate collectibility of receivables involves significant assumptions and judgment. UCMC has implemented a standardized approach to this estimation based on the payor classification and age of outstanding receivables. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. The use of historical collection experience is an integral part of the estimation of the reserve for doubtful accounts. Revisions in the reserve for doubtful accounts are recorded as adjustments to the provision for doubtful accounts.

(r) Hospital Assessment Program/Medicaid Provider Tax

In December 2008, the State of Illinois, after receiving approval by the federal government, implemented a hospital assessment program. The program assessed hospitals a provider tax based on occupied bed days and provided increases in hospitals' Medicaid payments. In 2016, reimbursement under the assessment programs resulted in a net increase of \$29,190 in operating income, which includes \$65,300 in Medicaid payments included in net patient service revenue offset by \$36,110 in Medicaid provider tax expense. In 2015, reimbursement under the program resulted in a net increase of \$28,465 in income from operations, which included \$65,400 of incremental Medicaid payments included in net patient service revenue offset by \$36,935 in Medicaid provider tax expense.

(s) Affordable Care Act (ACA)

In March 2010, the federal government passed the Affordable Care Act (ACA), which expanded Medicaid coverage to millions of low-income Americans and made improvements to both the Medicaid and the Children's Health Insurance Program. Beginning in 2014, coverage for newly eligible adults would be funded by the federal government for three years. UCMC recognized \$14,300 and \$16,800 of net patient service revenue in 2016 and 2015, respectively, under this new law. Due to the timing of actual payments, UCMC recorded a receivable of \$4,000 as of June 30, 2016.

(t) Income Taxes

UCMC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University of Chicago Medicine Care Network, LLC is awaiting its approval of tax-exempt status.

UCMC applies ASC No. 740, Income Taxes (ASC 740), which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 prescribes a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC 740, tax positions are

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(Dollars in thousands)

evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2016 and 2015, UCMC and affiliates do not have an asset or liability recorded for unrecognized tax positions.

(u) *Reclassifications*

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

(v) *Subsequent Events*

On October 1, 2016, UCMC acquired Ingalls Health System, an independent health system serving Chicago's south suburbs, through an affiliation and member substitution. As a result of this transaction, Ingalls Health System became a wholly owned subsidiary of UCMC through a newly created Community Health and Hospital Division of UCMC. The results of operations for Ingalls Health System will be included in UCMC's consolidated financial statements from the date of acquisition.

UCMC has performed an evaluation of subsequent events through October 10, 2016, which is that date the consolidated financial statements were issued and other than noted above, there were no other items to disclose.

(3) *Agreements and Transactions with the University*

The Affiliation Agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The Affiliation Agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the Operating Agreement. The Affiliation Agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

The Operating Agreement, as amended, provides, among other things, that the University gives UCMC the right to use and operate certain facilities. The Operating Agreement is coterminous with the Affiliation Agreement.

The Lease Agreements provide, among other things, that UCMC will lease from the University certain of the health care facilities and land that UCMC operates and occupies. The Lease Agreements are coterminous with the Affiliation Agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2016 and 2015, the University charged UCMC approximately \$29,100 and \$29,000, respectively, for utilities, security, telecommunications, insurance and overhead.

The University's Division of Biological Sciences (BSD) provides physician services to UCMC. In 2016 and 2015, UCMC recorded \$215,727 and \$205,461, respectively, in expense related to these services.

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UCMC's Board of Trustees adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board of Trustees and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board of Trustees are reflected as current liabilities. UCMC recorded net asset transfers of \$71,750 in 2016 and 2015 for this support.

(4) Third-Party Reimbursement Programs

UCMC follows the provisions of Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provision for doubtful accounts on the accompanying consolidated statements of operations for the years ended June 30, 2016 and 2015 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the application of ASU 2011-07.

UCMC has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between UCMC's billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the UCMC's billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

UCMC is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. UCMC's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

Other services rendered to Medicare beneficiaries are reimbursed based upon a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, UCMC is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by UCMC and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2012 have been audited by the Medicare fiscal intermediary.

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(b) Medicaid

UCMC is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program and any such changes could have a significant effect on UCMC's revenue.

(c) Blue Cross

UCMC also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by UCMC and a review by Blue Cross. The Blue Cross reimbursement reports for 2015 and prior years have been reviewed by Blue Cross.

(d) Other

UCMC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by UCMC and includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, UCMC analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts receivable. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, UCMC analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for accounts receivable, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against UCMC's charity care policy. For any remaining patient responsibility balance, UCMC records a provision for uncollectible accounts receivable 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 uncollectible accounts.

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UCMC's allowance for uncollectible accounts, which includes uninsured patients, residual copayments and deductibles for which managed care has already paid, and certain aged Medicaid and Medicaid managed care accounts receivable, increased from 19.8% of accounts receivable at June 30, 2015 to 20.4% of accounts receivable at June 30, 2016. Gross write-offs increased from approximately \$128,600 for fiscal year 2015 to \$146,200 in fiscal year 2016. UCMC did not have significant write-offs from third-party payors.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	<u>2016</u>	<u>2015</u>
Medicare	\$ 369,511	337,188
Medicaid	272,302	280,673
Managed care	911,886	860,632
Patients and other	<u>20,553</u>	<u>15,323</u>
Net patient service revenue before provision for doubtful accounts	\$ <u>1,574,252</u>	<u>1,493,816</u>

UCMC grants credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Medicare	11.1%	11.3%
Medicaid	27.9%	28.1%
Managed care	60.8%	60.4%
Patients and other	<u>0.2%</u>	<u>0.2%</u>
	<u>100.0%</u>	<u>100.0%</u>

A summary of UCMC's utilization percentages based upon gross patient service revenue is as follows:

	<u>2016</u>	<u>2015</u>
Medicare	37.2%	36.3%
Medicaid	23.7%	23.5%
Managed care	37.8%	38.9%
Patients and other	<u>1.3%</u>	<u>1.3%</u>
	<u>100.0%</u>	<u>100.0%</u>

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(Dollars in thousands)

(5) Community Benefits

The following is a summary of UCMC's unreimbursed cost of providing care, as defined under their Financial Assistance Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research and other community programs for the years ended June 30, 2016 and 2015:

	Year ended June 30	
	2016	2015
Uncompensated care:		
Medicaid sponsored indigent healthcare	\$ 72,619	56,302
Medicare sponsored indigent healthcare – cost report	94,965	94,872
Medicare sponsored indigent healthcare – physician services	11,145	16,889
Total uncompensated care	<u>178,729</u>	<u>168,063</u>
Charity care	<u>36,230</u>	<u>27,987</u>
	<u>214,959</u>	<u>196,050</u>
Unreimbursed education and research:		
Education	65,632	64,020
Research	48,000	48,000
Total unreimbursed education and research	<u>113,632</u>	<u>112,020</u>
Total community benefits	<u>\$ 328,591</u>	<u>308,070</u>

UCMC determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages, and benefits, supplies, and other operating expenses, based on data from its costing system to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care charge to calculate the charity care amount reported above. UCMC amended their financial assistance policy in 2016 to remain in compliance with federal and state regulations.

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(6) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30 2016 and 2015:

	2016				2015
	Endowments Separately invested	TRIP	Other	Total	
Investments carried at fair value:					
Cash equivalents	\$ 1,183	13,090	119	14,392	23,027
Global public equities	72,891	146,021	—	218,912	236,930
Private debt	—	33,297	—	33,297	31,372
Private equity:					
U.S. Venture capital	1,637	34,745	—	36,382	42,929
U.S. Corporate finance	—	28,994	—	28,994	36,875
International	135	37,216	—	37,351	42,357
Real assets:					
Real estate	—	43,056	—	43,056	50,933
Natural resources	—	42,660	—	42,660	51,676
Absolute return:					
Equity oriented	—	71,437	—	71,437	70,046
Global macro/relative value	—	47,520	—	47,520	56,579
Multistrategy	—	53,981	—	53,981	58,065
Credit-oriented	—	33,928	—	33,928	34,386
Protection-oriented	—	13,036	—	13,036	14,945
Fixed income:					
U.S. Treasuries, including TIPS	—	28,679	—	28,679	56,468
Other fixed income	138,052	38,381	—	176,433	190,216
Funds in trust	—	—	51,518	51,518	21,453
Total investments	\$ 213,898	666,041	51,637	931,576	1,018,257

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted, worker's compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extent they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2016	2015
Current portion of investments limited to use	\$ 36,768	5,033
Investments limited to use, less current portion	894,808	1,013,224
Total investments limited to use	\$ 931,576	1,018,257

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A summary of investments limited as to use for the years ended June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Investments limited as to use:		
By the board for capital improvements/restricted by donors	\$ 214,017	222,434
Funds held by custodian/trustee under indenture agreements	69	3
Funds held by trustee for self-insurance	14,749	16,419
Collateral for interest rate swap	36,700	5,030
TRIP investments	<u>666,041</u>	<u>774,371</u>
Total investments limited as to use	\$ <u>931,576</u>	<u>1,018,257</u>

The composition of net investment income is as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividend income, net	\$ 11,141	12,567
Realized gains on sales of securities	6,451	52,460
Unrealized losses on securities	<u>(35,951)</u>	<u>(38,239)</u>
	\$ <u>(18,359)</u>	<u>26,788</u>

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2016, UCMC has commitments of \$1,700 remaining to fund private equity limited partnerships.

Fair Value of Financial Instruments

The overall investment objective of UCMC is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. UCMC diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on

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independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University's Investment Office on behalf of UCMC monitors the valuation methodologies and practices of managers.

The absolute return portfolio comprises investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Funds in trust investments consist primarily of project construction funds and worker's compensation trust funds. Funds in trust comprise 72% cash and cash equivalents, 16% fixed income investments and 12% equity investments at June 30, 2016 and comprised 26% cash and cash equivalents, 44% fixed income securities and 30% equity investments at June 30, 2015.

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UCMC believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2016 and 2015. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. Assets and liabilities recorded at fair value as of June 30, 2016 and 2015 were as follows:

Assets	Quoted prices in Active Markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2016 Total fair value
Cash and cash equivalents	\$ 20,335	—	—	20,335
Investments:				
Cash equivalents	14,392	—	—	14,392
Global public equities	96,930	4,104	—	101,034
Real assets:				
Real estate	3,163	—	—	3,163
Absolute return:				
Equity oriented	—	4,702	—	4,702
Global macro/relative value	7,979	2,417	—	10,396
Fixed income:				
U.S. Treasuries, including TIPS	\$ 28,679	—	—	28,679
Other fixed income	165,294	—	—	165,294
Funds in trust	51,518	—	—	51,518
Investments measured at net asset value ¹		—	—	552,398
Total investments at fair value	388,290	11,223	—	951,911
Other assets	5,850	—	—	5,850
Total assets at fair value	\$ 394,140	11,223	—	957,761
Liabilities				
Interest rate swap payable	\$ —	165,417	—	165,417
Total liabilities at fair value	\$ —	165,417	—	165,417

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Assets	Quoted prices in Active Markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2015 Total fair value
Cash and cash equivalents	\$ 163,969	—	—	163,969
Investments:				
Cash equivalents	23,027	—	—	23,027
Global public equities	112,815	3,579	—	116,394
Real assets:				
Real estate	2,123	—	—	2,123
Natural resources	3,300	—	—	3,300
Absolute return:				
Equity oriented ²	—	9,245	—	9,245
Global macro/relative value	10,074	—	—	10,074
Fixed income:				
U.S. Treasuries, including TIPS	\$ 56,468	—	—	56,468
Other fixed income	176,136	—	—	176,136
Funds in trust	21,453	—	—	21,453
Investments measured at net asset value ¹	—	—	—	600,037
Total investments at fair value	569,365	12,824	—	1,182,226
Other assets	5,216	—	—	5,216
Total assets at fair value	\$ 574,581	12,824	—	1,187,442
Liabilities				
Interest rate swap payable	\$ —	110,447	—	110,447
Total liabilities at fair value	\$ —	110,447	—	110,447

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

² UCMC re-evaluated the application of the definition of readily determinable fair value in accordance with ASU 2015-10, *Technical Corrections and Improvements*, and has corrected the classification of an investment totaling \$9,245 previously shown as investments held at NAV. These investments are now classified as level 2 investments in the 2015 table. Management assessed the effect of the correction on the 2015 financial statements, and determined it to be immaterial.

During 2016, there were no transfers between investment Levels 1 and 2 or between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is therefore classified within Level 2.

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In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of UCMC's investments could occur in the next term and that such changes could materially affect the amounts reporting in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UCMC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of UCMC's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables and outside appraisals. Significant changes in any inputs used by investment managers in determining net asset values in isolation would result in a significant changes in fair value measurement.

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UCMC has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lockups and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	<u>Remaining life</u>	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>
Cash	N/A	Daily	None
Global public equities: Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 3 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to biennial with notice periods of 7 to 90 days	Lock-up provisions for up to 4 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year
Private debt: Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemption permitted
Private equity: Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semi-annual with notice period of 90 days	A portion of capital is held in side pockets with no redemption permitted
Real estate: Drawdown partnerships	1 to 16 years	Redemption not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources: Drawdown partnerships	1 to 17 years	Redemption not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None

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	<u>Remaining life</u>	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>
Absolute return: Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to 3 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships Partnerships	1 to 4 years N/A	Redemptions not permitted Quarterly to triennial with notice periods of 45 to 180 days	N/A Lock-up provisions for up to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income: Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in Trust	N/A	Daily	None

(7) Endowments

UCMC's endowments consists of individual donor restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois is governed by the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Board of Trustees of UCMC has interpreted UPMIFA as sustaining the preservation 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, UCMC classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UCMC in a manner consistent with the standard of prudence prescribed by UPMIFA.

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UCMC has the following donor-restricted endowment activities during the years ended June 30, 2016 and 2015 delineated by net asset class:

	<u>Unrestricted Funds functioning</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2016 Total</u>
Endowment net assets, beginning of year	\$ 914,479	73,568	8,092	996,139
Investment return:				
Investment income	16,383	737	0	17,120
Net appreciation (realized and unrealized)	(34,742)	(3,162)	0	(37,904)
Total investment return	(18,359)	(2,425)	0	(20,784)
Gifts and other additions	0	0	10	10
Appropriation of endowment assets for expenditure	(44,622)	(4,229)	0	(48,851)
Appropriation of endowment assets for capital	(50,000)	0	0	(50,000)
Other	2,939	487	—	3,426
Endowment net assets, end of year	<u>\$ 804,437</u>	<u>67,401</u>	<u>8,102</u>	<u>879,940</u>

	<u>Unrestricted Funds functioning</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015 Total</u>
Endowment net assets, beginning of year	\$ 921,696	74,468	8,082	1,004,246
Investment return:				
Investment income	40,491	907	0	41,398
Net appreciation (realized and unrealized)	(13,703)	1,879	0	(11,824)
Total investment return	26,788	2,786	0	29,574
Gifts and other additions	32,000	0	10	32,010
Appropriation of endowment assets for expenditure	(43,486)	(4,095)	0	(47,581)
Appropriation of endowment assets for capital	(24,808)	0	0	(24,808)
Other	2,289	409	0	2,698
Endowment net assets, end of year	<u>\$ 914,479</u>	<u>73,568</u>	<u>8,092</u>	<u>996,139</u>

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Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowments only) as of June 30, 2016 and 2015:

	Perpetual	Time-restricted by donor	Time-restricted by law	2016 Total
Restricted for pediatric healthcare	\$ 1,865	—	15,760	17,625
Restricted for adult healthcare	1,925	—	49,412	51,337
Restricted for educational and scientific programs	4,312	—	2,229	6,541
	<u>\$ 8,102</u>	<u>—</u>	<u>67,401</u>	<u>75,503</u>

	Perpetual	Time-restricted by donor	Time-restricted by law	2015 Total
Restricted for pediatric healthcare	\$ 1,855	—	17,409	19,264
Restricted for adult healthcare	1,926	—	53,481	55,407
Restricted for educational and scientific programs	4,311	—	2,678	6,989
	<u>\$ 8,092</u>	<u>—</u>	<u>73,568</u>	<u>81,660</u>

Investment and Spending Policies

UCMC has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. UCMC expects its endowment funds over time, to provide an average rate of return of approximately 6% annually. To achieve its long-term rate of return objectives, UCMC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

For endowments invested in TRIP, the Board of Trustees of UCMC has adopted the University's method to be used to appropriate endowment funds for expenditure, including following the University's payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the University's total return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments, lagged by one year, is available each year for expenditure in the form of endowment payout. The exact payout percentage, which is set each year by the Board of Trustees with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2016 and 2015. If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

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For endowments invested apart from TRIP, UCMC calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(8) Property, Plant and Equipment

The components of property, plant and equipment as of June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Land and land rights	\$ 36,008	36,008
Buildings and improvements	1,417,450	1,385,018
Equipment	524,676	512,531
Construction in progress	<u>197,346</u>	<u>55,238</u>
	2,175,480	1,988,795
Less accumulated depreciation	<u>(795,348)</u>	<u>(756,011)</u>
Total property, plant and equipment, net	\$ <u>1,380,132</u>	<u>1,232,784</u>

UCMC's net property, plant and equipment cost includes \$9,200 and \$9,700 at June 30, 2016 and 2015 representing assets under capital leases with the University. The cost of buildings that are jointly used by the University and UCMC is allocated based on the lease provisions. In addition, land and land rights includes \$15,000 and \$16,400 for 2016 and 2015, respectively, which represents the unamortized portion of initial lease payments made to the University.

A new parking garage was placed into service in 2015 with a total cost of \$79,500; approximately \$47,200 was spent in 2015 related to the structure. Capitalized interest costs in 2016 and 2015 were \$3,200 and \$300, respectively. Construction in progress consists primarily of the Center for Care and Discovery expansion, the Orland Park Ambulatory Center construction, and various other renovation projects. As of June 30, 2016, UCMC had total contractual commitments associated with ongoing capital projects of approximately \$51,600.

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(9) Long-Term Debt

Long-term debt as of June 30 consists of the following:

	Final fiscal year maturity	Interest rate	2016	2015
Fixed rate:				
Illinois finance authority:				
Series 2009A and B	2027	5.0	\$ 138,915	148,480
Series 2009C	2037	4.7	60,900	60,900
Series 2009D-1 and 2 (synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E-1 and 2 (synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010 A and B (synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011 A and B (synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011C	2042	5.5	90,000	90,000
Series 2012A	2037	4.7	66,565	68,535
Series 2015A	2029	5.0	21,895	21,895
Unamortized premium			10,804	12,016
Total fixed rate			714,079	726,826
Variable rate:				
Series 2013A	2020	0.9	73,757	75,000
Illinois Educational Facilities Authority (IEFA)	2038	0.5	75,671	77,717
Total variable rate			149,428	152,717
Total notes and bonds payable			863,507	879,543
Less current portion of long-term debt			(13,255)	(11,535)
Long-term portion of debt			\$ 850,252	868,008

The fair value of long-term debt is based on the pricing of fixed-rate bonds of market participants, including assumptions about the present value of current market interest rates, and loans of comparable quality and maturity. The fair value of long-term debt would be a Level 2 hierarchy. The carrying value of long-term debt is below the estimated fair value of the debt by \$44,500 and \$27,400 as of June 30, 2016 and June 30, 2015, respectively, based on the quoted market prices for the same or similar issues.

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Scheduled annual repayments for the next five years and thereafter are as follows at June 30:

	<u>Amount</u>
Year:	
2017	\$ 13,255
2018	13,868
2019	14,513
2020	15,208
2021	15,940
Thereafter	790,723
	<u>\$ 863,507</u>

Under its various indebtedness agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio, maintaining minimum levels of days cash on hand, maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise disposing of UCMC property; and certain other nonfinancial covenants. Each of the bond Series is collateralized by unrestricted receivables under a Master Trust Indenture and subject to certain restrictions.

Recent Financing Activity

In March 2015, the IFA issued \$21,895 of Series 2015A Revenue Refunding Bonds, allocated to UCMC for the purpose of refunding a portion of the Illinois Health Facilities Authority Revenue Bonds, Series 2009C. The Series 2015A Bonds are secured by a Direct Note Obligation, Series 2015A of UCMC issued pursuant to the Master Trust Indenture. The extinguishment of the Series 2009C bonds resulted in a loss of \$700, the majority of which was recorded to supplies and other expense in 2015.

Letters of Credit

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letter of credit that support the Series 2009D bonds expires in June 2017. The letter of credit that supports the 2009E bonds expires in December 2018. The letters of credit that support the Series 2010A and Series 2010B bonds expire in November 2020 and November 2018, respectively, and the letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2021. The letters of credit are subject to certain restrictions, which include financial ratio requirements and consent to future indebtedness. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:25:1. Payment on each of the IEFA bonds is collateralized by a letter of credit maturing November 2017. The letter of credit is subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1.75:1. UCMC was in compliance with all applicable debt covenants at June 30, 2016.

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Included in UCMC's debt is \$75,671 of commercial paper revenue notes and \$325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between 1 and 3 years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to UCMC and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:	
2017	\$ 22,785
2018	139,962
2019	155,098
2020	112,159
2021	36,657
Thereafter	396,846
	<u>\$ 863,507</u>

UCMC paid interest, net of capitalized interest, of approximately \$32,700 and \$33,600 in 2016 and 2015, respectively.

UCMC has a \$40,000 line of credit from a commercial bank, which expires September 29, 2017. As of June 30, 2016 and 2015, no amount was outstanding under this line.

(10) Derivative Instruments

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The swap values are based on the London Interbank Rate (LIBOR). The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy. The effective date of the swap was August 2011. In July 2011, UCMC novated the original swap agreement to divide the original notional amount in two equal parts between financial institutions. The fair value of the terminated portion of the hedge on the date of the novation was recorded in net assets in the amount of \$35,123 and is being amortized into interest expense over the life of the related debt, commencing on February 23, 2013, the date the Center for Care and Discovery was placed into service. The new agreement is being accounted for as a hedge. The combined notional amount of the swap is \$325,000 and the effective start date was August 2011. Management has determined that the interest rate swaps are effective, and have qualified for hedge accounting. Management has recognized ineffectiveness of approximately \$2,506 in 2016 and an ineffectiveness of approximately \$567 in 2015. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in unrestricted net assets. The interest rate swaps terminate on February 1,

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

2044. Cash settlement payments related to the swaps were accumulated in net assets while the Center for Care and Discovery was under construction, and are being amortized into depreciation expense over the life of the building. Amortization commenced on February 23, 2013, the date the Center for Care and Discovery was placed into service. Cash settlement payments after the Center for Care and Discovery was placed into service are recorded in interest expense.

UCMC is required to provide collateral on one of the interest rate swap agreements when the liability of that swap exceeds \$50,000. At June 30, 2016 and 2015, \$36,700 and \$5,030 was held as collateral, respectively, and recorded in current portion of investments limited to use. If UCMC's credit rating were to be downgraded one level; collateral would need to be provided under the swap with JP Morgan when the liability of that swap exceeds \$40,000 and under the Wells Fargo swap when the liability of that swap exceeds \$60,000. Upon further downgrade, the collateral requirements increase.

The following summarizes the general terms of each of UCMC's swap agreements:

Effective date	Associated debt series	Original Term	Current notional amount	UCMC pays	UCMC receives
	2009 D/E, 2010				
8/9/2011	A/B, 2011 A/B	32.5 years	\$ 162,500,000	3.89 %	68% of LIBOR
	2009 D/E, 2010				
8/9/2011	A/B, 2011 A/B	32.5 years	\$ 162,500,000	3.97 %	68% of LIBOR

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in unrestricted net assets for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change.

(11) Commitments

Leases

UCMC has capital and noncancelable operating leases for certain buildings and equipment. Future minimum payments required under noncancelable operating leases as of June 30 are as follows:

	Operating
2017	\$ 2,520
2018	2,180
2019	2,155
2020	2,046
2021 and thereafter	11,303
Total minimum lease payments	\$ 20,204

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(Dollars in thousands)

The amount of total assets capitalized under these leases at both June 30, 2016 and June 30, 2015 is \$0 and \$2,300 with related accumulated depreciation of \$0 and \$2,300, respectively. Rental expense was approximately \$6,100 and \$5,600 for the years ended June 30, 2016 and 2015, respectively.

(12) Insurance

UCMC is included under certain of the University's insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2016 and 2015 was \$5,000 per claim and unlimited in the aggregate. Claims in excess of \$5,000 are subject to an additional self-insurance retention limited to \$12,500 per claim and \$22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

The estimated liability for medical malpractice self-insurance is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. It considers anticipated payout patterns as well as interest to be earned on available assets prior to payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2016 and 2015, is presented below:

	2016	2015
Actuarial present value of self-insurance liability for medical malpractice	\$ 238,213	250,444
Total assets available for claims	300,352	351,528

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately \$33,100 higher at June 30, 2016. The interest rate assumed in determining the present value was 3.5% and 4.25% for 2016 and 2015, respectively. UCMC has recorded its pro-rata share of the malpractice self-insurance liability as required under ASU 2010-24 in the amount of \$117,410 and \$112,700 at June 30, 2016 and June 30, 2015, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro-rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2017, UCMC's expense is estimated to be approximately \$8,500 related to malpractice insurance.

UCMC designated \$14,700 and \$16,400 as of June 30, 2016 and 2015, respectively, as a workers' compensation self-insurance reserve trust fund, which is included within investments limited as to use within

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Notes to Consolidated Financial Statements

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(Dollars in thousands)

the consolidated balance sheets. The self-insurance program investments consist of approximately 60% bonds and 40% marketable equities. The specifically identified claim requirements and actuarially determined reserve requirements for unreported workers' compensation claims were approximately \$6,300 and \$8,200 as of June 30, 2016 and 2015, respectively. The University also charges UCMC for its portion of other commercial insurance and self-insurance costs.

(13) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined benefit and contribution pension plan, which are considered multi-employer pension plans. Under the defined benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of unrestricted net assets. The adjustment to net assets was a decrease of \$300 for 2016 and an increase of \$1,000 for 2015. Contributions of \$32,500 were made in the fiscal years ended June 30, 2016 and 2015. UCMC expects to make contributions not to exceed \$10,000 for the fiscal year ended June 30, 2017 that will be entirely expensed as net periodic pension costs.

Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately \$7,800 and \$7,400 for the years ended June 30, 2016 and 2015, respectively.

UCMC's contributions to the University's defined benefit plans included in the University's financial statements for the year ended June 30, 2016 and 2015 are as follows:

Plan name	EIN	Contributions of UCMC	
		2016	2015
University of Chicago Retirement Income Plan for Employees	36-2177139-002	\$ 4,000	—
University of Chicago Pension Plan for Staff Employees	36-2177139-003	28,500	32,500
		<u>\$ 32,500</u>	<u>32,500</u>

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June 30, 2016 and 2015

(Dollars in thousands)

The benefit obligation, fair value of plan assets and funded status for the University's defined benefit plan included in the University's financial statements as of June 30, are shown below:

	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ 1,017,137	954,886
Fair value of plan assets	<u>741,696</u>	<u>695,869</u>
Deficit of plan assets over benefit obligation	\$ <u>(275,441)</u>	<u>(259,017)</u>

The weighted-average assumptions used in the accounting for the plan are shown below:

	<u>2016</u>	<u>2015</u>
Discount rate	3.6%	4.5%
Expected return on plan assets	6.5	6.5
Rate of compensation increase	3.5	3.5

The weighted average asset allocation for the plan is as follows:

	<u>2016</u>	<u>2015</u>
Domestic equities	26%	27%
International equity	20	19
Fixed income	<u>54</u>	<u>54</u>
	<u>100%</u>	<u>100%</u>

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Total benefits and plan expenses paid by the plan were \$47,500 and \$40,100 for the fiscal years ended June 30, 2016 and 2015, respectively.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:	
2017	\$ 75,031
2018	50,388
2019	51,536
2020	53,248
2021	56,378
2022-2025	296,796

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Notes to Consolidated Financial Statements

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(Dollars in thousands)

Certain UCMC personnel participate in a contributory pension plan. Under this plan, UCMC and plan participants make annual contributions to purchase annuities equivalent to retirement benefits earned. UCMC's pension expense for this plan was \$5,300 and \$5,200 for the years ended June 30, 2016 and 2015, respectively.

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

Components of net periodic pension cost and other amounts recognized in unrestricted net assets include the following:

	Years ended June 30,	
	2016	2015
Net periodic pension cost:		
Interest cost	\$ 2,513	2,293
Expected return on plan assets	(3,009)	(3,080)
Amortization of unrecognized net actuarial loss	926	617
Net periodic pension cost	<u>430</u>	<u>(170)</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Liability for pension benefits	<u>(4,429)</u>	<u>(8,192)</u>
Total recognized in net periodic pension cost and unrestricted net assets	\$ <u>4,859</u>	<u>8,022</u>

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June 30, 2016 and 2015

(Dollars in thousands)

The following tables set forth additional required pension disclosure information for this plan:

	Years ended June 30,	
	2016	2015
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 60,318	56,410
Interest cost	2,513	2,293
Net actuarial loss (gain)	4,236	5,382
Benefits paid	(3,556)	(3,767)
	<u>63,511</u>	<u>60,318</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	52,037	53,151
Actual return on plan assets	1,890	(347)
Employer contribution	—	3,000
Benefits paid	(3,556)	(3,767)
	<u>50,371</u>	<u>52,037</u>
Funded status at end of year	\$ <u>(13,140)</u>	<u>(8,281)</u>

Amounts recognized in the consolidated balance sheet are included in noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	2016	2015
Discount rate	3.5%	4.3%
Expected return on plan assets	6.0	6.0
Rate of compensation increase	N/A	N/A

Weighted average asset allocations for plan assets are as follows:

	2016	2015
Cash	3%	3%
Fixed income	60	58
Domestic equities	27	29
International equities	10	10
	<u>100%</u>	<u>100%</u>

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(Dollars in thousands)

All plan assets are valued using level 1 inputs in 2016 and 2015. The target asset allocation is 40% equities and 60% fixed income. The expected return on plan assets is based on historical investment returns for similar investment portfolios.

UCMC expects to make contributions of \$2,300 to the plan in the fiscal year ending June 30, 2017.

Expected future benefit payments are:

Fiscal year:	
2017	\$ 3,861
2018	3,858
2019	3,837
2020	3,861
2021	3,833
2022–2025	19,189

(14) Pledges

Pledges receivable at June 30 are comprised of:

	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,661	1,102
One year to five years	2,602	1,522
More than five years	—	—
	4,263	2,624
Less unamortized discount (discount rate 5.5%)	(113)	—
Total	\$ 4,150	2,624

(15) Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2016	2015
Pediatric healthcare	\$ 18,064	19,414
Adult healthcare	52,285	55,728
Educational and scientific programs	5,254	5,059
Capital and other purposes	6,322	5,908
Total	\$ 81,925	86,109

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Income from permanently restricted net assets is restricted for:

	2016	2015
Pediatric healthcare	\$ 1,865	1,855
Adult healthcare	1,935	1,935
Educational and scientific programs	4,312	4,312
Total	\$ 8,112	8,102

(16) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	2016	2015
Healthcare services	\$ 1,403,939	1,359,252
General and administrative	106,256	99,897
Total	\$ 1,510,195	1,459,149

(17) Contingencies

UCMC is subject to complaints, claims and litigation, which have risen in the normal course of business. In addition, UCMC is subject to reviews by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. While the outcome of these suits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of UCMC.

(a) Medicare and Medicaid Reimbursement

For the years ended June 30, 2016 and 2015, UCMC recognized approximately 24% of net patient service revenue from services provided to Medicare beneficiaries. Recently enacted healthcare reform and other Medicare legislation may have an adverse effect on UCMC's net patient service revenue. Medicaid-payment methodologies and rates may be subject to modification based on the amount of funding available to the State of Illinois Medicaid Program.

UCMC has received and expects to receive future notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. UCMC is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on UCMC's net patient service revenue.

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June 30, 2016 and 2015

(Dollars in thousands)

(b) *The Patient Protection and Affordable Care Act and Other Enacted Legislation*

In March 2010, the Patient Protection and Affordable Care Act of 2010 (the Affordable Care Act) was enacted. Some of the provisions of the Affordable Care Act took effect immediately, while others will take effect or will be phased in over time, ranging from a few months to ten years following approval. The Affordable Care Act was designed to make available, or subsidize the premium costs of, healthcare insurance for some of the millions of currently uninsured or underinsured consumers below certain income levels. An increase in utilization of healthcare services by those who are currently avoiding or rationing their healthcare was expected. Although bad debt expenses and/or charity care provided were expected to be reduced, increased utilization would be associated with increased variable and fixed costs of providing healthcare services, which may or may not be offset by increased revenues.

The Affordable Care Act contains more than 32 Sections related to healthcare fraud and abuse and program integrity. The potential for increased legal exposure related to the Affordable Care Act's enhanced compliance and regulatory requirements could increase operating expenses.

UCMC continues to analyze the Affordable Care Act to assess its effects on current and projected operations, financial performance, and financial condition.

(c) *Regulatory Investigations*

The U.S. Department of Justice (DOJ) and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. UCMC is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for UCMC and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. UCMC maintains a compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments to governmental payors.

(d) *Tax Exemption for Sales Tax and Property Tax*

Effective June 14, 2012, the Governor of Illinois signed into law, Public Act 97-0688, which creates new standards for state income tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. UCMC has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

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Notes to Consolidated Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Effective June 14, 2012, the Governor of Illinois signed into law, Public Act 97-0688, which created an additional method for state sales tax and property tax exemptions to be granted to hospitals in Illinois. The law established new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. This law applies only to those properties, which applied for new property tax exemption after the law's enactment. On January 5, 2016, the Fourth District of Illinois Appellate Court ruled that Public Act 97-0688 was unconstitutional under the Illinois Constitution. UCMC expects this case will ultimately be taken by the parties to the Illinois Supreme Court. Meanwhile UCMC's hospitals and certain affiliated corporations' property tax exemptions under the law remain intact. UCMC has not accrued any liability for property taxes and maintains the position that its hospitals and certain affiliated corporations are exempt from property taxes.



THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

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KPMG LLP
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Independent Auditors' Report

**The Board of Trustees
The University of Chicago Medical Center:**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and 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 U.S. generally accepted accounting principles; 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 auditors' 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The University of Chicago Medical Center as of June 30, 2018 and 2017, and the results of its consolidated operations and of its consolidated cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and is a U.S. member firm of the KPMG network, a Swiss entity. KPMG LLP is not a member of the KPMG network. KPMG LLP is not a member of the KPMG network. KPMG LLP is not a member of the KPMG network.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2018 supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
November 7, 2018

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2018 and 2017

(In thousands)

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 211,751	37,446
Patient accounts receivable, net of estimated uncollectibles of \$160,307 in 2018 and \$140,878 in 2017	347,870	432,100
Current portion of investments limited to use	8,872	20,608
Current portion of malpractice self-insurance receivable	17,491	21,141
Current portion of pledges receivable	1,052	1,256
Prepays, inventory, and other current assets	111,563	85,921
Total current assets	698,599	598,472
Investments limited to use, less current portion	1,200,413	1,202,972
Property, plant, and equipment, net	1,602,751	1,625,205
Pledges receivable, less current portion	1,435	2,363
Malpractice self-insurance receivable, less current portion	86,319	99,798
Other assets, net	52,542	38,654
Total assets	\$ 3,642,059	3,567,464
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 251,424	222,595
Current portion of long-term debt	17,323	19,418
Current portion of other long-term liabilities	208	198
Estimated third-party payor settlements	214,184	178,181
Current portion of malpractice self-insurance liability	17,491	21,141
Due to University of Chicago	36,807	28,725
Total current liabilities	537,437	470,258
Other liabilities:		
Workers' compensation self-insurance liabilities, less current portion	5,782	5,980
Malpractice self-insurance liability, less current portion	127,154	131,535
Long-term debt, less current portion	1,011,129	1,014,827
Interest rate swap liability	104,412	129,450
Other long-term liabilities, less current portion	35,878	44,469
Total liabilities	1,821,792	1,796,519
Net assets:		
Unrestricted	1,708,799	1,663,039
Temporarily restricted	93,981	90,461
Permanently restricted	17,487	17,445
Total net assets	1,820,267	1,770,945
Total liabilities and net assets	\$ 3,642,059	3,567,464

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER
Consolidated Statements of Operations and Changes in Unrestricted Net Assets
Years ended June 30, 2018 and 2017
(In thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Net patient service revenue	\$ 2,183,011	2,009,559
Provision for doubtful accounts	<u>182,894</u>	<u>152,888</u>
Net patient service revenue after provision for doubtful accounts	2,000,117	1,856,671
Other operating revenues and net assets released from restrictions used for operating purposes	<u>211,898</u>	<u>148,790</u>
Total operating revenues	<u>2,212,015</u>	<u>2,005,461</u>
Operating expenses:		
Salaries, wages, and benefits	943,550	859,641
Supplies and other	679,490	583,644
Physician services	280,780	251,492
Insurance	46,690	17,794
Interest	43,924	39,416
Medicaid provider tax	59,773	53,824
Depreciation and amortization	<u>125,032</u>	<u>117,275</u>
Total operating expenses	<u>2,179,239</u>	<u>1,923,086</u>
Operating revenue in excess of expenses	32,776	82,375
Nonoperating gains and losses:		
Investment income, net	65,503	89,154
Loss on extinguishment of debt	—	(27,028)
Contribution of CHHD unrestricted net assets	—	309,740
Change in fair value of nonhedged derivative instruments	2,356	3,561
Derivative ineffectiveness on hedged derivative instruments	(62)	2,095
Distributions and other, net	<u>604</u>	<u>2,496</u>
Revenue and gains in excess of expenses and losses	101,177	462,393
Other changes in net assets:		
Equity transfers to University of Chicago, net	(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit costs	(7,853)	2,266
Effective portion of change in valuation of derivatives	24,635	44,863
Distributions and other, net	<u>(449)</u>	<u>(349)</u>
Increase in unrestricted net assets	<u>\$ 45,760</u>	<u>437,423</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2018 and 2017

(In thousands)

	<u>2018</u>	<u>2017</u>
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	\$ 101,177	462,393
Equity transfers to the University of Chicago, net	(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit cost	(7,853)	2,266
Effective portion of change in valuation of derivatives	24,635	44,863
Distributions and other, net	<u>(449)</u>	<u>(349)</u>
Increase in unrestricted net assets	<u>45,760</u>	<u>437,423</u>
Temporarily restricted net assets:		
Contributions	5,048	3,437
Net assets released from restrictions used for operating purposes	(7,295)	(6,518)
Investment income	5,767	7,582
Contribution of CHHD temporarily restricted net assets	<u>—</u>	<u>4,035</u>
Increase in temporarily restricted net assets	<u>3,520</u>	<u>8,536</u>
Permanently restricted net assets:		
Contribution of CHHD permanently restricted net assets	—	9,087
Contributions and other	<u>42</u>	<u>246</u>
Increase in permanently restricted net assets	<u>42</u>	<u>9,333</u>
Change in net assets	49,322	455,292
Net assets at beginning of year	<u>1,770,945</u>	<u>1,315,653</u>
Net assets at end of year	\$ <u><u>1,820,267</u></u>	<u><u>1,770,945</u></u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 49,322	455,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in unrealized gains and losses on investments	544	(18,303)
Equity transfers to the University of Chicago	71,750	71,750
Restricted contributions and investment return	(10,857)	(11,265)
Realized gains on investments	(52,157)	(56,460)
Net change in valuation of derivatives	(25,038)	(48,820)
Contribution of CHHD net assets	—	(322,862)
Change in accrued pension benefits other than net period benefit cost and other	7,853	(2,286)
(Gain) loss on disposal of assets	(122)	91
Provision for doubtful accounts	182,824	152,888
Loss on extinguishment of debt	—	27,028
Net assets released from restrictions for operations	7,295	6,518
Depreciation and amortization	125,032	117,275
Changes in assets and liabilities:		
Patient accounts receivable, net	(98,594)	(264,110)
Other assets	(21,269)	(25,472)
Accounts payable and accrued expenses	33,972	35,105
Due to the University of Chicago	8,082	6,579
Estimated settlements with third-party payors	38,003	16,750
Self-insurance liabilities	(8,229)	(1,732)
Other liabilities	(16,434)	4,651
Net cash provided by operating activities	<u>289,977</u>	<u>142,637</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(100,203)	(170,135)
Change in construction payables	(5,143)	(39,109)
Purchases of investments	(451,471)	(402,498)
Sales of investments	517,379	488,139
Cash received from contribution of CHHD	—	28,003
Net cash used in investing activities	<u>(39,438)</u>	<u>(95,598)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, including bond premium	61,220	256,386
Payments on long-term obligations	(65,917)	(220,069)
(Payments) draws on revolving credit facility	(3,000)	3,000
Payments for bond issuance costs	(349)	(2,252)
Equity transfers to the University of Chicago, net	(71,750)	(71,750)
Net assets released from restriction for operations	(7,295)	(6,518)
Restricted contributions and investment return	10,857	11,265
Net cash used in financing activities	<u>(76,234)</u>	<u>(29,928)</u>
Net increase in cash and cash equivalents	174,305	17,111
Cash and cash equivalents:		
Beginning of year	<u>37,446</u>	<u>20,335</u>
End of year	\$ <u>211,751</u>	<u>37,446</u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

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(Dollars in thousands)

(1) Organization and Basis of Presentation

The accompanying consolidated financial statements represent the accounts of The University of Chicago Medical Center and its affiliates (the System). The University of Chicago Medical Center (UCMC) is the parent of an integrated nonprofit health care organization, partnering with the University of Chicago Biological Sciences Division, the University of Chicago Pritzker School of Medicine, and the University of Chicago Physicians Group to provide world-class medical care in an academic setting. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, the UCM Community Health and Hospital Division, Inc. (CHHD), and various other outpatient clinics and treatment areas. Additional affiliated entities include the University of Chicago Medicine Care Network, which provides support and healthcare services in the greater Chicago region to support the healthcare needs to the community and the UCMC Title Holding Corporation and UCMC Title Holding Corporation II NFP, which cooperatively invest in facilities and equipment for the advancement of patient care. In May 2018, UCMC opened its Level 1 Trauma Center to serve the South Side of Chicago and surrounding community.

On October 1, 2016, UCMC acquired Ingalls Health System (IHS) through an affiliation and member substitution. As a result of this transaction, IHS became a wholly owned subsidiary of UCMC through the newly created CHHD of UCMC. Accordingly, the 2017 consolidated system statement of operations and changes in unrestricted net assets includes the operating activity of IHS for the nine-month period from October 1, 2016 through June 30, 2017.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC's Board of Trustees and approves its bylaws. The UCMC President reports to the University's Executive Vice President for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center bylaws, an affiliation agreement, an operating agreement, and several leases. See note 4 for agreements and transactions with the University.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of the System have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) New Accounting Pronouncements

During 2017, the System adopted Accounting Standards Update (ASU) No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefit costs be presented as a component part of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in unrestricted net assets. The System adopted the changes for the year ended June 30, 2017.

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In August 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 represents phase 1 of FASB's not-for-profit financial reporting project, and results reduce the number of net asset classes, require expense presentation by functional and natural classification, require quantitative and qualitative information in liquidity, retain the option to present the cash flow statement on a direct or indirect method, as well as include various other additional disclosure requirements. The requirements of this statement are effective for the System for the year ending June 30, 2019. The System is assessing the impacts on financial statement presentation and disclosures for this ASU.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes 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 requirements of this statement are effective for the System for the year ending June 30, 2019. The System will record a decrease in net patient service revenue and a corresponding decrease in the provision for uncollectible accounts upon adoption of the standard.

In February 2016, FASB issues ASU No. 2016-02, *Leases*. ASU No. 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures as to the nature and extent of leasing activities. ASU No. 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 31, 2018. The requirements of this statement are effective for the System for the year ending June 30, 2020. The System has not evaluated the impact of this statement.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Community Benefits

The System's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals under the provisions of the Emergency Medical Treatment and Active Labor Act. UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

The System developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the System does not pursue collection of these amounts, they are not reported as net

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patient service revenue. The cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2018 and 2017, are reported in note 6.

(e) Fair Value of Financial Instruments

Fair value is defined as the price that the System would receive upon selling an asset or pay to settle a liability in an orderly transaction among market participants.

The System uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the System. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical investments

Level 2 – Inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable, including model-based valuation techniques

Level 3 – Valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all

(f) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited or restricted.

(g) Inventory

The System values inventories at the lower of cost or market using the first-in, first-out method.

(h) Investments

Investments are classified as trading securities. As such, investment income or loss (including realized or unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue and gains over expenses and losses unless the income is restricted by donor or law.

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Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by an entity and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The System's interests in alternative investment funds, such as private debt, private equity, real estate, natural resources, and absolute return, are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2018 and 2017, the System had no plans to sell investments at amounts different from NAV.

A significant portion of the System's investments are part of the University's Total Return Investment Pool (TRIP). The System accounts for its investments in TRIP on the fair value method based on its share of the underlying securities and, accordingly, records the investment activity as if the System owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing the System's investments as of June 30, 2018 and 2017 is included in note 7.

(i) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. As of June 30, 2018 and 2017, there were no endowments in deficit positions.

(j) Investments Limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board of Trustees (the Board) for future capital improvements and other specific purposes, over which the Board retains control and may at its discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust funds, and investments whose use is restricted by donors. Investments limited as to use are reported as unrestricted net assets. Investments whose use is restricted by donors are reported as temporarily restricted or permanently restricted.

(k) Derivative Instruments

The System accounts for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the balance sheet at their respective fair values.

For hedging relationships, the System formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be

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assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the balance sheet.

(l) Property, Plant, and Equipment

Property, plant, and equipment are reported on the basis of cost, less accumulated depreciation and amortization. Depreciation of property, plant, and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The System periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment based on estimated, undiscounted future cash flows exist. Management considers factors, such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset.

(m) Asset Retirement Obligation

The System recognizes a liability for the fair value of a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event if the amount can be reasonably estimated. Upon recognition of a liability, the asset retirement cost is recorded as an increase in the carrying value of the related long-lived asset and then depreciated over the life of the asset. The System's asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The System's obligation to remove asbestos was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable.

(n) Other Assets and Liabilities

Goodwill and intangible assets principally relate to physician practice acquisitions. Intangible assets are being amortized over a period, generally not to exceed five years. Intangible assets were \$438 and \$703 for the years ended June 30, 2018 and 2017, respectively, and are included within other assets, net in the consolidated balance sheets. The System follows the provisions of ASC Subtopic 958-805, *Not-for-Profit Entities – Business Combinations*, which discontinued the amortization of goodwill. Under ASC Subtopic 958-805, goodwill is to be reviewed for impairment at least annually using a two-step test. Goodwill at June 30, 2018 and 2017 was \$2,412 and \$1,392, respectively, and is included in other assets, net within the consolidated balance sheets. No goodwill impairment was recorded by the System in 2018 and 2017.

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(o) Net Assets

Net assets are classified as either permanently or temporarily restricted when the use of the assets is limited by outside parties or as unrestricted net assets when outside parties place no restrictions on the use of the assets or when the assets arise as a result of the operations of the System.

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Pledges receivable to be collected after one year are discounted using a risk-adjusted interest rate at the time the pledge is made. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as operating revenue in the statements of operations and changes in unrestricted net assets if restricted for operating purposes and as an increase to unrestricted net assets if restricted to purchase property, plant, and equipment. Gifts for which donors have not stipulated restrictions, as well as contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as other operating revenue.

(p) Statement of Operations

All activities of the System deemed by management to be ongoing, major, and central to the provision of healthcare services are reported as operating revenue and expenses.

The consolidated statement of operations and changes in unrestricted net assets includes revenue and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenue and gains in excess of expenses and losses include transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions, which by donor restriction were to be used for acquisition of System assets), the effective portion of changes in the valuation of derivatives, change in accrued pension benefits other than net periodic benefit costs, and distributions and other, net.

(q) Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

The System maintains agreements with the Centers for Medicare and Medicaid Services under the Medicare Program, Blue Cross and Blue Shield of Illinois, Inc. (Blue Cross), and the State of Illinois under the Medicaid Program and various managed care payors that govern payment to the System for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on allowable costs, subject to certain limitations, for inpatient care and discounted charges or fee schedules for outpatient care.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and the System's estimates are adjusted in future periods as adjustments become known or as years are no longer

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subject to the System's audits, reviews, and investigations. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenue of \$3,506 in 2018 and \$8,058 in 2017. Contracts, laws, and regulations governing Medicare, Medicaid, and Blue Cross are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The process for estimating the ultimate collectibility of receivables involves significant assumptions and judgment. The System has implemented a standardized approach to this estimation based on the payor classification and age of outstanding receivables. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. The use of historical collection experience is an integral part of the estimation of the reserve for doubtful accounts. Revisions in the reserve for doubtful accounts are recorded as adjustments to the provision for doubtful accounts.

(r) Hospital Assessment Program/Medicaid Provider Tax

In December 2008, the State of Illinois, after receiving approval by the federal government, implemented a hospital assessment program. The program assessed hospitals a provider tax based on occupied bed days and provided increases in hospitals' Medicaid payments. In 2018, reimbursement under the assessment programs resulted in a net increase of \$33,685 in operating income, which includes \$83,641 in Medicaid payments included in net patient service revenue offset by \$49,956 in Medicaid provider tax expense. In 2017, reimbursement under the assessment programs resulted in a net increase of \$32,560 in operating income, which includes \$79,054 in Medicaid payments included in net patient service revenue offset by \$46,494 in Medicaid provider tax expense.

(s) Affordable Care Act (ACA)

In March 2010, the federal government passed the ACA, which expanded Medicaid coverage to millions of low-income Americans and made improvements to both the Medicaid and the Children's Health Insurance Program. The System recognized \$20,797 and \$16,239 of net patient service revenue in 2018 and 2017, respectively, under this new law. Due to the timing of actual payments, UCMC recorded a receivable of \$2,920 and \$4,440 as of June 30, 2018 and 2017, respectively.

Beginning in 2016, coverage for newly eligible adults was expanded to include adults covered by an authorized Medicaid managed care organization, which would be funded by the federal government. For the years ended June 30, 2018 and June 30, 2017, the System recognized as reimbursement under the new legislation a net increase of \$9,956 and \$19,904 in operating income, which includes \$19,773 and \$27,234 in Medicaid payments included in net patient service revenue offset by \$9,817 and \$7,330 in Medicaid provider tax expenses, respectively.

(t) Income Taxes

The System applies ASC Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC Topic 740 prescribes a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC Topic 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more

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information about the uncertainty in income tax assets and liabilities. As of June 30, 2018 and 2017, the System does not have an asset or liability recorded for unrecognized tax positions.

UCMC and a substantial number of its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University of Chicago Medicine Care Network, LLC and several entities within CHHD, including Ingalls Captive Insurance, Ltd (ICI), Medcentrix, Inc. (MCX), and Ingalls Provider Group (IPG) are taxable entities under applicable sections of the Code.

Deferred income taxes on taxable entities are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. As of June 30, 2018, ICI has a deferred tax asset primarily relating to net operating losses (NOL) of \$398, which is recorded within prepaids, inventory, and other current assets in the consolidated balance sheets. A net valuation allowance of \$1,521 against the gross ICI deferred tax asset of \$1,919 was considered necessary, as management believed that it was not more likely than not that the results of future operations would generate sufficient taxable income to realize a portion of the deferred tax assets. IPG has an NOL of \$153 at June 30, 2018; however, it has a full valuation allowance as future realization of the NOL is not likely. As of June 30, 2018, MCX has an NOL of \$15,206; however, it has a full valuation allowance as future realization of the NOL is not likely. Income tax expense for the year ended June 30, 2018 was \$43 and is related to ICI. This amount is recorded within supplies and other on the consolidated statement of operations and changes in unrestricted net assets.

(u) Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 consolidated financial statement presentation.

(v) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the System evaluated events and transactions through November 7, 2018, the date the consolidated financial statements were issued noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements other than the item note above.

(3) Acquisition

On October 1, 2016, UCMC acquired IHS through an affiliation and member substitution agreement. As a result of this transaction, IHS became a wholly owned subsidiary of UCMC through the newly created CHHD of UCMC. This affiliation positions the System, under the University of Chicago Medicine brand, to expand its integrated academic health delivery system to the South and Southwest Suburbs of Chicago, providing patients access to care at the forefront of medicine where patients live and work.

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The affiliation was effected through a member substitution with no consideration paid. For accounting purposes, this transaction is considered an acquisition under ASC Subtopic 958-805, and a contribution was recorded for the fair value of assets, net of liabilities of IHS in the consolidated statement of operations and changes in unrestricted net assets. No goodwill has been recorded as a result of this transaction.

The acquisition-date fair value of identifiable assets and liabilities of IHS at October 1, 2016 consisted of the following:

Fair value of identifiable net assets:		
Cash and cash equivalents	\$	28,003
Other current assets		58,527
Property and equipment		187,641
Investments		289,888
Other long-term assets		2,720
Restricted assets – investments		9,087
Current liabilities		(82,428)
Long-term debt		(111,990)
Other long-term liabilities		<u>(58,586)</u>
Contribution of net assets	\$	<u>322,862</u>

The valuation of the fair value of identifiable assets and liabilities has been completed. In valuing these assets and liabilities, fair values were based on, but were not limited to, independent appraisals, discounted cash flows, replacement costs, and actuarially determined values.

Operating expenses for the year ended June 30, 2017 include costs related to the integration of IHS into the System, including support services, operating programs with other health practitioners, as well as costs of valuation and integration consulting.

Operating results and changes in net assets attributable to IHS since the date of acquisition included in the accompanying consolidated statement of operations and changes in unrestricted net assets and statement of changes in net assets for the years ended 2017 is as follows:

		<u>2017</u>
Total operating revenue	\$	263,549
Excess of revenue over expense		20,195
Change in net assets		1,642

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The unaudited supplemental pro forma operating results of UCMC as if the IHS affiliation had occurred on July 1, 2016 are as follows:

		Year ended June 30, 2017 (Unaudited)
Total operating revenue	\$	2,092,155
Operating income		76,793
Excess of revenue over expenses attributable to UCMC and affiliates		149,622

The pro forma information provided should not be construed to be indicative of UCMC's results of operations had the acquisition been consummated on July 1, 2016, and is not intended to project UCMC's results of operations for any future period.

(4) Agreements and Transactions with the University

The affiliation agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The affiliation agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the operating agreement. The affiliation agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

The operating agreement, as amended, provides, among other things, that the University gives UCMC the right to use and operate certain facilities. The operating agreement is coterminous with the affiliation agreement.

The Lease Agreements provide, among other things, that UCMC will lease from the University certain of the healthcare facilities and land that UCMC operates and occupies. The lease agreements are coterminous with the affiliation agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications, and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2018 and 2017, the University charged UCMC \$28,706 and \$30,014, respectively, for utilities, security, telecommunications, insurance, and overhead.

The University's Division of Biological Sciences provides physician services to UCMC. In 2018 and 2017, UCMC recorded \$252,587 and \$229,863, respectively, in expense related to these services.

UCMC's Board of Trustees adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board of Trustees and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board of

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Trustees are reflected as current liabilities. UCMC recorded net asset transfers of \$71,750 in 2018 and 2017 for this support.

(5) Third-Party Reimbursement Programs

The System follows the provisions of ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU No. 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations and changes in unrestricted net assets. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provision for doubtful accounts on the accompanying consolidated statements of operations and changes in unrestricted net assets for the years ended June 30, 2018 and 2017 has been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the application of ASU No. 2011-07.

The System has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between the System's billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the System's billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

The System is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The System's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

Other services rendered to Medicare beneficiaries are reimbursed based on a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, the System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2012 have been audited by the Medicare fiscal intermediary. CHHD's Medicare reimbursement reports through September 30, 2015 have been audited by the Medicare fiscal intermediary.

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(b) Medicaid

The System is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program and any such changes could have a significant effect on the System's revenue.

(c) Blue Cross

The System also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the System and a review by Blue Cross. UCMC's Blue Cross reimbursement reports for 2016 and prior years have been reviewed by Blue Cross. CHHD's Blue Cross reimbursement reports for September 30, 2015, and prior years have been reviewed by Blue Cross.

(d) Other

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the System and includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates.

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts receivable. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for accounts receivable, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against the System's charity care policy. For any remaining patient responsibility balance, the System records a provision for uncollectible accounts receivable 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

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collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The System's allowance for uncollectible accounts, which includes uninsured patients, residual copayments, and deductibles for which managed care has already paid, and certain aged Medicaid and Medicaid managed care accounts receivable, increased from 24.6% of accounts receivable at June 30, 2017 to 28.0% of accounts receivable at June 30, 2018. Gross write-offs increased from approximately \$210,841 in fiscal year 2017 to \$249,734 in fiscal year 2018.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources are as follows:

	<u>2018</u>	<u>2017</u>
Medicare	\$ 563,088	493,691
Medicaid	386,001	391,528
Managed care	1,146,309	1,082,368
Patients and other	<u>87,613</u>	<u>41,972</u>
Net patient service revenue before provision for doubtful accounts	\$ <u>2,183,011</u>	<u>2,009,559</u>

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Medicare	18.2 %	17.7 %
Medicaid	28.5	30.0
Managed care	50.5	48.4
Patients and other	<u>2.8</u>	<u>3.9</u>
	<u>100.0 %</u>	<u>100.0 %</u>

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A summary of the System's utilization percentages based upon gross patient service revenue is as follows:

	<u>2018</u>	<u>2017</u>
Medicare	39.0 %	38.3 %
Medicaid	23.1	23.5
Managed care	35.4	36.5
Patients and other	2.5	1.7
	<u>100.0 %</u>	<u>100.0 %</u>

(6) Community Benefits

The following is a summary of the System's unreimbursed cost of providing care, as defined under its Financial Assistance Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2018 and 2017:

	<u>Year ended June 30</u>	
	<u>2018</u>	<u>2017</u>
Uncompensated care:		
Medicaid sponsored indigent healthcare	\$ 100,417	72,905
Medicare sponsored indigent healthcare – cost report	150,818	118,486
Medicare sponsored indigent healthcare – physician services	2,703	37,323
Total uncompensated care	253,938	228,714
Charity care	26,967	27,199
	<u>280,905</u>	<u>255,913</u>
Unreimbursed education and research:		
Education (unaudited)	70,983	71,044
Research (unaudited)	48,000	48,000
Total unreimbursed education and research	118,983	119,044
Total community benefits	\$ <u>399,888</u>	<u>374,957</u>

The System determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care charge to calculate the charity care amount reported above. The System has not amended its financial assistance policies in 2018.

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(7) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30 2018 and 2017:

	2018				2017
	Separately Invested	TRIP	Other	Total	
Investments carried at fair value:					
Cash equivalents	\$ 984	11,446	498	12,928	46,740
Global public equities	107,869	238,400	—	346,269	307,755
Private debt	—	41,107	—	41,107	37,898
Private equity					
U.S. venture capital	6,451	48,056	—	54,507	132,113
U.S. corporate finance	—	31,321	—	31,321	30,516
International	114	54,214	—	54,328	44,776
Real assets:					
Real estate	—	55,485	—	55,485	61,884
Natural resources	—	67,378	—	67,378	57,826
Absolute return:					
Equity oriented	—	90,477	—	90,477	76,486
Global macro/relative value	—	52,934	—	52,934	51,259
Multistrategy	—	67,111	—	67,111	60,244
Credit-oriented	—	50,245	—	50,245	43,409
Protection-oriented	—	16,816	—	16,816	14,041
Fixed income:					
U.S. Treasuries, including TIPS	—	55,883	—	55,883	47,810
Other fixed income	164,949	—	—	164,949	155,781
Beneficial interests in trust	—	—	9,316	9,316	9,284
Funds in trust	—	—	38,231	38,231	45,760
Total investments	\$ 280,367	880,873	48,045	1,209,285	1,223,580

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted investments in beneficial interests in trusts, workers' compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extent they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2018	2017
Current portion of investments limited to use	\$ 8,872	20,608
Investments limited to use, less current portion	1,200,413	1,202,972
Total investments limited to use	\$ 1,209,285	1,223,580

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A summary of investments limited as to use for the years ended June 30 is as follows:

	2018			2017
	UCMC	CHHD	Total	
Investments limited as to use:				
By the board for capital improvements/restrictions by donors	\$ 218,382	77,453	295,835	415,271
Funds held by custodian/trustee under indenture agreements	164	—	164	2,428
Funds held by trustee for self-insurance	7,468	24,945	32,413	21,647
Collateral for interest rate swap	—	—	—	14,200
TRIP investments	<u>687,795</u>	<u>193,078</u>	<u>880,873</u>	<u>770,034</u>
Total investments limited to use	\$ <u>913,809</u>	<u>295,476</u>	<u>1,209,285</u>	<u>1,223,580</u>

The composition of net investment income is as follows for the years ended June 30:

	2018			2017
	UCMC	CHHD	Total	
Interest and dividend income, net	\$ 10,748	3,142	13,890	14,391
Realized gains on sales of securities, net	32,047	20,110	52,157	56,460
Unrealized gains (losses) on securities, net	<u>5,917</u>	<u>(6,461)</u>	<u>(544)</u>	<u>18,303</u>
	\$ <u>48,712</u>	<u>16,791</u>	<u>65,503</u>	<u>89,154</u>

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2018, UCMC has commitments of \$34,200 remaining to fund private equity limited partnerships.

Fair Value of Financial Instruments

The overall investment objective of the System is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The System diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

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The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests is held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University's Investment Office monitors the valuation methodologies and practices of managers on behalf of the System.

The absolute return portfolio comprises investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Beneficial interests in trusts represent restricted investments that are assets held by third-party trustees for beneficial interests in perpetual trusts, comprising equities, fixed-income securities, and money market funds.

Funds in trust investments consist primarily of project construction funds and workers' compensation trust funds. Funds in trust comprise 4% cash and cash equivalents, 88% fixed income investments and 8% equity investments at June 30, 2018 and comprised 4% cash and cash equivalents, 62% fixed income investments, and 34% equity investments at June 30, 2017.

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The System believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2018 and 2017. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. Assets and liabilities recorded at fair value as of June 30, 2018 and 2017 were as follows:

Assets	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2018 Total fair value
Cash and cash equivalents	\$ 211,751	—	—	211,751
Investments:				
Cash equivalents	12,928	—	—	12,928
Global public equities	173,928	13,549	—	187,475
Private equity – U.S.				
Venture Capital	5,613	—	—	5,613
Real assets:				
Real estate	14,533	—	—	14,533
Natural resources	9,328	—	—	9,328
Absolute return:				
Global macro/relative value	9,239	2,997	—	12,236
Fixed income:				
U.S. Treasuries, including TIPS	55,883	—	—	55,883
Other fixed income	164,949	—	—	164,949
Restricted investments	—	—	9,316	9,316
Funds in trust	7,632	30,599	—	38,231
Investments measured at net asset value ¹	—	—	—	698,795
Total investments at fair value	665,780	47,145	9,316	1,421,036
Other assets	6,590	—	—	6,590
Total assets at fair value	\$ 672,370	47,145	9,316	1,427,626
Liabilities				
Interest rate swap payable	\$ —	104,412	—	104,412
Total liabilities at fair value	\$ —	104,412	—	104,412

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Assets	Quoted prices in active markets (Level 1)	Significant other observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)	2017 Total fair value
Cash and cash equivalents	\$ 37,446	—	—	37,446
Investments:				
Cash equivalents	46,742	—	—	46,742
Global public equities	130,742	4,470	—	135,212
Private equity – U.S. Venture Capital	—	—	—	—
Real assets:				
Real estate	8,419	—	—	8,419
Natural resources	4,861	—	—	4,861
Absolute return:				
Equity oriented	—	—	—	—
Global macro/relative value	8,312	2,760	—	11,072
Fixed income:				
U.S. Treasuries, including TIPS	47,810	—	—	47,810
Other fixed income	119,634	—	—	119,634
Restricted investments	—	—	9,284	9,284
Funds in trust	25,390	20,370	—	45,760
Investments measured at net asset value ¹	—	—	—	794,786
Total investments at fair value	429,356	27,600	9,284	1,261,026
Other assets	6,587	—	—	6,587
Total assets at fair value	\$ 435,943	27,600	9,284	1,267,613
Liabilities				
Interest rate swap payable	\$ —	129,450	—	129,450
Total liabilities at fair value	\$ —	129,450	—	129,450

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

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During 2018, there were no transfers between investment Levels 1 and 2 or between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is therefore classified within Level 2.

The following table presents activity for the year ended June 30, 2018 for assets measured at fair value using unobservable inputs classified in Level 3:

	<u>Level 3</u> <u>rollforward</u>
Beginning fair value	\$ 9,284
Change in unrealized gains and losses, net	<u>32</u>
Ending fair value	<u>\$ 9,316</u>

In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the System's investments could occur in the next term and that such changes could materially affect the amounts reported in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of the System's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables, and outside appraisals. Significant changes in any inputs used by investment managers in determining NAVs in isolation would result in a significant changes in fair value measurement.

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The System has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lockups, and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	<u>Remaining life</u>	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>
Cash	N/A	Daily	None
Global public equities: Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to biennial with notice periods of 7 to 90 days	Lock-up provisions for up to 4 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year
Private debt: Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemptions permitted
Mutual bond and equity funds	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Real estate funds	N/A	Quarterly with notice periods of 45 to 90 days	None
Funds of funds	N/A	Monthly to quarterly with notice periods of 15 to 185 days	None
	<u>Remaining life</u>	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>
Private equity: Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semi-annual with notice period of 90 days	A portion of capital is held in side pockets with no redemptions permitted
Real estate: Drawdown partnerships	1 to 16 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources: Drawdown partnerships	1 to 17 years	Redemptions not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None

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	<u>Remaining life</u>	<u>Redemption terms</u>	<u>Redemption restrictions and terms</u>
Absolute return Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships Partnerships	1 to 4 years N/A	Redemptions not permitted Quarterly to triennial with notice periods of 45 to 180 days	N/A Lock-up provisions for up to 5 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in trust	N/A	Daily	None

(8) Endowments

The System's endowment consists of individual donor restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees of UCMC has interpreted UPMIFA as sustaining the preservation 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 System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by UPMIFA.

The System has beneficial interests in trusts. The System has recorded its share of the principal of the trusts as permanently restricted net assets. Distributions from the trusts are recorded within unrestricted net assets if unrestricted; otherwise, they are classified as temporarily restricted net assets until appropriated for expenditure. In some instances the historical costs basis of the funds is not available as the System received the shares in 1929. The fair value of assets associated with individual donor-restricted endowment

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funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies at June 30, 2018 and 2017, respectively.

The System has the following donor-restricted endowment activities during the years ended June 30, 2018 and 2017 delineated by net asset class:

	<u>Unrestricted Funds functioning ¹</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2018 Total</u>
Endowment net assets, beginning of year	\$ 813,993	75,207	17,445	906,645
Investment return:				
Investment income	10,748	719	—	11,467
Net appreciation (realized and unrealized)	37,984	5,049	32	43,045
Total investment return	48,712	5,768	32	54,512
Gifts and other additions	—	1,224	10	1,234
Appropriation of endowment assets for expenditure	(41,431)	(4,819)	—	(46,250)
Appropriation of endowment assets for capital	—	—	—	—
Other	3,333	—	—	3,333
Endowment net assets, end of year	\$ 824,607	77,380	17,487	919,474

¹ Funds functioning relate to UCMC only as CHHD does not have such funds at June 30, 2018.

	<u>Unrestricted Funds functioning ¹</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2017 Total</u>
Endowment net assets, beginning of year	\$ 804,437	67,401	8,112	879,950
Investment return:				
Investment income	29,989	804	197	30,990
Net appreciation (realized and unrealized)	42,587	8,843	—	49,410
Total investment return	72,556	7,647	197	80,400
Gifts and other additions	—	750	49	799
Contributions – CHHD net assets	—	4,035	9,087	13,122
Appropriation of endowment assets for expenditure	(40,953)	(4,997)	—	(45,950)
Appropriation of endowment assets for capital	(25,000)	—	—	(25,000)
Other	2,953	371	—	3,324
Endowment net assets, end of year	\$ 813,993	75,207	17,445	906,645

¹ Funds functioning relate to UCMC only as CHHD does not have such funds at June 30, 2017.

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The description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowments only) as of June 30, 2018 and 2017 is as follows:

	Perpetual	Time- restricted by donor	Time- restricted by law	2018 Total
Restricted for pediatric healthcare \$	3,951	—	17,478	21,429
Restricted for adult healthcare	4,320	—	57,114	61,434
Restricted for educational and scientific programs	9,216	—	2,788	12,004
\$	17,487	—	77,380	94,867

	Perpetual	Time- restricted by donor	Time- restricted by law	2018 Total
Restricted for pediatric healthcare \$	1,865	—	16,143	18,008
Restricted for adult healthcare	11,220	—	56,560	67,780
Restricted for educational and scientific programs	4,360	—	2,504	6,864
\$	17,445	—	75,207	92,652

Investment and Spending Policies

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The System expects its endowment funds to provide an average rate of return of approximately 6% annually. To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

For endowments invested in TRIP, the Board of Trustees of the System has adopted the University's method to be used to appropriate endowment funds for expenditure, including following the University's payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the University's total return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments, lagged by one year, is available each year for expenditure in the form of endowment payout. The exact payout percentage, which is set each year by the Board of Trustees with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2018 and 2017. If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

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For endowments invested apart from TRIP, the System calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(9) Property, Plant, and Equipment

The components of property, plant, and equipment as of June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Land and land rights	\$ 55,587	54,505
Buildings and Improvements	1,824,214	1,765,121
Equipment	686,998	667,388
Construction in progress	<u>33,295</u>	<u>38,456</u>
	2,600,094	2,525,470
Less accumulated depreciation	<u>(997,343)</u>	<u>(900,265)</u>
Total property, plant and equipment, net	\$ <u>1,602,751</u>	<u>1,625,205</u>

UCMC's net property, plant, and equipment cost includes \$8,300 and \$8,700 at June 30, 2018 and 2017 representing assets under capital leases with the University. The cost of buildings that are jointly used by the University and UCMC is allocated based on the lease provisions. In addition, land and land rights include \$20,700 and \$22,500 for 2018 and 2017, respectively, which represents the unamortized portion of initial lease payments made to the University.

A new adult Emergency Department and Level 1 Trauma Center were placed into service in 2018. Capitalized interest costs in 2018 and 2017 were approximately \$1,100 and \$2,800, respectively. Construction in progress consists of various routine capital improvements and renovation projects. As of June 30, 2018, the System had total contractual commitments associated with ongoing capital projects of approximately \$39,100.

(10) Long-Term Debt

The UCMC Obligated Group's long-term debt is issued pursuant to the UCMC Amended and Restated Master Trust Indenture (MTI) dated as of November 1, 1998, as subsequently amended and supplemented. UCMC is the only member of the Obligated Group. UCM Care Network, Title Holding Corporation, and CHHD are not members of the UCMC Obligated Group. Each series of bonds is collateralized by the unrestricted receivables of UCMC and subject to certain restrictions under the MTI.

The CHHD Obligated Group's long-term debt is issued pursuant to the CHHD Amended and Restated Master Trust Indenture dated as of December 15, 2017. The CHHD Obligated Group consists of CHHD, Ingalls Memorial Hospital, Ingalls Home Care, and Ingalls Development Foundation.

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Long-term debt at June 30, 2018 and 2017 consists of the following:

	<u>Fiscal year maturity</u>	<u>Interest rate</u>	<u>2018</u>	<u>2017</u>
University of Chicago Medical Center:				
Fixed rate:				
Illinois Finance Authority:				
Series 2009A and 2009B, 2009B partially legally defeased in 2017	2027	5.0 % \$	94,630	105,160
Series 2009D1 and 2009D2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E1 and 2009E2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010A and 2010B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011A and 2011B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2012A	2037	4.7	62,595	64,615
Series 2015A	2029	5.0	21,895	21,895
Series 2016A	2027	4.5	22,830	22,830
Series 2016B	2042	4.5	164,490	164,490
Teachers Insurance and Annuity Association of America (TIAA)				
Series 2017A	2047	4.4	30,000	30,000
Unamortized premium			<u>26,265</u>	<u>28,412</u>
Total fixed rate			<u>747,705</u>	<u>762,402</u>
Variable rate:				
Series 2013A	2020	2.2	71,159	72,477
Illinois Educational Facilities Authority (IEFA)	2038	1.2	<u>69,353</u>	<u>72,567</u>
Total variable rate			140,512	145,044
Unamortized debt issuance costs			(6,630)	(7,108)
Less current portion of long-term debt			<u>(14,513)</u>	<u>(13,868)</u>
Total UCMC long-term portion of debt, less current portion			<u>\$ 867,074</u>	<u>886,470</u>

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	<u>Fiscal year maturity</u>	<u>Interest rate</u>	<u>2018</u>	<u>2017</u>
UCMC Title Holding Corporation:				
Fixed rate:				
Brownfield Revitalization 40 - Promissory note A	2024	1.5 % \$	4,850	4,850
Urban Development Fund XLVI - Promissory note A	2024	1.5	4,850	4,850
Urban Development Fund LI - Promissory note A	2024	1.8	6,500	6,500
Citi NMTC - QLICI	2032	1.2	3,476	3,476
Citi NMTC - QLICI	2032	1.2	1,620	1,620
URP QLICI - Loan A	2047	1.0	7,334	—
URP QLICI - Loan B	2047	1.0	2,666	—
SCORE QLICI - Loan A	2047	1.0	4,176	—
SCORE QLICI - Loan B	2047	1.0	1,704	—
CNI QLICI - Loan A	2047	1.0	3,455	—
CNI QLICI - Loan B	2047	1.0	1,545	—
Total UCMC Title Holding Corporation debt			<u>\$ 42,176</u>	<u>21,296</u>
Community Health and Hospital Division				
Fixed Rate: Series 2013	2043	3.5-5.0% \$	60,915	61,565
Variable Rate: Series 2004	2034	Varies	—	43,925
Variable Rate: Series 2017			40,340	—
Revolving credit agreement		LIBOR + 1.25%	—	3,000
Unamortized debt fair value adjustment as part of acquisition			4,367	4,739
Unamortized debt issuance costs			<u>(933)</u>	<u>(618)</u>
Total debt and unamortized premiums (discount)			104,689	112,611
Less current portion of long-term debt			<u>(2,810)</u>	<u>(5,550)</u>
Total CHHD debt, excluding current portion			<u>\$ 101,879</u>	<u>107,061</u>
Total notes and bonds payable			<u>\$ 1,028,452</u>	<u>1,034,245</u>
Less current portion			<u>(17,323)</u>	<u>(19,418)</u>
Long-term debt, excluding current portion			<u>\$ 1,011,129</u>	<u>1,014,827</u>

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Scheduled annual repayments for the next five years and thereafter are as follows at June 30:

	<u>Amount</u>
Year:	
2019	\$ 17,323
2020	18,098
2021	19,230
2022	21,510
2023	8,628
Thereafter	<u>946,859</u>
	<u>\$ 1,031,648</u>

(a) UCMC Obligated Group

Under its various credit agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio; maintaining minimum levels of days' cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise, disposing of UCMC property; and certain other nonfinancial covenants.

(i) Recent Financing Activity

In November 2016, the Illinois Finance Authority issued \$22,830 and \$164,490 of Series 2016A and Series 2016B Revenue Refunding Bonds, respectively, allocated to UCMC with Series 2016A bonds refunding a portion of the 2009B bonds and the Series 2016B bonds refunding all of Series 2009C and Series 2011C bonds via a legal defeasance. The Series 2016A and 2016B bonds are secured by a Direct Note Obligation and were issued pursuant to the MTI. The extinguishment of the Series 2009C and 2011C bonds resulted in a loss on extinguishment of debt of \$27,028 recorded as a nonoperating loss in 2017 within the consolidated statements of operations and changes in unrestricted net assets.

In February 2017, UCMC secured a taxable private placement loan through the Teachers Insurance and Annuity Association of America in the amount of \$30,000 with interest fixed at 4.4% annually. The proceeds from the financing are utilized for projects, such as the relocation of the adult emergency department, the addition of an adult trauma center, and other capital projects at the medical center campus.

During 2017, UCMC entered into New Market Tax Credit (NMTC) financing agreements with various entities for the purposes of financing various projects at UCMC that would benefit the surrounding community. The NMTC program was established in 2000 by the United States Congress and is administered by the Department of Treasury to encourage private investment in qualifying low-income communities. Pursuant to Section 45(D) of the Internal Revenue Code, UCMC's NMTC structure consists of an NMTC investor (Investor) who provided qualified equity investments to a community development entity (CDE) who in turn provided debt financing to a

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separate not for profit tax exempt entity, which is a qualified active low income community business (QALICB).

In July 2016, UCMC was a lender in the NMTC structure for the financing of certain equipment. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including Twain Investment Fund 177, LLC and USBCDC Investment Fund 147, LLC (the CDE Funds), which in turn provided debt financing of \$16,200 to UCMC Title Holding Corporation to fund qualified costs of equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2023 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund for \$1. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the Investment Fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation would be extinguished.

In June 2017, UCMC was a lender in the NMTC structure for the construction of a new emergency department and adult trauma center. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation II NFP, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including UCMC Trauma Center NMTC Investment Fund, LLC (the CDE Funds), which in turn provided debt financing of \$5,096 to UCMC Title Holding Corporation to fund qualified construction costs and equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2024 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund for \$5. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the investment fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation II NFP would be extinguished.

In August 2017, UCMC was a lender in the NMTC structure for the construction of a new emergency department and adult trauma center. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation II NFP, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including UCMC Trauma Center NMTC Investment Fund, LLC (the CDE Funds), which in turn provided debt financing of \$20,880 to UCMC Title Holding Corporation to fund qualified construction costs and equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2025 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund. If the Put Option is not exercised, UCMC has the right to call for the purchase of a

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100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the investment fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation II NFP would be extinguished.

(ii) Letters of Credit

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letter of credit that supports the Series 2009D bonds expires in June 2019. The letter of credit that supports the 2009E bonds expires in July 2021. The letters of credit that support the Series 2010A and Series 2010B bonds expire in November 2020 and July 2021, respectively, and the letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2021. The letters of credit are subject to certain restrictions, which include financial ratio requirements and consent to future indebtedness. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:25:1. Payment on each of the IEFA bonds is collateralized by a letter of credit maturing November 2019. The letter of credit is subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1.75:1.

Included in UCMC's debt is \$69,353 of commercial paper revenue notes and \$325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between zero and three years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

(b) Community Health and Hospital Division

(i) Recent Financing Activity

In December 2017, CHHD issued variable rate bonds, Series 2017, in the amount of \$40,340, bearing interest at a variable rate at June 30, 2018. The Series 2017 bonds were issued pursuant to the MTI, were initially sold to JPMorgan Chase Bank and are subject to mandatory redemption on July 3, 2020. The Series 2017 bonds are equally and ratably secured by a security interest in the unrestricted receivables of the members of CHHD's Obligated Group. Proceeds from the Series 2017 issuance were used to redeem the \$43,974 outstanding on the Series 2004 bonds. There was no gain or loss recorded on the redemption.

On January 17, 2013, CHHD issued fixed rate revenue bonds, Series 2013, in the amount of \$61,860 through the Illinois Finance Authority. The Series 2013 bonds were issued pursuant to the MTI and are subject to mandatory, optional, and extraordinary redemption prior to maturity. Mandatory redemption or payment at maturity will occur, without premium, on May 15 of each year, beginning in 2018 and continuing through 2043. The Series 2013 Obligation will be equally and ratably secured by a security interest in the unrestricted receivables of the members of the CHHD's Obligated Group.

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The System is required to post collateral under the specific terms and conditions for the various interest rate swap agreements as described below. At June 30, 2018 and 2017, \$0 and \$14,200 was held as collateral, respectively, and was recorded in current portion of investments limited to use. Collateral postings are primarily driven by the value of the swap as measured at the reset date. Collateral requirements increase if credit ratings were to be downgraded.

University of Chicago Medical Center Interest Rate Swap Agreement

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The swap values are based on the London Interbank Rate (LIBOR). The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy. The effective date of the swap was August 2011. In July 2011, UCMC novated the original swap agreement to divide the original notional amount in two equal parts between financial institutions. The fair value of the terminated portion of the hedge on the date of the novation was recorded in net assets in the amount of \$35,123 and is being amortized into interest expense over the life of the related debt, commencing on February 23, 2013, the date the Center for Care and Discovery was placed into service. The new agreement is being accounted for as a hedge. The combined notional amount of the swap is \$325,000 and the effective start date was August 2011. Management has determined that the interest rate swaps are effective, and have qualified for hedge accounting. Management has recognized ineffectiveness of approximately \$(62) in 2018 and an ineffectiveness of \$(2,095) in 2017. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in unrestricted net assets. The interest rate swaps terminate on February 1, 2044. Cash settlement payments related to the swaps were accumulated in net assets while the Center for Care and Discovery was under construction and are being amortized into depreciation expense over the life of the building. Amortization commenced on February 23, 2013, the date the Center for Care and Discovery was placed into service. Cash settlement payments after the Center for Care and Discovery was placed into service are recorded in interest expense.

The following summarizes the general terms of each of UCMC's swap agreements:

<u>Effective date</u>	<u>Associated debt series</u>	<u>Original term</u>	<u>Current notional amount</u>	<u>UCMC pays</u>	<u>UCMC receives</u>
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	\$ 162,500,000	3.89 %	66% of LIBOR
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	162,500,000	3.97	68% of LIBOR

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in unrestricted net assets for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change.

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Community Health and Hospital Division

(a) 2004 Interest Rate Swap Agreement

CHHD entered into an interest rate swap agreement on June 28, 2004 to lock in long-term fixed rates on the Series 2004 variable-rate debt issuance, with a notional amount of \$42,025 and a maturity date of May 15, 2034. This agreement was amended on March 1, 2013. Under the amended agreement, the notional amount and maturity did not change, and CHHD receives, on a monthly basis, 67.00% of one-month LIBOR plus 47.5 basis points and makes payments on a monthly basis, an annualized fixed rate of 4.61%.

The swap is not designated as a hedging instrument, and therefore, the change in fair value of the 2004 interest rate swap agreement was recognized as a component of interest rate swap valuation nonoperating gains in the accompanying consolidated statement of operations and unrestricted net assets. The fair value of the Series 2004 interest rate swap agreement liability of \$7,114 at June 30, 2018 is included as a component of other long-term liabilities in the accompanying consolidated balance sheet. The change in the fair value of the Series 2004 interest rate swap agreement of \$(2,356) for the year ended June 30, 2018 has been included as a component of interest rate swap valuation nonoperating gains. The differential to be paid or received under the Series 2004 interest rate swap agreement is recognized monthly and amounted to \$(1,253) of net payments during the year ended June 30, 2018, which have been included as a component of interest expense in the accompanying consolidated statement of operations and changes in unrestricted net assets.

(b) CMS Basis Swap Agreement

CHHD previously held CMS basis swap agreements which were not designated as hedging instruments. In December 2017 the CMS Basis Swap agreements were terminated. CHHD received a cash payment upon termination of \$159, which was included as a component of interest expense in the accompanying consolidated statement of operations and changes in unrestricted net assets.

A summary of outstanding positions under the interest rate swap agreements for CHHD at June 30, 2018 is as follows:

<u>Series</u>	<u>Notional amount</u>	<u>Maturity date</u>	<u>Rate received</u>	<u>Rate paid</u>
2004 Interest rate swap Agreement:	\$ 42,025	May 15, 2034	% of LIBOR *	Fixed 4.61%

* Rate received is 67.00% of one-month LIBOR plus 47.5 basis points.

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(12) Commitments

Leases

The System leases office space and equipment under leases that are classified as operating leases. Future minimum payments required under noncancelable leases as of June 30 are as follows:

	<u>Operating</u>	<u>Capital</u>
2019	\$ 5,211	1,491
2020	4,941	1,442
2021	4,733	807
2022	4,570	770
2023 and thereafter	<u>15,553</u>	<u>13,979</u>
	\$ <u>35,008</u>	<u>18,489</u>
Less amount representing interest		<u>8,379</u>
Present value of net minimum capital lease payments		\$ <u>10,110</u>

The amount of total assets capitalized under these leases at both June 30, 2018 and June 30, 2017 is \$11,257 and \$11,405 with related accumulated depreciation of \$1,218 and \$714, respectively. Rental expense was approximately \$9,400 and \$7,700 for the years ended June 30, 2018 and 2017, respectively.

(13) Insurance

Professional and General Liability

The System maintains separate self-insurance programs for UCMC and CHHD. UCMC is included under certain of the University's insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2018 and 2017 was \$5,000 per claim and unlimited in the aggregate. Claims in excess of \$5,000 are subject to an additional self-insurance retention limited to \$12,500 per claim and \$22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

CHHD maintains a self-insurance program for professional and general liability. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions at various levels by policy year. CHHD established a trust fund with an independent trustee for the administration of assets funded under the malpractice and general liability self-insurance program.

The System has engaged professional consultants for calculating an estimated liability for medical malpractice self-insurance and is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. It considers anticipated payout patterns, as well as interest to be earned on available assets prior to

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payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u>
Actuarial present value of self-insurance liability for medical malpractice	\$ 201,440	236,770
Total assets available for claims	269,378	297,788

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately \$32,000 higher at June 30, 2018. The interest rate assumed in determining the present value was 4% and 3.75% for 2018 and 2017, respectively. UCMC has recorded its pro-rata share of the malpractice self-insurance liability in the amount of \$90,648 and \$120,939 at June 30, 2018 and June 30, 2017, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro-rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2019, UCMC's expense is estimated to be approximately \$9,900 related to malpractice insurance.

CHHD estimated the total liability for self-insured malpractice and general claims at \$48,240 at June 30, 2018. Accruals for CHHD professional and general liabilities are recorded on an undiscounted basis.

(14) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined benefit and contribution pension plans, which are considered multi-employer pension plans. Under the defined benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of unrestricted net assets. The adjustment to net assets was \$(7,853) and \$2,266 for the years ended June 30, 2018 and 2017. No contributions were made in the fiscal years ended June 30, 2018 and 2017. UCMC expects to make contributions not to exceed \$7,500 for the fiscal year ending June 30, 2019.

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Effective January 1, 2017, the 401(a) defined benefit pension plan was frozen for UCMC employees participating in the plan and was replaced with an enhanced defined contribution plan. This curtailment resulted in a current year reduction in the defined benefit pension obligation and a curtailment credit, whereas UCMC's expense for the plans was \$12,650 for the year ended June 30, 2017. Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately \$22,300 and \$16,400 for the years ended June 30, 2018 and 2017, respectively.

UCMC's expense related the multiemployer University's defined benefit plans included in the University's financial statements for the years ended June 30, 2018 and 2017 is as follows:

<u>Plan name</u>	<u>EIN</u>	<u>Contribution of UCMC</u>	
		<u>2018</u>	<u>2017</u>
University of Chicago Retirement Income Plan for Employees	36-2177139-002	\$ —	—
University of Chicago Pension Plan for Staff Employees	36-2177139-003	—	—
		<u>\$ —</u>	<u>—</u>

The benefit obligation, fair value of plan assets, and funded status for the University's defined benefit plan included in the University's financial statements as of June 30 are shown below.

	<u>2018</u>	<u>2017</u>
Projected benefit obligation	\$ 921,794	967,817
Fair value of plan assets	<u>745,768</u>	<u>772,032</u>
Deficit of plan assets over benefit obligation	<u>\$ (176,026)</u>	<u>(195,785)</u>

The weighted average assumptions used in the accounting for the plan are shown below.

	<u>2018</u>	<u>2017</u>
Discount rate	4.2 %	3.7 %
Expected return on plan assets	6.5	6.5
Rate of compensation increase	3.5	3.5

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The weighted average asset allocation for the plan is as follows:

	2018	2017
Domestic equities	24 %	26 %
International equity	26	21
Fixed income	50	53
	100 %	100 %

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:	
2019	\$ 103,523
2020	59,953
2021	60,651
2022	59,989
2023	57,812
2024–2028	272,824

UCMC and CHHD also maintain additional defined contribution retirement plans for employees. The System's pension expense under these distinct defined contribution retirement plans was \$10,100 for UCMC and \$8,200 for the years ended June 30, 2018 and 2017, respectively.

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

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Components of net periodic pension cost and other amounts recognized in unrestricted net assets include the following:

	Year ended June 30	
	2018	2017
Net periodic pension cost:		
Service cost	\$ —	\$ —
Net periodic pension cost	\$ —	\$ —
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Interest cost	\$ 2,187	\$ 2,155
Expected return on plan assets	(3,001)	(2,976)
Amortization of unrecognized net actuarial loss	1,097	1,181
Liability for pension benefits	(8,362)	2,918
Total recognized in net periodic pension cost and unrestricted net assets	\$ 8,645	(2,558)

The following table sets forth additional required pension disclosure information for this plan:

	Year ended June 30	
	2018	2017
Changes in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 61,105	\$ 63,511
Interest cost	2,187	2,155
Net actuarial loss (gain)	(3,965)	(1,001)
Settlements	(8,769)	—
Benefits paid	(3,603)	(3,560)
	<u>46,955</u>	<u>61,105</u>
Changes in plan assets:		
Fair value of plan assets at beginning of year	50,522	50,371
Actual return on plan assets	867	3,711
Employer contribution	6,000	—
Settlements	(8,769)	—
Benefits paid	(3,603)	(3,560)
	<u>45,017</u>	<u>50,522</u>
Funded status at end of year	\$ (1,938)	(10,583)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

Amounts recognized in the consolidated balance sheets are included in other noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	4.2 %	3.7 %
Expected return on plan assets	6.0	6.0
Rate of compensation increase	N/A	N/A

Weighted average asset allocations for plan assets are as follows:

	<u>2018</u>	<u>2017</u>
Cash	1 %	1 %
Fixed income	61	60
Domestic equities	28	27
International equities	10	12
	<u>100 %</u>	<u>100 %</u>

All plan assets are valued using Level 1 inputs in 2018 and 2017. The target asset allocation is 40% equities and 60% fixed income. The expected return on plan assets is based on historical investment returns for similar investment portfolios.

UCMC expects to make contributions of \$3,000 to the plan in the fiscal year ended June 30, 2019.

Expected future benefit payments are as follows:

Fiscal year:	
2019	\$ 3,809
2020	3,763
2021	3,690
2022	3,618
2023	3,546
2024–2028	16,416

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(15) Pledges

Pledges receivable at June 30 comprise:

	<u>2018</u>	<u>2017</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,052	1,256
One year to five years	1,570	2,440
More than five years	<u>—</u>	<u>—</u>
	2,622	3,696
Less unamortized discount (discount rate 4.14%)	<u>(135)</u>	<u>(77)</u>
Total	\$ <u>2,487</u>	<u>3,619</u>

(16) Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Pediatric healthcare	\$ 21,204	20,220
Adult healthcare	59,575	57,890
Educational and scientific programs	6,062	6,071
Capital and other purposes	<u>7,140</u>	<u>6,280</u>
Total	\$ <u>93,981</u>	<u>90,461</u>

Income from permanently restricted net assets is restricted for:

	<u>2018</u>	<u>2017</u>
Pediatric healthcare	\$ 3,951	3,941
Adult healthcare	4,320	4,287
Educational and scientific programs	<u>9,216</u>	<u>9,217</u>
Total	\$ <u>17,487</u>	<u>17,445</u>

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(17) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Healthcare services	\$ 1,958,258	1,765,085
General and administrative	<u>220,981</u>	<u>158,001</u>
Total	\$ <u>2,179,239</u>	<u>1,923,086</u>

(18) Contingencies

(a) Litigation

The System is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of the System, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of the System.

(b) Regulatory Investigation and Other

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The System is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for the System and other healthcare organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The System maintains a system wide compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments by governmental payors. Compliance reviews may result in liabilities to government healthcare program, which could have an adverse impact on the System's net patient service revenue.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER
Consolidating Balance Sheet Information
June 30, 2018
(Dollars in thousands)

Schedule 1

Assets	The University of Chicago Medical Center	The University of Chicago Medicine Core Network	UCMC Title Holding Corporation	Community Health and Hospital Division	Dispositions	Consolidated total
Current assets:						
Cash and cash equivalents	\$ 187,351	238	3,318	28,844	—	211,751
Patient accounts receivable, net of estimated uncollectibles of \$180,307	308,872	260	—	40,718	—	347,670
Current portion of investments limited to use	164	—	—	8,708	—	8,872
Current portion of malpractice self-insurance receivable	17,481	—	—	—	—	17,481
Current portion of physicians receivable	1,032	—	—	—	—	1,032
Due from affiliates	29,265	—	—	—	(26,285)	—
Prepaid, inventory, and other current assets	88,483	1,780	2,129	20,825	(11,029)	111,863
Total current assets	621,658	2,278	5,447	98,805	(27,289)	806,506
Investments, limited as to use, less current portion	813,643	—	—	268,768	—	1,082,411
Property, plant, and equipment, net	1,404,889	1,380	—	188,473	—	1,602,751
Physician receivable, less current portion	1,428	—	—	—	—	1,428
Malpractice self-insurance receivable, less current portion	68,319	—	—	—	—	68,319
Other assets, net	268,573	1,561	38,881	8,738	(184,952)	32,549
Total assets	\$ 3,287,720	\$ 5,153	\$5,326	\$65,984	\$(21,561)	\$3,642,050
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	\$ 167,326	1,458	828	61,707	—	231,424
Current portion of long-term debt	14,513	—	—	2,810	—	17,323
Current portion of other long-term liabilities	1,232	—	—	—	(1,024)	208
Estimated third-party payer settlements	182,305	—	—	21,878	—	214,184
Current portion of malpractice self-insurance liability	17,481	—	—	—	—	17,481
Due to affiliates	—	25,201	483	562	(78,243)	—
Due to the University of Chicago	20,887	—	—	—	—	20,887
Total current liabilities	429,863	26,657	1,408	106,978	(27,289)	537,437
Workers' compensation self-insurance liability, less current portion	5,782	—	—	—	—	5,782
Malpractice self-insurance liability, less current portion	89,218	—	—	40,825	—	127,154
Long-term debt, excluding current maturities	887,274	—	42,178	101,878	—	1,011,128
Interest rate swap liability	97,298	—	—	7,114	—	104,412
Other long-term liabilities, less current portion	63,811	—	1,380	11,847	(41,449)	35,979
Total liabilities	\$ 1,549,867	\$28,927	\$45,144	\$268,753	\$(68,738)	\$1,821,797
Net assets (deficit):						
Unrestricted	\$ 1,738,856	\$(1,639)	164	382,838	(300,740)	1,708,766
Temporarily restricted	61,837	—	—	4,478	(4,023)	63,081
Permanently restricted	17,256	—	—	9,218	(8,002)	17,467
Total net assets	\$ 1,817,752	\$(1,639)	\$64	\$396,531	\$(22,467)	\$1,821,797
Total liabilities and net assets	\$ 3,287,720	\$5,153	\$5,326	\$65,984	\$(21,561)	\$3,642,050

See accompanying independent auditors' report

THE UNIVERSITY OF CHICAGO MEDICAL CENTER
Condensing Statement of Operations and Changes in Unrestricted Net Assets Information
Year ended June 30, 2016
(Dollars in thousands)

Schedule 2

	The University of Chicago Medical Center	The University of Chicago Medicine Core Network	UCMG Title Holding Corporation	Community Health and Hospital Division	Eliminations	Consolidated total
Revenue						
Net patient service revenue	\$ 1,624,474	4,922	—	253,616	—	2,183,012
Provision for doubtful accounts	141,107	—	—	41,787	—	182,894
Net patient service revenue less provision for doubtful accounts	1,680,367	4,922	—	311,828	—	2,000,117
Other operating revenue and net assets released from restrictions	175,245	3,377	1,563	30,867	(4,854)	211,898
Total operating revenues	1,855,612	8,299	1,563	348,523	(4,854)	2,212,015
Operating expenses						
Salaries, wages, and benefits	771,506	13,437	—	198,617	—	983,560
Supplies and other	640,942	2,953	472	126,523	—	870,890
Physician services	254,781	1,181	—	28,103	(3,375)	280,780
Insurance	10,501	1,122	—	35,067	—	46,690
Interest	39,747	—	869	4,687	(1,576)	43,627
Medicaid provider fee	43,205	—	—	18,884	—	62,089
Depreciation and amortization	108,634	499	—	18,959	—	128,092
Total operating expenses	1,769,408	18,782	1,341	294,864	(4,951)	2,179,220
Operating revenue in excess (deficit) of expenses	88,204	(10,483)	222	(46,341)	—	32,778
Nonoperating gains (losses), net						
Investment income, net	48,712	—	—	18,791	—	65,503
Change in fair value of nonhedged derivative instruments	—	—	—	2,356	—	2,356
Derivative ineffectiveness on hedged derivative instruments	(62)	—	—	—	—	(62)
Distributions and other, net	—	(287)	—	891	—	604
Net nonoperating gains (losses)	48,650	(287)	—	20,038	—	68,401
Revenue and gains in excess (deficit) of expenses and losses	137,854	(11,820)	222	(26,303)	—	101,177
Other changes in net assets						
Equity transfers to University of Chicago, net	(71,750)	—	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit costs	(7,853)	—	—	—	—	(7,853)
Effective portion of change in valuation of derivatives	24,635	—	—	—	—	24,635
Other, net	—	—	—	(449)	—	(449)
Increase (decrease) in unrestricted assets	\$ 82,689	(10,820)	222	(26,550)	—	45,760

See accompanying independent auditor's report

THE UNIVERSITY OF CHICAGO MEDICAL CENTER
Consolidating Statement of Changes in Net Assets Indefinite-Term
Year ended June 30, 2018
(Dollars in thousands)

Rehe July 3

	The University of Chicago Medical Center	The University of Chicago Medicine Core Hospital	UCMHC Trust Holding Corporation	Community Health and Hospital Division	Eliminating Items	Consolidated Total
Unrestricted net assets:						
Revenue and gains in excess of expenses and losses	\$ 137,859	(10,920)	242	(28,161)	—	98,977
Equity transfers to University of Chicago, net	(71,780)	—	—	—	—	(71,780)
Change in actuarial pension benefits other than net periodic benefit cost	(7,853)	—	—	—	—	(7,853)
Effective portion of change in valuation of derivatives	24,835	—	—	—	—	24,835
Other net	—	—	—	(448)	—	(448)
Increase (decrease) in unrestricted net assets	82,861	(10,920)	242	(28,589)	—	43,194
Temporarily restricted net assets:						
Contributions	3,624	—	—	1,224	—	5,048
Net assets released from restrictions used for operating purposes	(8,403)	—	—	(882)	—	(9,285)
Investment income	5,797	—	—	—	—	5,797
Increase in temporarily restricted net assets	934	—	—	332	—	1,266
Permanently restricted net assets:						
Contributions and other	10	—	—	31	—	41
Change in net assets	86,048	(10,920)	242	(28,186)	—	46,384
Net assets at beginning of year	1,791,867	(10,818)	(58)	243,917	(322,882)	1,700,945
Net assets at end of year	1,877,915	(21,738)	114	215,731	(322,882)	1,769,320

See accompanying independent auditors' report.



**The Board of Trustees
The University of Chicago Medical Center:**

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of Article IV of the Master Trust Indenture (Amended and Restated), dated November 1, 1998, between the Company and Wells Fargo Bank, NA as successor Master Trustee, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

KPMG LLP

November 7, 2018



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

**The Board of Trustees
The University of Chicago Medical Center:**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of The University of Chicago Medical Center (the Company) as of June 30, 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and have issued our report thereon dated November 7, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of Article II, as amended of the Security Agreement dated November 1, 1998, between the Company and the Illinois Education Facilities Authority insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Boards of Trustees and managements of the Company, the Illinois Finance Authority, the Bank of New York Mellon and the Northern Trust Company, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 7, 2018

KPMG LLP is a U.S. member firm of the global network of independent member firms affiliated with the KPMG network, a Swiss entity known as the KPMG network. Each member firm is a separate legal entity and is not affiliated with any other member firm.

WDT Acquisition Corp and Subsidiaries**Consolidated Balance Sheets****(In Thousands)**

	Successor UNAUDITED 2018	Predecessor 2017
<i>December 31,</i>		
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,031	\$ 8,602
Accounts receivable, net	10,000	11,173
Due from joint ventures	4,913	4,052
Prepaid expenses and other current assets	3,892	3,960
Total current assets	29,836	27,787
Property and equipment, net	41,522	26,696
Investment in joint ventures	321,146	55,192
Goodwill	265,087	177,632
Other intangible assets, net	31,028	16,520
Other assets	425	153
Total assets	\$ 689,044	\$ 303,980

WDT Acquisition Corp and Subsidiaries
Consolidated Balance Sheets

(In Thousands)

<i>December 31,</i>	Successor UNAUDITED 2018	Predecessor 2017
Liabilities and Stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,438	\$ 2,786
Accrued expenses	8,087	5,404
Accrued wages and benefits	7,766	5,571
Current portion of capital leases	7	99
Current portion of long-term debt	2,560	1,343
Total current liabilities	<u>19,858</u>	<u>15,203</u>
Long-term debt, less current portion and net of debt issuance costs	245,889	164,151
Deferred tax liabilities	64,536	10,465
Long-term capital leases, less current portion	<u>27</u>	<u>36</u>
Total liabilities	<u>330,310</u>	<u>189,855</u>
Commitments and contingencies		
Stockholders' equity		
Rollover/Recap Equity	358,505	
Additional paid-in capital	276	123,589
Non-Controlling Interest	817	677
Accumulated deficit	<u>(864)</u>	<u>(10,141)</u>
Total stockholders' equity attributed to WDT Acquisition Corp.	<u>358,734</u>	<u>114,125</u>
Total liabilities and stockholders' equity	<u>\$ 689,044</u>	<u>\$ 303,980</u>

WDT Acquisition Corp and Subsidiaries
Consolidated Statements of Operations

(In Thousands)

	Successor UNAUDITED	Predecessor UNAUDITED	
	Period from August 1, 2018 through December 31, 2018	Period from January 1, 2018 through July 31, 2018	Year Ended December 31, 2017
Revenues			
Patient service revenue, net	\$ 38,491	\$ 48,077	\$ 81,507
Management service revenue	10,699	7,118	8,928
Total revenue	49,190	55,195	90,435
Equity in earnings of joint ventures	5,307	6,821	11,061
Operating expenses:			
Cost of patient service revenue	12,359	17,614	28,802
Salaries and wages	14,198	18,248	22,188
Rent and utilities	3,081	3,920	6,060
Depreciation and amortization	4,333	4,235	6,764
Professional services	5,708	5,221	9,324
Repairs and maintenance	1,651	2,451	4,101
Telecommunication expenses	1,267	1,360	1,812
Other	3,754	3,963	5,575
Total operating expenses	46,351	57,012	84,626
Operating income	8,146	5,004	16,870
Other expense (income):			
Interest expense	8,650	9,030	13,082
Other expense, net	317	83	2,021
Total other expense	8,967	9,113	15,103
Income (loss) before income taxes	(821)	(4,109)	1,767
Income tax (benefit) expense	(42)	472	(998)
Net income (loss)	(779)	(4,581)	2,765
Non-controlling interest income	(85)	(98)	(229)
Net income (loss) attributable to WDT Acquisition Corp	\$ (864)	\$ (4,679)	\$ 2,536

Economic Feasibility

Attachment 36

Economic Feasibility

A. Reasonableness of Financing Arrangements.

The Project will be financed through cash on hand and securities and a lease. Letters attesting to the reasonableness of the financing arrangements are attached.

B. Conditions of Debt Financing.

The Project is being paid for through cash and securities and therefore, these criteria do not apply.

C. Reasonableness of Project and Related Costs.

Construction begins 9/1/19, construction midpoint is 12/15/19, construction finish is 4/1/20.									
COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A Cost/Sq. Foot	B	C Gross Sq. Ft.	D	E Gross Sq. Ft.	F	G Const. \$	H Mod. \$ (B x E)	Total Costs (G + H)
	New	Mod.	New	Circ.	Mod	Circ	(A x C)		
Reviewable:									
Imaging	279.80		3,971	11.0%			\$1,111,070		\$1,111,070
Reviewable Total	279.80		3,971	11.0%			1,111,070		1,111,070
Non-reviewable:									
Public	329.56		4,274	52.2%			1,408,536		1,408,536
Non-reviewable Total	329.56		4,274	52.2%			1,408,536		1,408,536
Contingency	30.56						251,961		251,961
TOTALS	\$336.15		8,245	32.4%			\$2,771,567		\$2,771,567

Note: Building gross square footage is used.

State \$/SF Standard -	
State \$/sf 1/1/19	\$307.66
Zip code adjustment-60462	1.0000
Inflation to 12/15/19 midpoint	1.0287
Weighted Intensity	1.0000
Adjusted \$/sf standard	\$316.50
Reviewable \$/sf Total	\$279.80
Project Clinical+Contingency only	\$307.78

D. Project Operating Costs

	<u>2022</u>
Compensation	\$242,000
Supplies	527,077
Services and Other	528,587
Total Operating Costs	\$1,297,664
Mammo, U.S., DEXA	
Exams	6,442
Annual Operating Cost Per Unit	\$201
2019 Dollars	
Includes all operating costs of the Mammography Suite	

E. Total Effect of Project on Capital Costs

Annual Project Depreciation	\$342,557
Equivalent Patient Days	793,911
Capital Cost per Equiv. Pat. Day	\$0.43
UCMC Capital Cost FY18	\$100,203,000

March 1, 2019

Ms. Courtney Avery, Administrator
ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

*Re: The University of Chicago Medical Center, Reasonableness of Financing Arrangements
1120.140(a)(2)*

Dear Ms. Avery:

The \$3,375,249 costs to be incurred by The University of Chicago Medical Center (UCMC) for the proposed Mammography Suite at the UCMC Orland Park Center for Advanced Care will be funded predominantly from cash, cash equivalents, and securities. As reported in the attached audited financial statements for FY2018, Cash and cash equivalents and Investments limited to use, less current portion total \$1,412,164,000. This demonstrates our ability to finance UCMC's non-debt portion of the project. Sincerely,



Richard Silveria

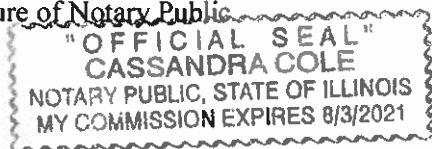
Notarization:

Subscribed and sworn to before me
this _____ day of March 1, 2019



Signature of Notary Public

Seal





AT THE FOREFRONT
**UChicago
Medicine**

Richard W. Silveria
*Executive Vice President and
Chief Financial Officer*

March 1, 2019

Ms. Courtney Avery, *Administrator*
ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

*Re: The University of Chicago Medical Center, Reasonableness of Financing Arrangements
1120.140(b)(3)*

Dear Ms. Avery:

Of the \$3,375,249 costs to be incurred by The University of Chicago Medical Center (UCMC) for the proposed Mammography Suite at the UCMC Orland Park Center for Advanced Care, \$622,529 is the fair market value of the space to be leased. This is considered debt financing by the rules of the IHFSRB. Debt financing is considered reasonable since this is the best location for the proposed Mammography Suite.

The core and shell space in which this project will be located was constructed by UCMC as the 4th floor of approved Project #14-023. The two parties to the Joint Venture will pay rent for the space to recognize the costs incurred originally by UCMC. The portion attributed to each party is \$622,529. The rationale for this defined use (by the IHFSRB) of debt financing is that placing this clinical service in the building owned by UCMC and with the three floors below fully occupied by ambulatory clinical services provided by UCMC is the best possible location. The rental rate assumed is competitive with seven comparable properties in the area surveyed, which ranged from \$26.30 to \$35.83 per square foot.

Sincerely,

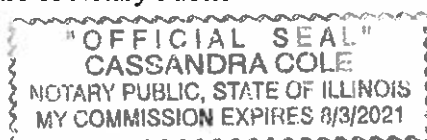
Richard W. Silveria

Notarization:

Subscribed and sworn to before me
this _____ day of March 1, 2019

Signature of Notary Public

Seal





March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1120.120(a), Available Funds Certification
Criterion 1120.140(a), Economic Feasibility Certification
(UCMC Orland Park Mammography Suite Project)

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code §§ 1120.120(a) and 1120.140(a), as follows:

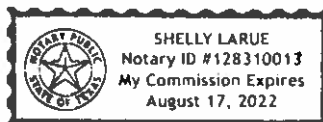
1. WDT Acquisition Corp. d/b/a Solis Mammography ("Solis") is the sole member of Solis-NFP JV Holdings, LLC ("Solis-NFP").
2. The University of Chicago Medical Center and Solis-NFP organized UCMC-Solis Off-Campus Mammography Services, LLC (the "Joint Venture") for the reasons set forth in "The University of Chicago Medical Center Orland Park Mammography Suite" Certificate of Need Application (the "Mammography Suite CON").
3. Solis has sufficient and readily accessible cash and cash equivalents to fund the obligations of Solis-NFP (and the Joint Venture obligations of Solis-NFP) set forth in the Mammography Suite CON.

Sincerely,

A handwritten signature in blue ink, appearing to read "JP", is written over a horizontal line.

James Polfreman
President & CEO
Solis-NFP JV Holdings, LLC
WDT Acquisition Corp. d/b/a Solis Mammography

Subscribed and Sworn to before me
this 4th day of March, 2019.

A handwritten signature in blue ink, appearing to read "Shelly Larue", is written over a horizontal line.
Notary Public

4817-2463-2713.2



March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1130.120(a), Financial Viability Waiver Certification
(UCMC Orland Park Mammography Suite Project)

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.130(a), as follows:

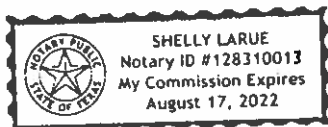
1. WDT Acquisition Corp. d/b/a Solis Mammography ("Solis") is the sole member of Solis-NFP JV Holdings, LLC ("Solis-NFP").
2. The University of Chicago Medical Center and Solis-NFP organized UCMC-Solis Off-Campus Mammography Services, LLC (the "Joint Venture") for the reasons set forth in "The University of Chicago Medical Center Orland Park Mammography Suite" Certificate of Need Application (the "Mammography Suite CON").
3. Solis will fund the obligations of Solis-NFP (and the Joint Venture obligations of Solis-NFP) set forth in the Mammography Suite CON from internal sources – specifically, cash and cash equivalents.

Sincerely,

A handwritten signature in blue ink, appearing to read "James Polfreman", is written over a horizontal line.

James Polfreman
President & CEO
Solis-NFP JV Holdings, LLC
WDT Acquisition Corp. d/b/a Solis Mammography

Subscribed and Sworn to before me
this 4th day of March, 2019.

A handwritten signature in blue ink, appearing to read "Shelly Larue", is written over a horizontal line.
Notary Public

4830-8430-8105.2

UCMC-Solis Off-Campus Mammography Services, LLC

March 3, 2019

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: UCMC-Solis Off-Campus Mammography Services, LLC
Capitalization & Funding Commitment

Dear Mr. Constantino:

We hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, to the following:

1. The University of Chicago Medical Center ("UCMC") and Solis-NFP JV Holdings, LLC ("Solis-NFP") organized UCMC-Solis Off-Campus Mammography Services, LLC (the "Joint Venture") for the reasons set forth in the "The University of Chicago Medical Center Orland Park Mammography Suite" Certificate of Need Application (the "Project").
2. UCMC owns 50% of the Joint Venture.
3. WDT Acquisition Corp. d/b/a Solis Mammography ("Solis") is the sole member of Solis-NFP. Solis-NFP owns 50% of the Joint Venture.
4. UCMC and Solis have agreed to capitalize their respective, pro-rata shares of the Joint Venture related to this Project.
5. UCMC and Solis have sufficient and readily accessible cash and cash equivalents to fund their respective, pro-rata shares of the debts and obligations of the Joint Venture related to this Project.

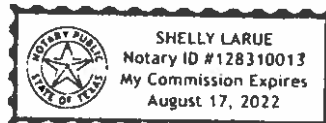
Sincerely,


James Polfreman
President & CEO of WDT Acquisition Corp.
and Solis-NFP JV Holdings, LLC, a Manager of
UCMC-Solis Off-Campus Mammography
Services, LLC


Sharon O'Keefe
President of The University of Chicago Medical
Center, a Manager of UCMC-Solis Off-Campus
Mammography Services, LLC

SUBSCRIBED AND SWORN
to before me this 4th day
of March, 2019.


Notary Public



UCMC-Solis Off-Campus Mammography Services, LLC

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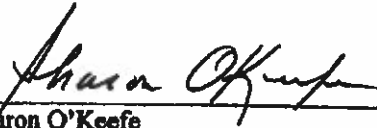
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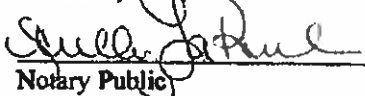
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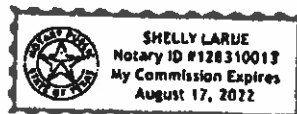
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of March, 2019.


Notary Public



Section XI, Safety Net Impact Statement

Attachment 37

Since the proposed Project is a non-substantive project, the safety net impact statement is not applicable. Nevertheless, for informational purposes, a copy of UCMC's 2017 Community Benefit Report is included in Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2016	2017	2018
Inpatient	376	380	363
Outpatient	15,894	16,335	12,050
Total	16,270	16,715	12,413
Charity (cost in dollars)			
Inpatient	\$10,633,000	\$6,657,903	\$9,410,323
Outpatient	11,367,000	10,923,724	8,826,675
Total	\$22,000,000	\$17,581,627	\$18,236,998
MEDICAID			
Medicaid (# of patients)	2016	2017	2018
Inpatient	9,643	10,320	11,757
Outpatient	117,381	131,617	141,252
Total	127,024	141,937	153,009
Medicaid (revenue)			
Inpatient	\$201,530,000	\$252,482,000	\$243,583,000
Outpatient	70,772,000	92,828,000	98,857,000
Total	\$272,302,000	\$345,310,000	\$342,440,000

Charity Care Information

Attachment 38

Shown below is the amount of charity care provided by UCMC

CHARITY CARE			
	2016	2017	2018
Net Patient Revenue	\$1,573,952,000	\$1,840,375,000	\$1,824,348,000
Amount of Charity Care (charges)	\$81,946,613	\$84,494,428	\$94,227,662
Cost of Charity Care	\$17,093,196	\$17,581,627	\$18,236,998
Ratio of Charity Care Cost to Net Patient Rev.	1.09%	0.96%	1.00%

Community Benefit | ANNUAL REPORT 2017



ATTACHMENT 38

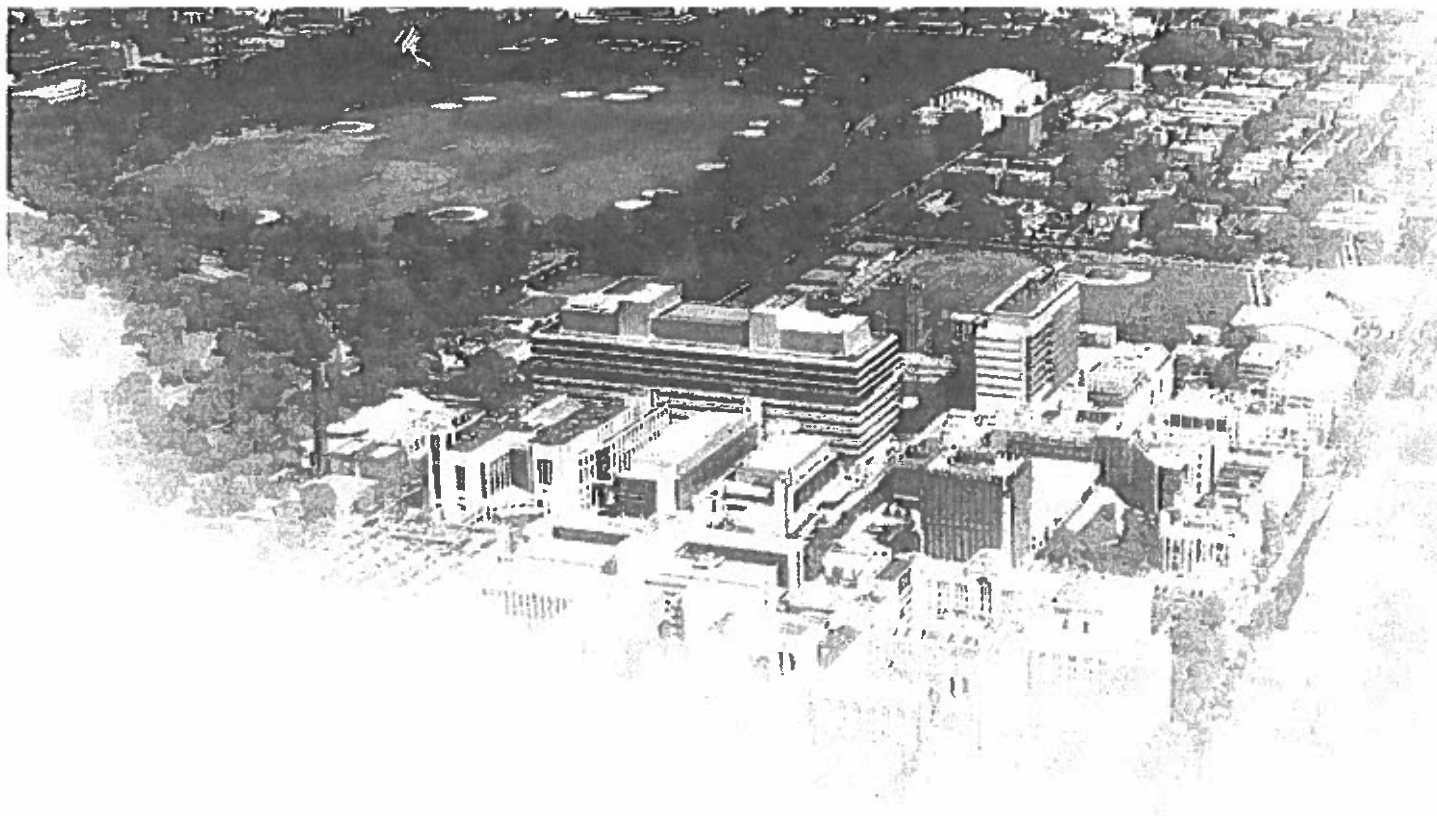


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Pictured on the cover, Alayah Tureaud enjoys a craft table at the Taste of WVON.



To you, our community

At the University of Chicago Medicine, we believe that a healthy and safe community is a strong community. Our commitment to healthier families comes to life in the programs and partnerships featured here, in our 2017 Community Benefit Report.

UChicago Medicine's community benefit initiatives are guided by the health priorities identified in the Community Health Needs Assessment, which is conducted every three years, and by our Community Advisory Council, a group of volunteers who serve as advisers on health issues.

We know there's a pressing need to improve asthma management among children on the South Side, so we've established the South Side Pediatric Asthma Center. Adult diabetes has a profound impact in our service area, so we are proud to support programs like South Side Fit that introduce men and women to proven lifestyle changes that can drive positive results in their lives.

Our community needed better access to emergency care, so we opened a larger, more modern Emergency Department in December. It represents a \$39 million investment in the South Side and our commitment to outstanding care and a superior patient experience.

Violence in the community is of paramount concern, so UChicago Medicine is preparing to provide trauma care for the South Side while also working with community partners to address the causes of this violence. We will provide trauma prevention and recovery services that go beyond the care we'll give in our expanded emergency room and other areas of the medical center. Beyond the walls of the hospital, UChicago Medicine doctors, nurses and other staff members assist local neighborhoods as volunteers who support organizations that help others.

Service to the community is a responsibility that we embrace. UChicago Medicine looks forward to continued collaboration with our Community Advisory Council and all of our partners as we fulfill our mission. With them, we will leverage our expertise as a world-class medical research, education and clinical care institution to activate innovative programs that make our community healthier, safer and stronger.

Kenneth S. Polonsky, MD
Dean and Executive Vice President for Medical Affairs
University of Chicago

Sharon O'Keefe
President, University of Chicago Medical Center

Investment in our community

UChicago Medicine at a glance

811

Licensed beds

9,161

Employees

848

Attending physicians

2,555

Nurses

*Includes RNs and LPNs
from Medical Center and
Biological Sciences Division*

1,132

Residents and fellows

780,582

Outpatient encounters

*Includes clinic visits, procedures/
surgeries, emergency department
and observation stays in acute
care areas*

30,097

Hospital admissions

199,632

Hospital patient days

96,094

Emergency room visits

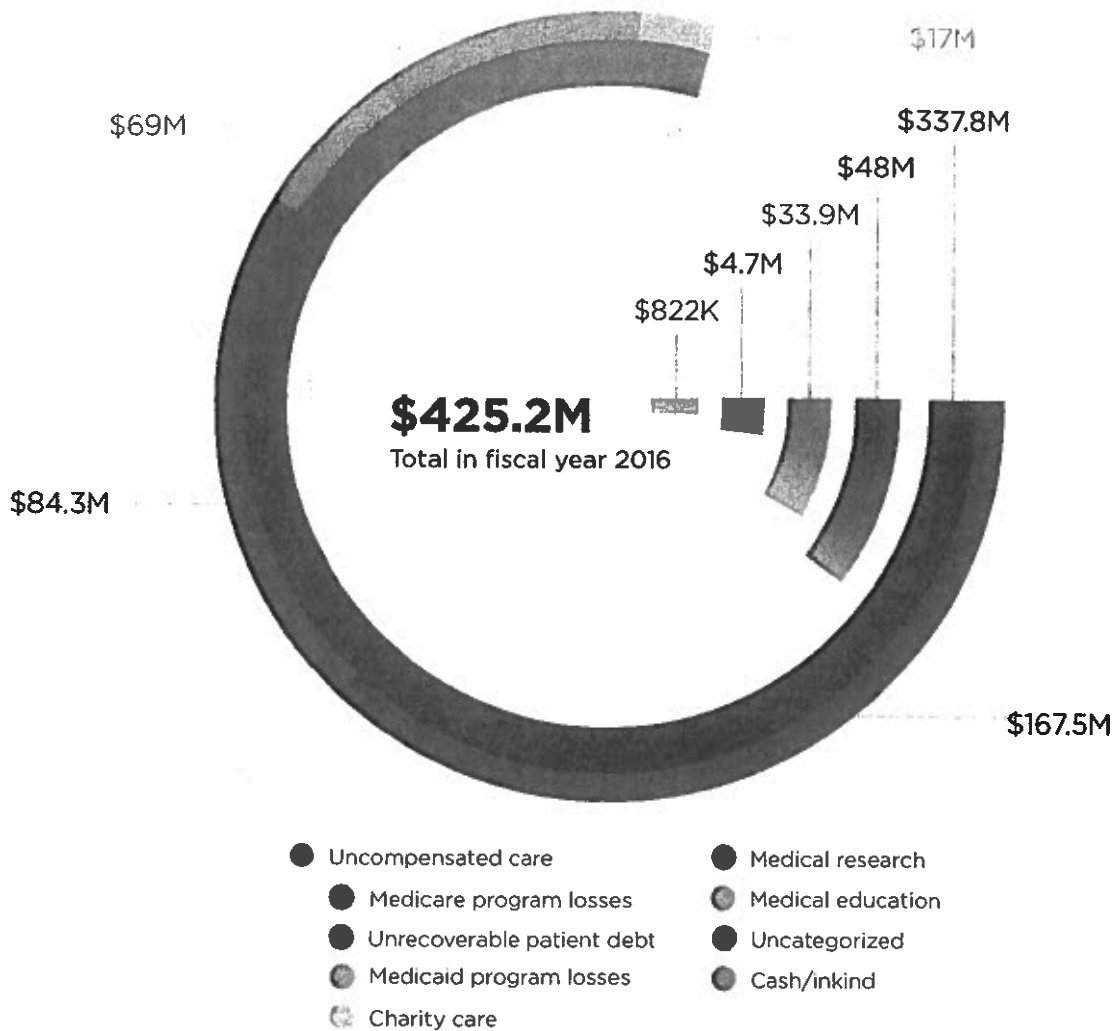
Adult: 63,507, Pediatric: 32,587

21,678

Surgeries

2,442

Births



MEDICAID PATIENTS FOR PRIVATE HOSPITALS IN METRO CHICAGO¹

Hospital	Medicaid patients
Advocate Christ Medical Center	10,517
University of Chicago Medical Center	9,643
Mount Sinai Hospital	8,912
University of Illinois Hospital, Chicago	8,205
OSF Saint Francis Medical Center	7,721
Rush University Medical Center	7,432
Mercy Hospital & Medical Center	6,352
Northwestern Memorial Hospital	6,270
Ann & Robert H. Lurie Children's Hospital of Chicago	5,759
Norwegian American Hospital	5,529

¹2016 report from the Illinois Health Facilities and Services Review Board



University, hospital and community leaders cut the ribbon on the new adult Emergency Department.

Economic impact

UChicago Medicine, together with the University of Chicago, is the largest private employer on Chicago's South Side and serves as an economic engine for the community.

By creating opportunities for minority- and women-owned businesses and working with partners to offer skills training and hiring solutions for workers, UChicago Medicine fosters and supports business and jobs in our neighborhood.

BUILDING THE FUTURE

Each year, in response to the rapid advances in medicine and the changing needs of our patients, UChicago Medicine enhances and updates existing buildings and builds new state-of-the-art facilities.

In 2016-17, certified minority- and women-owned construction and construction-related businesses played important roles in a wide array of projects including plant operations, renovations and strategic projects.

"The talent and expertise of these highly skilled businesses and their workers are vital to our growth," said Joan Archie, Executive Director of Construction Compliance. "They are fully invested in our success, as we are in theirs, as it impacts the economic health and development of the communities we serve."

ADULT EMERGENCY DEPARTMENT IN HYDE PARK
Opened December 2017

CENTER FOR ADVANCED CARE AT ORLAND PARK
Opened December 2016

CENTER FOR ADVANCED CARE AT SOUTH LOOP
Opened February 2017

CENTER FOR CARE AND DISCOVERY 3RD AND 4TH FLOOR EXPANSION
Opened August 2016

CENTER FOR CARE AND DISCOVERY KITCHEN
Opened October 2016

In 2017, UChicago Medicine was named CASE "Anchor of the Year."

INCREASING SUPPLY CHAIN DIVERSITY

UChicago Medicine was one of the founding "anchors" of Chicago Anchors for a Strong Economy (CASE), a network of prominent city institutions that is committed to collectively impacting neighborhood economic development through local purchasing as well as other programs. As an early adopter of the targeted matchmaking process, UChicago Medicine sends requests for proposals (RFPs) to the CASE team and regularly uses CASE-recommended businesses.

"We actively look to increase direct- and second-tier spending with local and minority-owned business," said Jonathan Stegner, Vice President of Supply Chain. "And, we view ourselves as partners with these suppliers."

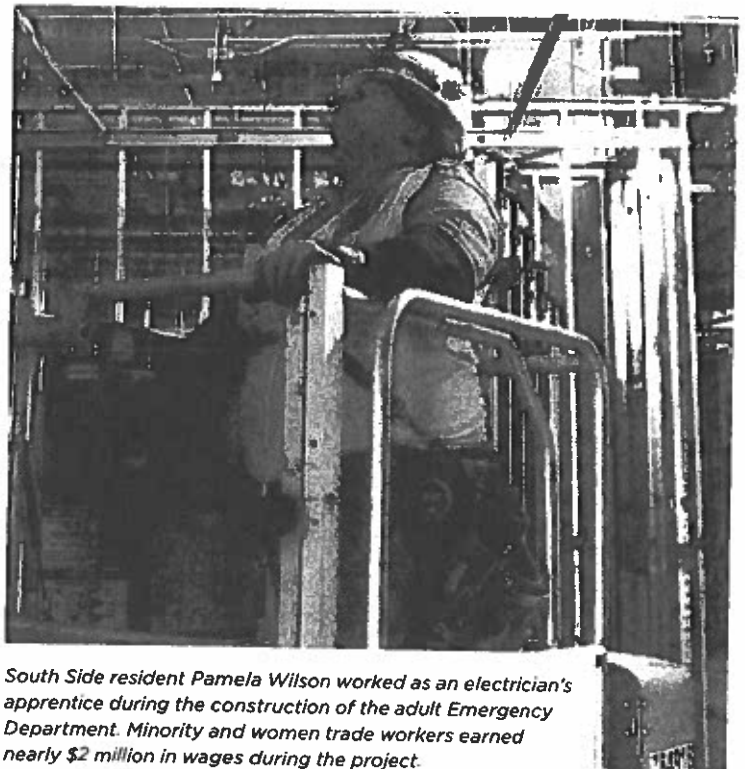
\$59 Million +

economic benefit to minority- and women-owned businesses including a portion of wages paid to trade workers in 2016-17

\$20 Million +

economic benefit to minority and women suppliers in 2016-17

Housekeeping assistant Erica Tabbs and public safety officer Charles Genay found jobs—and career paths—at UChicago Medicine through Skills for Chicagoland's Future.



South Side resident Pamela Wilson worked as an electrician's apprentice during the construction of the adult Emergency Department. Minority and women trade workers earned nearly \$2 million in wages during the project.

HIRING LOCAL TALENT

Skills for Chicagoland's Future works to bring the city's unemployed and underemployed into jobs that improve their economic mobility while meeting the hiring needs of employers. UChicago Medicine partners with Skills to expand gainful employment opportunities to individuals who live in our community.

"Skills is an excellent source for quality local talent," said Bob Hanley, Vice President and Chief Human Resources Officer. "They've found great individuals who want to stay and grow with us."

58

job seekers placed in 2016 through Skills for Chicagoland's Future

\$2 Million

economic benefit to the 58 job seekers placed in 2016

66%

of job seekers placed at UChicago Medicine live within 7 miles of Hyde Park

Location in
community

Access to care



*Longtime patient Hamida Hamid was thrilled about the
Orland Park opening and wrote a lovely letter to Sharon
O'Keefe, president of the UChicago Medical Center.*

The University of Chicago Medicine's transformation into a health system has resulted in an ambitious expansion of medical facilities on campus and at locations beyond the Hyde Park area. They bring access to much-needed care closer to many patients' homes.

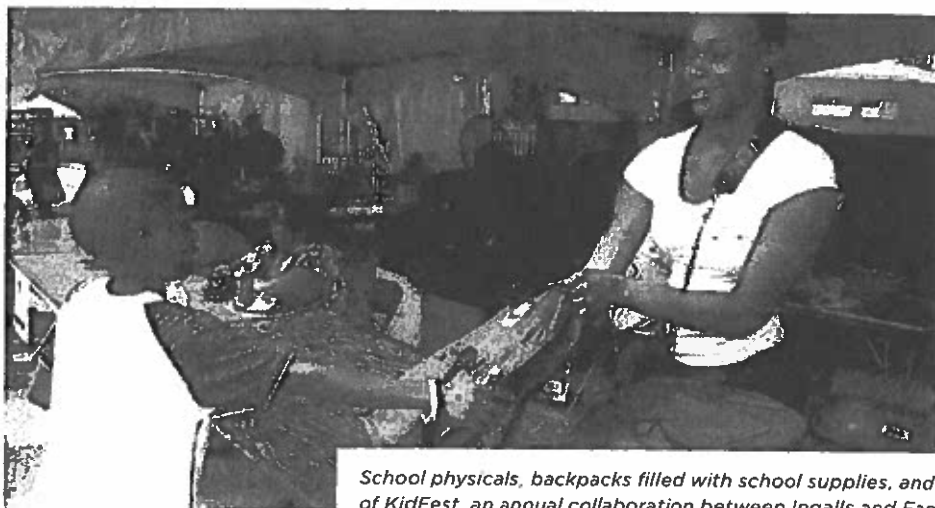
Opened in December 2017, the new Emergency Department (ED) will improve services for those in need of urgent care. The state-of-the-art department features dedicated X-ray and CT scanner capabilities, a rapid ED for those who are treated and discharged directly from the department and other new emergency medicine practices. Adult trauma services are expected to begin in May 2018.

UChicago Medicine also opened new outpatient clinics in Orland Park and Chicago's South Loop neighborhood, bringing exceptional academic medicine to more patients throughout the Chicago area.

Also, Ingalls has joined UChicago Medicine to offer access to best-in-class specialty care via a trusted community health system to residents of the south and southwest suburbs. The two new UChicago Medicine clinics complement Ingalls' five outpatient care centers in Calumet City, Crestwood, Flossmoor, South Holland, Tinley Park and its main hospital in Harvey.



The new adult Emergency Department has a large specialty area (pictured above) that will improve team communication and patient care, and a "rapid" ED for those who are treated and discharged directly from the department.



School physicals, backpacks filled with school supplies, and fun and games were highlights of KidFest, an annual collaboration between Ingalls and Family Christian Health Center.



B. Louis Giles, MD, advises the McCloud family on asthma triggers and management.

Pediatric health

Asthma

With nearly 20% of children in the University of Chicago Medicine's service area suffering from asthma (compared to 10% in Illinois and 12% nationally), UChicago Medicine has implemented multiple efforts to address the needs of the community.

KEY HIGHLIGHTS OF PEDIATRIC ASTHMA GRANTS 2016 AND 2017

- ▣ Children, parents and school staff participated in asthma management education;
- ▣ Students from four different schools were screened for asthma.

3
grantees

874
caregivers*
served

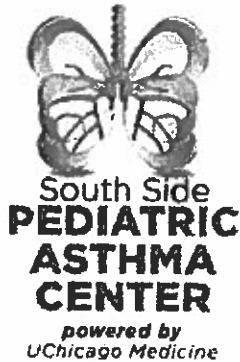
\$160,681
awarded

2,176
children and
adolescents
served

79
partners across the
south side of Chicago

**Caregivers include parents, guardians, teachers, nurses and doctors caring for children.*

SOUTH SIDE PEDIATRIC ASTHMA CENTER



According to the 2015 Community Health Needs Assessment conducted by Professional Resource Consultants for UChicago Medicine and the Chicago Department of Public Health, approximately 20 percent of children in UChicago Medicine's service area suffer from asthma compared to 10 percent in Illinois and 12 percent nationally. Children

with asthma are more likely to miss school days, be hospitalized and visit the emergency department.

Recognizing that asthma affects children on Chicago's South Side more than in most other communities in the city, the University of Chicago Medicine's Urban Health Initiative and the Department of Pediatrics joined forces with La Rabida Children's Hospital, Friend Family Health Center and St. Bernard Hospital to develop the South Side Pediatric Asthma Center (SSPAC). The center's objective is to develop and advance a collaborative, innovative and high-quality system of care to improve asthma management among children on the South Side.

"Asthma treatment has drastically improved over the past two decades, but children on Chicago's South Side are still suffering at an alarming rate. Our goal is to reduce the burden of asthma for children and families."

BRENDA BATTLE

VICE PRESIDENT, URBAN HEALTH INITIATIVE AND
CHIEF DIVERSITY, INCLUSION AND EQUITY OFFICER

The Urban Health Initiative announced the center at its Asthma Education Summit in 2017. Held at Kennedy-King College, the summit brought care providers together to learn the latest trends in pediatric asthma management and tactics to improve patients' quality of life.

This center takes a multi-provider approach to attacking this problem, and UChicago Medicine expects it to have immediate and long-term success.

Initially, the center will identify children with asthma and help lead them to primary care physicians for treatment. A resource line, scheduled to launch in June 2018, will be available for parents and others to call if they are concerned about possible asthma symptoms in children; nurses or trained community health workers staffing the resource line will direct families to appropriate care providers.

The SSPAC partners have adopted a pediatric asthma management model with first-year goals to:

- Standardize patient education;
- Establish an access point for asthma information and resources through the asthma center help line;
- Host provider and community training and education events.

COMMUNITY HEALTH WORKER PROGRAM

The Community Health Worker (CHW) program, a collaborative effort of UChicago Medicine, South Side community hospitals and community health centers, identifies high-risk pediatric asthma patients.

Community Health Workers are responsible for:

- Conducting home assessments, including determining and addressing environmental asthma triggers;
- Educating children and their families on asthma signs and symptoms, medications, devices and triggers;
- Guiding families to valuable community resources;
- Leading events to further asthma education throughout the community.

For children enrolled in the Community Health Worker program, early outcomes reveal a 30% reduction in daytime symptoms and 100% reduction in nighttime symptoms.

In 2017, the Community Health Worker program increased its workforce and outreach, integrating with partner asthma clinics that include St. Bernard Hospital, La Rabida Children's Hospital, Friend Family Health Center, UChicago Medicine Asthma Clinic and UChicago Medicine Comer Children's Hospital Emergency Department.

Following intervention and education provided by community health workers, clients' daytime and evening symptoms decreased.

51

clients received asthma management education

39

clients received home environment assessment and trigger remediation

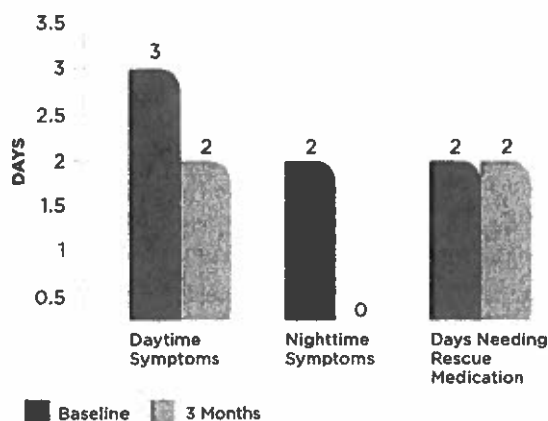
+2

increased workforce from 3 to 5 community health workers

ASTHMA COMMUNITY HEALTH WORKER PROGRAM OUTCOMES

MAY 2016–AUGUST 2017

Median symptom frequency and rescue medication use in the past 2 weeks: baseline versus 3 months follow-up (n=21)



There is a decrease in median daytime and nighttime symptoms from baseline to 3 months follow-up among clients who received 2-3 CHW encounters and education.



Community Health Worker Crystal Stevenson works with Darnell Calvin, II, to help him manage his asthma. Through the program, Darnell and his mother, Shiarra, learned about environmental triggers, ways to more effectively use medication and devices and how to recognize worsening symptoms. Following participation in the program, Calvin's asthma test results show that his asthma is well controlled.

"I learned a lot from the Community Health Worker, including ways my son can develop a routine and be more consistent with his medications and things I can do in the home to limit his asthma triggers."

SHIARRA CALVIN

COMMUNITY HEALTH WORKER PROGRAM PARTICIPANT

ASTHMA COMMUNITY BENEFIT GRANTS

Chicago Asthma Consortium

UChicago Medicine provides funding for the Chicago Asthma Consortium's Comprehensive School-Based Approach to Improve Asthma Outcomes. Through a pilot project developed within four charter public schools (K-12), this program helps identify children with asthma and provides educational and policy support to help those living with the disease. During the 2016-17 school year, asthma screening was integrated into the schools' registration processes, which helped successfully screen 1,269 students. This screening identified 282 students with asthma or signs of asthma. Among those identified, 112 students and 108 parents received asthma education and follow up by a community health worker. In addition, the program reduced hospitalization and missed school days among students with asthma who received educational support from the program.

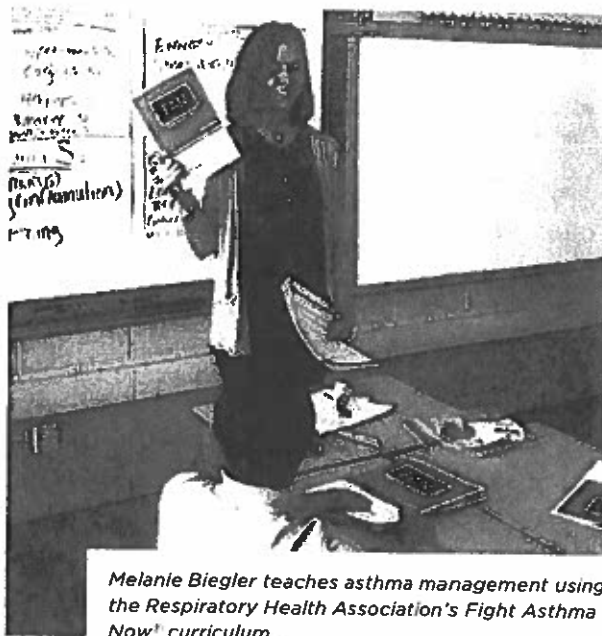
"This is a great model for asthma education in the school setting."

SYRENNIA MCARTHUR HANSHAW, RN
UCHICAGO CHARTER SCHOOL



As part of Chicago Asthma Consortium's school-based asthma program, Syrennia Hanshaw, RN, educates UChicago Charter Schools' students, parents and staff on asthma identification, symptom management and care options.

For students participating in Chicago Asthma Consortium's school-based program, there was an 83% reduction in the number of ED visits or urgent office visits reported due to asthma flare-up.



Melanie Biegler teaches asthma management using the Respiratory Health Association's Fight Asthma Now® curriculum.

Respiratory Health Association

With funding from UChicago Medicine's community benefit grant program, Respiratory Health Association (RHA) educated students and caregivers at 68 schools and 4 community-based sites (childcare centers, hospitals and the Chicago Department of Family and Support Services) using its Fight Asthma Now® curriculum and asthma management program. RHA's asthma education programs cover asthma management topics such as asthma warning signs, proper medication technique and environmental triggers. RHA reached 907 students with asthma, along with 630 parents and school staff, in UChicago Medicine's service area during the 2016-17 school year.

St. Bernard Hospital

Asthma is an ongoing health concern for children living in the Englewood community. UChicago Medicine funded a peer educator for St. Bernard Hospital's Pediatric Asthma Clinic. The clinic provides direct patient care, educational materials and tools for children living with asthma and their families. Since 2016, nearly 80 patients who were seen in the emergency room at St. Bernard Hospital have been enrolled in the Pediatric Asthma Clinic and are receiving regular follow-up services. The peer educator also participated in the Comer Children's Pediatric Mobile Unit to increase visibility and raise awareness of the Asthma Clinic. The clinic is now a partner with UChicago Medicine in the South Side Pediatric Asthma Center.

Obesity

KEY HIGHLIGHTS OF PEDIATRIC OBESITY GRANTS 2016 AND 2017:

- Children and adolescents in nine schools participated in a structured, after-school soccer program;
- Two schools received healthy snacks and education programs about fresh fruits and vegetables;
- Teachers received training on how to incorporate food education into the school curriculum;
- Four schools instituted open gym and healthy snack policies.

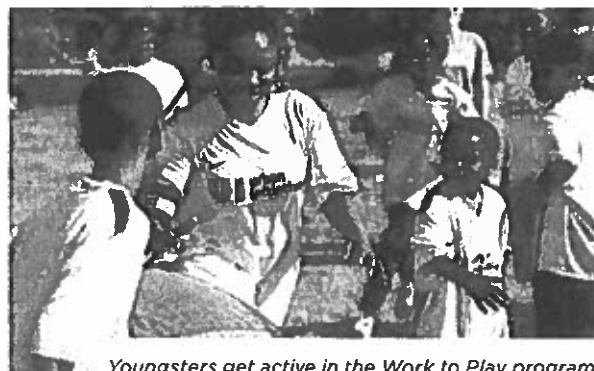
3
grantees over
two-year period

\$192,275
awarded

1,234
children and
adolescents served

During school visits throughout the year, UChicago Medicine staff, including dietitians, offered students fun ways to build healthy habits. Regular events, such as Family Health & Wellness Nights and Sports & Nutrition Saturdays, also provided the community with opportunities to get involved.

Fresh, Fit, Fun launched a healthy snack initiative and removed all unhealthy snacks and beverages across the charter school's four campuses.



Youngsters get active in the Work to Play program.

UC CHARTER SCHOOL: FRESH, FIT, FUN

Cranberries and broccoli found their way onto the plates of many students at UChicago Charter School, which serves 1,900 students on the South Side.

As part of a community-academic partnership, the Fresh, Fit, Fun program teaches children, parents and school staff about nutrition, increases student access to fitness activities, provides professional development to staff and creates a model for urban schools to combat childhood obesity in neighborhoods that lack fresh produce.

URBAN INITIATIVES: WORK TO PLAY

With funding from UChicago Medicine, Urban Initiatives' flagship program Work to Play (WTP) was designed to reduce the incidence of childhood obesity. Using soccer as its focus, WTP runs throughout the school year in two, 12-week seasons. Each week consists of three program sessions: two before- or after-school practices and one after-school game. Each session includes at least an hour of exercise through soccer activities, a health or character trait discussion and a nutritious snack.



UChicago Charter School students are all smiles as they participate in Fresh, Fit, Fun—a program to combat childhood obesity.

WTP aims to increase participants' physical activity and their knowledge of health topics, and influence their eating habits.

WORK TO PLAY 2016-2017



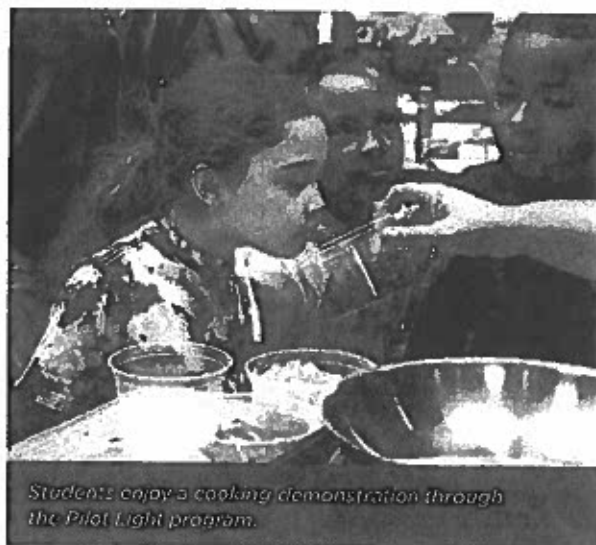
PILOT LIGHT

Using grant funds from UChicago Medicine, Pilot Light partnered with William H. Ray Elementary School and Montessori School of Englewood to provide students with health and nutrition education and professional development for teachers. Pilot Light provided:

- Sixteen lessons for students in grades 3, 4 and 5;
- Training and on-site support for teachers;
- Two chef visits to each participating classroom throughout the duration of the project;
- One "lunchroom takeover" per school in which Pilot Light chefs developed and served a school lunch that connected to the lessons students learned in their classrooms and extended learning to the cafeteria;
- Two educational family workshops at each school.

"There is a disconnect between 'tasty' and 'healthy' for students, and Pilot Light helps bridge that gap while being considered fun!"

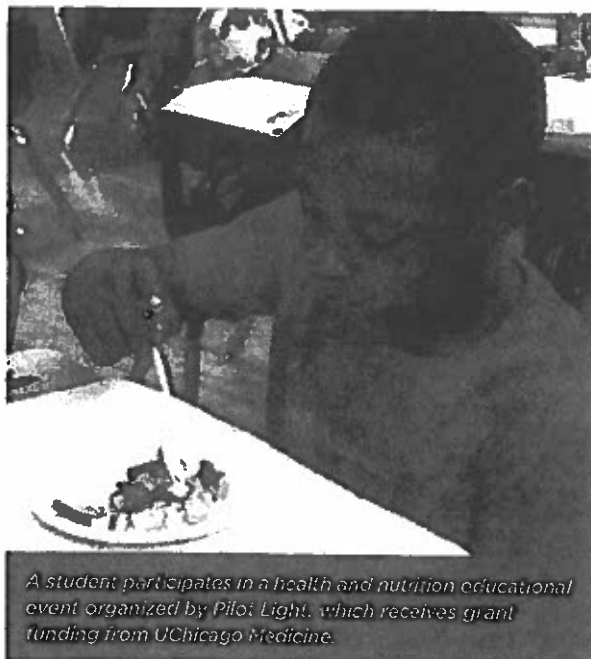
PILOT LIGHT TEACHER



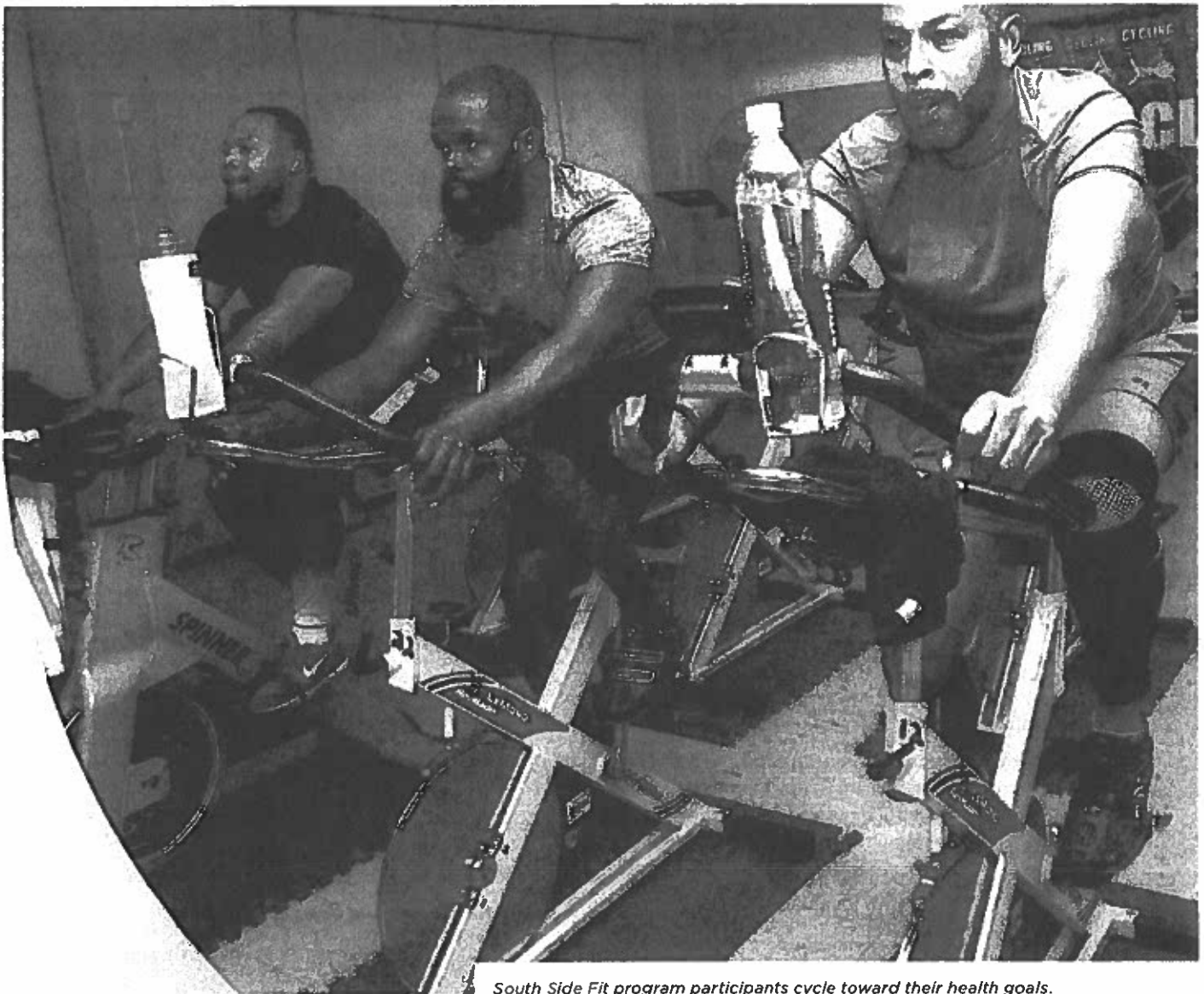
Students enjoy a cooking demonstration through the Pilot Light program.

"Through Fresh, Fit, Fun, we were able to expand access to healthy food and physical activity. This introduction and exposure to fruits and vegetables, along with opportunities for regular exercise, is critical to develop healthy habits. The partnership between the charter school and the medical center helped make this possible."

ANNA VOLERMAN BEASER, MD
UCHICAGO MEDICINE PHYSICIAN AND
FACULTY COLLABORATOR FOR FRESH, FIT, FUN



A student participates in a health and nutrition educational event organized by Pilot Light, which receives grant funding from UChicago Medicine.



South Side Fit program participants cycle toward their health goals.

Adult health

Diabetes

DIABETES COMMUNITY BENEFIT GRANTS 2016 AND 2017

UChicago Medicine provided funds to local organizations to raise awareness and educate members of the community about diabetes.

Asian Health Coalition

Through the Asian Health Coalition, the Diabetes Prevention Program for Asians in Chinatown (DPPAC) reaches vulnerable Asian-Americans and Pacific Islander community members to raise diabetes awareness, promote prevention behaviors and connect at-risk individuals to a six-week diabetes self-management workshop. The DPPAC approach

3

programs

209

screened

\$107,490

awarded

499

educated

122

individuals with diabetes
or pre-diabetes participated
in diabetes self-management workshop

teaches culturally tailored diabetes self-management by using bilingual, bicultural community health workers. With UChicago Medicine funding, the program provided diabetes education to nearly 500 individuals and screened more than 200 community members for diabetes or pre-diabetes. Additionally, 47 individuals with diabetes or pre-diabetes participated in a six-week diabetes self-management workshop.



Health care providers work to understand the health challenges that face the South Side's Asian community.

Roseland Community Hospital

Roseland Community Hospital's Diabetes Self-Management and Education Program (DSME) assisted the residents of the Greater Roseland community with diabetes self-management skills and provided education to help them properly manage their diabetes in the home environment. Sixty-six individuals participated in the DSME five-week workshop.

THE DIABETES EMPOWERMENT EDUCATION PROGRAM

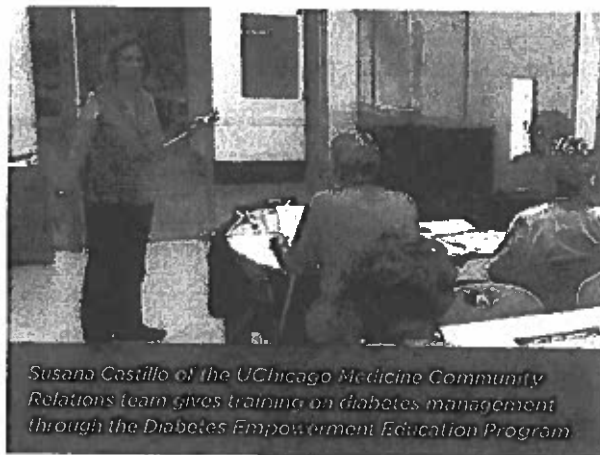
The Diabetes Empowerment Education Program (DEEP™) provides training to community workers, helping them become certified diabetes educators within the communities they serve. The overall goal of the program is to reduce diabetes rates among at-risk communities. In 2017, three members of the UChicago Medicine Community Relations team became certified Peer Educators and can now provide diabetes education training to the community in both English and Spanish. The Peer Educators conduct one to two community training programs per month at locations around the South Side, including local libraries and community organizations.

174

people trained by DEEP™

3

people became
certified Peer Educators



Susana Castillo of the UChicago Medicine Community Relations team gives training on diabetes management through the Diabetes Empowerment Education Program

"The [DEEP™] training allows a very personal connection to the community, inspiring small behavior changes that may improve overall health."

WALIDAH TUREAUD

COMMUNITY RELATIONS MANAGER, THE UCHICAGO
MEDICINE URBAN HEALTH INITIATIVE

Community wellness

SOUTH SIDE FIT

Access to a variety of fitness classes and live cooking demonstrations are just two of the many healthy benefits of South Side Fit, a program to promote wellness on the South Side. South Side Fit, in partnership with the Timothy Community Corporation and UChicago Medicine's Urban Health Initiative, provides participants with complete assessments of their health, exercise, diet habits, weight, Body Mass Index (BMI) and blood pressure. To meet health goals, participants committed to regular exercise, health consultations, nutritional and lifestyle seminars and on-site exercise classes, including Zumba, Yoga, cycling and full-body toning.

"I have seen our community participants step up, make a new commitment to health and change eating habits based on the education they receive."

The program brings together a community of individuals to take this health and wellness journey—we all support one another."

DELORIS NEAL

TIMOTHY COMMUNITY CORPORATION



A South Side Fit yoga class helps students practice healthier lifestyles.

"I weighed 240 pounds before the South Side Fit program and I now weigh 228 pounds with a waist size down from 42 to 38. My eating habits have changed tremendously and I was able to eliminate the use of my acid reflux medication. In the past, I did not have the energy to complete a one-hour fitness program. Now, I am able to complete the class and work out three to four days a week."

FREDERICK E. GEIGER, SR
SOUTH SIDE FIT PARTICIPANT

Cancer

GRANT EXPANSION TO CANCER

Through grant funding, UChicago Medicine is helping to advance cancer awareness and education among vulnerable minority communities.

The medical center is supporting the Asian Health Coalition's efforts to educate and screen underserved populations who are at increased risk of developing colorectal cancer (CRC). Populations include Asian-American Pacific Islander and African-American community members living in low-income South Side neighborhoods. The grant will help raise CRC awareness, promote prevention behaviors and connect at-risk individuals to specialty care.

Although Cook County has a colorectal cancer incidence rate that's similar to the state's rate, its mortality rate is significantly higher than Illinois' overall rate and ranks third across the 104 counties in Illinois. UChicago Medicine partners with community health systems to build capacity to increase colorectal



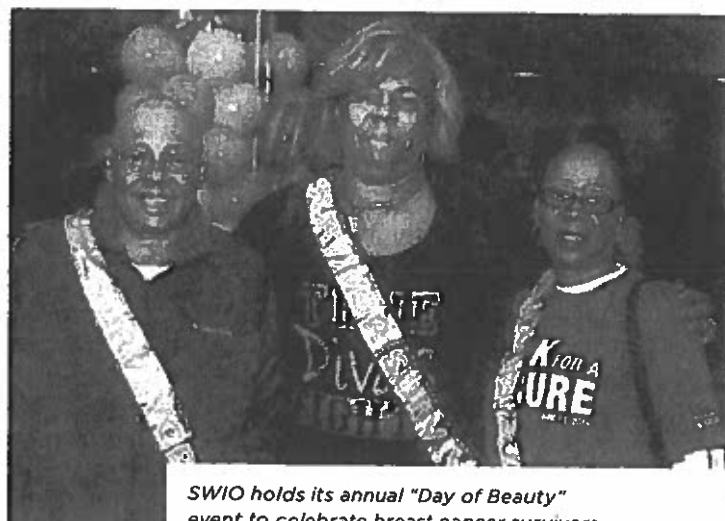
Ashley Moore, RN at UChicago Medicine conducts a blood pressure screening at the Black Women's Expo.

cancer screening rates across the state as a part of the Cook County CARES (Cancer Alliance to Reignite and Enhance Screening) initiative. Funded by the Centers for Disease Control (CDC), the initiative will also help the study of solutions that have the greatest impact on screening behavior. Targeting low-income Asian-American, Hispanic and African-American populations in Cook County, the overall aim of Cook County CARES is to establish a broad framework to increase organized approaches to colorectal screening, prevention and control. This project is aligned with the CDC national screening goals.

21.5 deaths per 100,000

the colorectal cancer mortality rate in Chicago, which is significantly higher than the nation's overall colorectal cancer mortality rate (17.5 deaths per 100,000)

The 2015 Community Health Needs Assessment (CHNA) for UChicago Medicine identified breast cancer screening as a priority for the medical center's service area. UChicago Medicine funded Sisters Working It Out's (SWIO) Breast Education and Awareness initiative. The initiative focuses on educating at-risk communities about breast cancer, increasing screening, creating opportunities for women to become health advocates and promoting the use of local health services.



SWIO holds its annual "Day of Beauty" event to celebrate breast cancer survivors.

"When I moved to Chicago in 2001, I was alarmed by the breast cancer disparities in Chicago, which has some of the largest differences in breast cancer survival rates between black and white women in the nation. This is a problem that we can do something about."

MONICA E. PEEK, MD, MPH

ASSOCIATE PROFESSOR OF MEDICINE, UCHICAGO MEDICINE AND FOUNDER, SISTERS WORKING IT OUT



"If we find colon cancer early, 9 out of 10 people will have a long-term survival and can be cured from the disease."

KAREN KIM, MD (PICTURED AT LEFT)

PROFESSOR OF MEDICINE, UCHICAGO MEDICINE AND DIRECTOR OF THE CENTER FOR ASIAN HEALTH EQUITY (CAHE), WHICH IS A PARTNERSHIP BETWEEN UCHICAGO MEDICINE AND THE ASIAN HEALTH COALITION

Trauma care and violence prevention



Roselle Del Carmen, RN, an emergency medicine nurse, cares for the first patient in the new adult Emergency Department.

ADULT TRAUMA CARE CENTER PLANS

In May 2018, UChicago Medicine will begin providing adult trauma services. At the forefront will be a team of surgeons and other care providers committed to serving underrepresented communities. With a commitment to excellence in patient care and education, UChicago Medicine will engage our communities to meet the clinical needs of adults affected by falls, motor vehicle collisions or violence, and we will address prevention and integrated violence recovery. Adult trauma services will complement the pediatric trauma care that the medical center has provided for more than a decade.

VIOLENCE RECOVERY PROGRAM

The needs of the community often require a fresh approach to improve the continuity of care for victims of violence and their families. The new, hospital-based violence recovery program will seek to provide intensive wrap-around services, such as family or group therapy, substance abuse treatment and case management.

Attendees at a community-faculty partnership summit provide input on the development of a hospital-based violence recovery program at UChicago Medicine.



"We have a unique opportunity to be a model for others as we create a trauma center in a major urban area virtually from the ground up. We won't simply offer the standard care that one would expect of a trauma center."

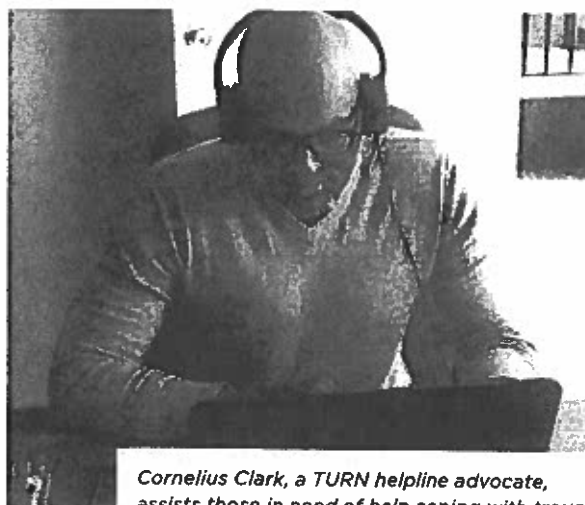
KENNETH POLONSKY, MD
DEAN AND EXECUTIVE VICE PRESIDENT
FOR MEDICAL AFFAIRS, UNIVERSITY OF CHICAGO

TURN TRAUMA HELPLINE

The Urban Resilience Network (TURN) at Bright Star Community Outreach in Bronzeville has launched a phone helpline to provide emotional care to families and young people coping with trauma. The TURN center is supported by UChicago Medicine, Northwestern Medicine and the United Way of Metropolitan Chicago.

"The biggest benefit is that local victims of violence who are experiencing the effects of trauma now have a place that they can contact," said Cyndee Langley, a TURN clinical manager and psychologist.

The helpline is staffed by a clinical care coordinator along with Chicago faith and community leaders who received intensive training from the NATAL organization. Based in Tel Aviv, Israel, NATAL provides a unique multidisciplinary trauma approach to treat those directly and indirectly affected by war and terror-related trauma in Israel. The helpline number is 833-TURN-123. It is open from 9 a.m. to 6 p.m. on Monday, Wednesday and Friday.



Cornelius Clark, a TURN helpline advocate, assists those in need of help coping with trauma.



Youth learn to box and form bonds with each other in Crushers Club.

VIOLENCE PREVENTION GRANTS

UChicago Medicine awarded seven capacity-building grants to provide immediate support to existing community-based violence prevention, intervention and recovery efforts on Chicago's South Side for the summer of 2017.

The grant money allowed the selected community organizations to fund new counselors, new equipment and program expansion to include more participants. The grants were designed to support programs that helped create safer spaces during the summer.

The concept of responding to the immediate needs to address violence while working together on a long-term solution was developed at the suggestion of UChicago Medicine's Community Advisory Council and its Trauma Care and Violence Prevention work group. The group recommended that UChicago Medicine proactively respond to increasing violence at the close of the school year and the beginning of summer.

UChicago Medicine responded by providing rapid-cycle grants for grassroots organizations that have violence prevention programs.

Results included:

Crushers Club, which utilizes the sport of boxing and music to develop bonds among at-risk young African-American men, offered an additional 15 program hours each week and supported the addition of 23 first-time Crushers youth.

Global Girls, Inc., which provides a safe space for girls ages 8-18 to learn the arts while gaining social, emotional, leadership and communications skills, trained 10 teenagers to work as peer facilitators, or "Agents of Peace," to create "culture of peace" programming for 92 youngsters from eight schools. Also, it created and presented "I Choose Peace" performances to promote peaceful and safe neighborhoods. More than 1,500 people attended the performances.

Other community organizations that earned grants included:

- Breaking Bread
- Gary Comer Youth Center
- Kids Off the Block, Inc.
- Mothers Against Senseless Killing Foundation (MASK)
- Woodlawn East Community and Neighbors (WECAN)



Pictured, from left: Julian DeShazer, Senior Pastor, University Church, and chairman of the Community Advisory Council; Kiara Jones of Global Girls, Inc.; Catherine Jackson of Woodlawn East Community and Neighbors (WECAN); Sally Hazelgrove of Crushers Club; Terica Middleton of Gary Comer Youth Center; and Leif Elsmo, Executive Director, Community and External Affairs, UChicago Medicine.



Pictured, from left: Capricio Wilson, Richard Avery, Ivan Smith and Andrew Wilson socialize at a special event that included the PrEP program.

HIV and STI

BETTER 2GETHER NETWORK: A COLLABORATION TO STRENGTHEN AND MOBILIZE COMMUNITY NETWORKS FOR HIV PREVENTION AND CARE

UChicago Medicine's Urban Health Initiative, the Chicago Center for HIV Elimination (CCHE) and Care2Prevent continue to raise awareness and expand access to care for those with human immunodeficiency virus (HIV) and sexually transmitted infections (STI). With funding from the Centers for Disease Control and Prevention, the Better 2Gether Network is a collaboration between UChicago Medicine, Howard Brown Health and Project Vida. The collaboration aims to provide a coordinated prevention services network for diverse at-risk teens and adults throughout Chicago and its adjacent southern and western suburbs. The project provides HIV outreach, testing and linkage to care through a variety of efforts, including:

- Conducting citywide marketing and targeted social media campaigns to reduce HIV-related stigma and increase public engagement in the activities;
- Hosting community events and providing HIV/STI testing;
- Optimizing referrals to care and support services at the time of testing.

Thanks to the project, the number of those screened for HIV has increased nearly three times from 384 in 2016 to 966 in 2017. Similarly, the number of those screened for syphilis grew to 590 in 2017 from 164 in 2016.

BETTER 2GETHER NETWORK TESTING AND REFERRALS FOR 2017

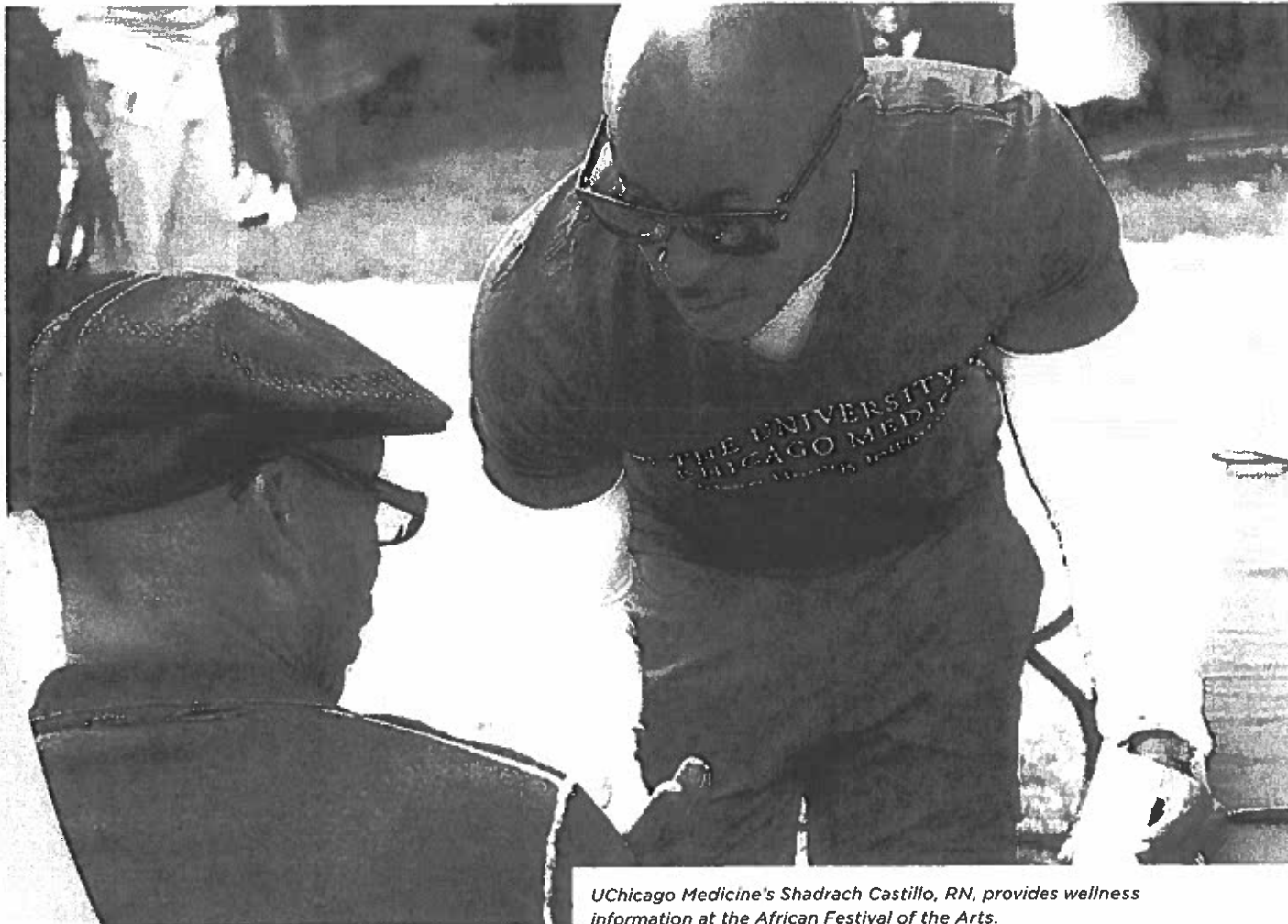
966 screened for HIV	590 screened for syphilis	189
213 tested positive	196 tested positive	receiving case management

PrEP CHICAGO

Another component led by CCHE is **PrEP Chicago**, which uses social media, such as Facebook, to provide a forum for discussion of HIV Pre-Exposure Prophylaxis (PrEP), for adolescents and young adults who may be interested in and eligible for PrEP care in Chicago. PrEP is a medication for people who are HIV-negative and are especially vulnerable to contracting the virus. In conjunction with PrEP Chicago, CCHE currently provides active referrals to PrEP care through PrEPLine and PrEP Linkage-to-Care. CCHE staff work with individuals interested in engaging in PrEP care to provide information, discuss options and connect individuals to PrEP providers on the South Side and throughout the city.

PrEP DATA FOR 2017

28 education/outreach events	189 people received education about HIV/STI prevention and treatment	37 referrals from the PrEP line to a PrEP provider
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UChicago Medicine's Shadrach Castillo, RN, provides wellness information at the African Festival of the Arts.

Community engagement

Meeting the community where it lives

DAY OF SERVICE AND REFLECTION

Rain did not dampen the spirits and high turnout of hundreds of volunteers committed to doing good work for 24 community organizations during the 15th annual Day of Service and Reflection (DOSAR) in May 2017. Nearly 300 UChicago Medicine employees, their families and friends worked on projects ranging from paint jobs to gardening in eight communities surrounding the UChicago Medicine service area on

the South Side. The commitment of the volunteers was reflected in their smiles and eagerness to connect with the community served by the medical center.

COMMUNITY ADVISORY COUNCIL

UChicago Medicine's Community Advisory Council meets regularly with UChicago Medicine leadership to advise on health issues of concern to the community. For instance, the Council helped lay the groundwork for the medical center's adult trauma services scheduled to launch May 1, 2018, and addressed strategies to combat chronic diseases among children and adults, such as asthma and diabetes. Over the last year, the Council's advice helped with the awarding of "rapid-cycle grants" to help community-based organizations enhance programming for youth during the summer months. The group also advised the medical center on the South Side Pediatric Asthma

Center, and helped hospital leaders understand potential community-based resources for future trauma patient referrals.

In the coming year, the Council will continue to provide input regarding the hospital-based Violence Recovery Program, which will offer wrap-around services to those admitted.

"The voice of the community is critical to the university's plan for trauma care."

DAMON ARNOLD, MD

CHAIRMAN OF THE UCHICAGO MEDICINE COMMUNITY ADVISORY COUNCIL'S TRAUMA CARE AND VIOLENCE PREVENTION WORK GROUP AND FORMER DIRECTOR OF THE ILLINOIS DEPARTMENT OF PUBLIC HEALTH

THE SHARE NETWORK

The South Side Healthy Aging Resource Experts (SHARE) Network brings older adults, caregivers, primary care providers and geriatric specialists together to share knowledge, experience and resources to improve health for older adults on Chicago's South Side. Through workforce education and community outreach, the SHARE Network bridges the gap between geriatric specialty care and the community. To date, SHARE and partner organizations have reached more than 2,000 older adults, family members and caregivers at more than 80 free community events across the South Side. Topics presented in Hyde Park, Roseland and Englewood, have included podiatry, Alzheimer's disease and how to get the most from a primary care visit.

Community partners include Chicago Hyde Park Village, Mather's More than a Cafe and TRC Senior Village. Healthcare partners include St. Bernard Hospital, Symphony Post Acute Network and UChicago Medicine.

UChicago Medicine's Shellie Williams, MD, teaches a class on memory loss during a SHARE Network event.



GIVING AT COMER CHILDREN'S HOSPITAL

Feed1st and Remoc's Closet

Feed1st and Remoc's Closet believe that all families should have access to services that fulfill their basic needs, no questions asked.

Feed1st is a program of service and research that aims to alleviate hunger and food insecurity among families and caregivers of patients and staff at UChicago Medicine. It was founded in 2010 by the Lindau Lab in partnership with Doriane Miller, MD, and other faculty, Pritzker medical students and Comer Children's Hospital staff. Food is free, self-serve and there are no limits on how much food families may take—making the food pantry welcoming and accessible to anyone in need.

6	12,500+	10
pantries	people fed since 2010	medical student volunteers



Medical student Claire Dugan volunteers at the food pantry.

Remoc's Closet grew out of a program from the Department of Social Work, which has been collecting clothing donations for families in need for more than 10 years. The initial aim was to ensure that children being discharged from the hospital had appropriate clothing to wear. By the fall of 2017, donations began exceeding Social Work's use, so the department opened Remoc's Closet so that all families may take what they need, with no barriers to entry. Remoc's Closet now provides clothing of all types and sizes, and up to 30 items of clothing are being selected each day.

HEALTHCARE EQUALITY INDEX (HEI)



The Human Rights Campaign Foundation (HRC) has awarded the University of Chicago Medicine the "Leader in LGBTQ Healthcare

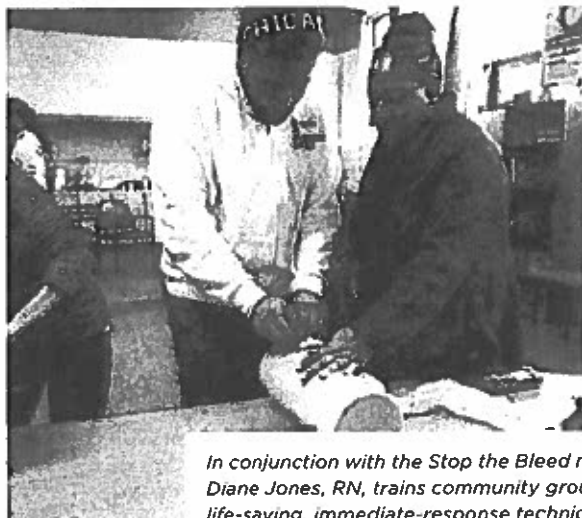
Equality" designation for three consecutive years. The designation acknowledges the policies and practices UChicago Medicine has implemented in relation to providing health care for members of the lesbian, gay, bisexual, transgender and queer community.

HEI participants are given scores in four criteria that represent policies and best practices from each section they have implemented. Those criteria are:

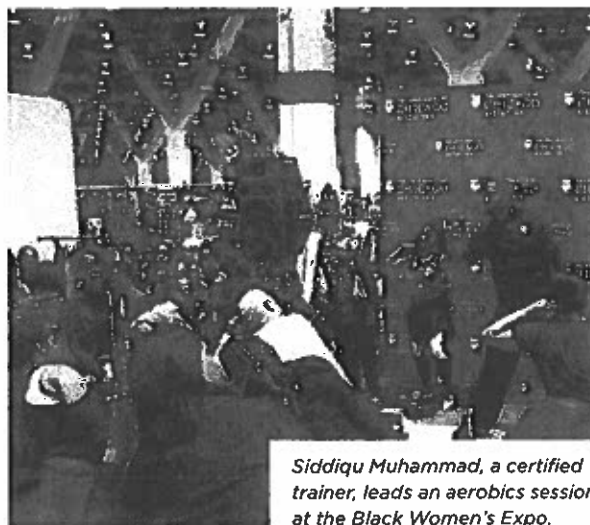
- Foundational elements of LGBTQ patient centered care;
- LGBTQ patient services and support;
- Employee benefits and policies;
- LGBTQ patient and community engagement.

STOP THE BLEED

Stop the Bleed is a national awareness campaign and a call to action. It is intended to cultivate grassroots efforts that encourage bystanders to become trained, equipped and empowered to help in a bleeding emergency before professional help arrives. The mission is to help ensure prompt access to life-saving, easy-to-use hemorrhage control resources. UChicago Medicine will provide training staff and printed materials and resources. To date, the Urban Health Initiative (UHI) has trained 16 people.



In conjunction with the Stop the Bleed national awareness effort, UChicago Medicine's Diane Jones, RN, trains community groups like Institute for Nonviolence Chicago on life-saving, immediate-response techniques for bleeding emergencies.



Siddiqu Muhammad, a certified trainer, leads an aerobics session at the Black Women's Expo.

EVENT SPONSORSHIPS

Black Women's Expo

Wellness was in the air for thousands of Black Women's Expo attendees who stopped by the Urban Health Initiative's booth during the three-day event held in April 2017. UHI provided blood pressure, glucose and HIV screenings, stroke and health education sessions, a women's health seminar and a fitness boot camp and Zumba class. For the first time, the booth featured Comer Children's Pediatric Mobile Medical Unit, which conducted on-site screenings. Many attendees also signed up on the spot for medical appointments.



UChicago Medicine physicians are among the chefs at the 2017 Real Men Cook picnic.

Real Men Cook

The popular annual Father's Day event at Hales Franciscan High School in June attracted grill masters and others for a good time. Many participants took great pride in their tasty dishes with a focus on health and wellness. Several UChicago Medicine doctors joined the tradition of cooking and serving under the "Real Docs Cook" tent.



UChicago Medicine has sponsored the Bud Billiken Parade for 15 years to encourage Chicago Public School children to start the school year with enthusiasm.

First Ladies Health Initiative

In September 2017, more than 50 Chicago and suburban churches hosted the 9th annual First Ladies Health Initiative—a day devoted to inspiring families to focus on health and wellness. UChicago Medicine's Women's Health team provided information on Women's Health services while Urban Health Initiative staff and volunteers shared community resources and guides for healthier food choices at Trinity United Church of Christ on the South Side.

African Festival of the Arts

The University of Chicago Medicine's Urban Health Initiative was a sponsor of the Health and Wellness Pavilion at the 28th Annual African Festival of the Arts in Washington Park in the summer of 2017. During the four-day event, UHI delivered an abundance of community resources and on-site checkups to hundreds of visitors, including health screenings, nutrition tips and fitness demonstrations. UChicago Medicine's Comprehensive Stroke Center provided blood pressure tests, the Southside Healthy Aging Resource Experts Network featured workshops on caregiving resources and the South Side Diabetes Project provided glucose screenings and diabetes education resources.



Dorlene Miller, MD, (left) speaks with WVON's Penni Small at the Taste of WVON.

Taste of WVON

More than 40,000 turned out for the "Taste of WVON," the radio station's annual family festival in July. Sponsored by UChicago Medicine, the children's pavilion provided a variety of activities, including pony rides, games and health resources.



AT THE FOREFRONT

**UChicago
Medicine**

5841 S. MARYLAND AVENUE
CHICAGO, IL 60637
uchospitals.edu/community-benefit

Program data and metrics included in this report are provided by UChicago Medicine's Community Benefit and Evaluation Team and the Community Health Needs Assessment.

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March 7, 2019

RECEIVED

MAR 12 2019

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Richard H. Sewell, Interim Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761

Re: University of Chicago Medical Center ("UCMC", the "Medical Center"),
WDT Acquisition Corporation ("Solis"), UCMC-Solis Off-Campus
Mammography Services, LLC (the "JV" or "Joint Venture")
Dedicated Mammography /Suite in UCMC Medical Office Building Space (the
"Project")
Application for Permit

Dear Mr. Sewell:

We are pleased to submit our application to the Illinois Health Facilities & Services Planning Board ("IHFSB" or the "Review Board") for approval to provide specialized breast imaging services in shell space in a medical office building owned by the University of Chicago Medical Center ("UCMC" or the "Medical Center") in Orland Park.

UCMC, WDT Acquisition Corporation, the company with final control over Solis-NFP JV Holdings, LLC (referred to hereafter as Solis"), and UCMC-Solis Off-Campus Mammography Services, LLC (the "JV" or "Joint Venture") (collectively the "Applicants") seek authority from the Review Board to develop and jointly operate a dedicated Mammography Suite in a portion of this shell space (the "Project").

The purpose of the Project is to increase access to high-quality screening and diagnostic mammography, for which there is unmet demand and a disparate distribution of resources, alongside any necessary treatment modalities for medical care. The Applicants also seek to overcome barriers that prevent women from getting annual breast health screenings as part of a comprehensive preventative health program, as well as complementary diagnostic testing, by keeping patient safety, patient experience, and patient convenience foremost in mind.

UCMC's Existing Mammography Services

Although mammography is a service approved in UCMC's Orland Park medical office building ("MOB") approved by Permit #14-023, the machine is used for screening mammograms only. This machine is located in one room among rooms with other imaging modalities. There is no space for diagnostic procedures, no reading room, and no sub-waiting commonly found in a mammography suite. Patients are referred elsewhere for diagnostic mammograms and any additional testing, which provides a suboptimal patient experience and can lead to delays in

elsewhere for diagnostic mammograms and any additional testing, which provides a suboptimal patient experience and can lead to delays in treatment. This is a dissatisfier to patients and fragments the continuum of care with the UCMC breast surgeon who maintains a clinical practice within the MOB.

Local market demographics show a significant backlog of women trying to schedule their annual mammography screening, but having limited access due to capacity challenges. Extensive market research with today's healthcare consumer also demonstrates a high demand for off-campus (suburban) sites that offer easier access, quicker turnaround and enhanced center aesthetics.

In our original application for the Orland Park MOB (#14-023), we proposed shell space on the fourth floor, with the expectation for robust demand in Planning Area A-04. At that time, we had anticipated the possibility of a relationship with a renown imaging partner to provide a full-complement of high-quality women's imaging services.

Joint Venture with Solis Mammography

After careful consideration, UCMC found great value in partnering with Solis Mammography and to be the first locations in Illinois to jointly offer this service. Solis is the nation's largest, specialized healthcare provider focusing on screening, diagnostic and biopsy procedures related to the detection and prevention of breast disease.

The approach of Solis is patient-centric women's imaging, in non-institutional, modern and warm settings. The focus is on providing excellent care, specializing in breast health, with breast-dedicated radiologists that spend the majority of their time reading mammograms. The object is to take the stress out of the mammogram experience and provide peace of mind throughout the patient's time at the center.

The Joint Venture seeks to combine the best of both the UCMC and Solis brands — clinical excellence through research-based protocols, upgraded technology and an enhanced center experience — both on UCMC's campus and off campus, extending the reach of high-quality breast imaging services in the greater Chicago area and suburbs, including Orland Park. Together, the Applicant can provide a seamless continuum of care through UCMC if treatment is needed; exceptional clinical accuracy that comes from a dedicated focus on breast specialization, upgraded technology with 3D Mammography (also known as breast tomosynthesis); a warm and welcoming breast imaging suite; improved patient conveniences; and fast, exceptionally accurate results within 24-48 hours of the visit.

UCMC's and Solis's Service Areas

UCMC is an academic medical center nationally and internationally renowned for its specialized care in cancer, digestive diseases, diabetes and endocrinology, gynecology, neonatology, cardiology, orthopedics, neurology, and urology. UCMC continues to be ranked among the nation's top hospitals by *U.S. News & World Report* as a high-performer with nationally recognized specialty programs in its annual "Best Hospitals" survey. In addition, UCMC plays an integral role in the regional delivery of healthcare within Illinois and locally in Chicago and surrounding area. UCMC is committed to not just serving its immediate community, but to serving as a resource to a larger geographic area. UCMC seeks to provide greater access to its patients who come from surrounding areas, by bringing these services closer to the patient.

As a major national academic medical center, UCMC essentially has two market areas. First, it serves much of the South Side of the City of Chicago, as well as South Suburbs. In addition, for its highly specialized tertiary and quaternary services, as well as personalized and compassionate primary care essential to the coordinated delivery of specialty medicine, UCMC serves much of the Chicago metropolitan area, the state and the Midwest, and even includes international patients.

Headquartered in Addison, Texas, Solis operates 62 centers across six major markets – North Texas; Houston, Texas; Phoenix, Arizona; Columbus, Ohio; Greensboro, North Carolina; and through its acquisition of Washington Radiology, the District of Columbia metropolitan area. The company operates both wholly-owned centers and multiple successful joint ventures with hospital partners, such as this one. This Project, along with two other locations – one on UCMC's historic, Hyde Park campus and the other to be in a downtown MOB approved as Permit #18-025 in October 2018, will bring Solis to Illinois for the first time.

Description of Current Project

On August 27, 2014, UCMC received Permit #14-023 from the Review Board to move forward with the construction of a four-story, ambulatory care medical office building in downtown Orland Park. The fourth floor was reserved as shell space.

UCMC, Solis, and UCMC-Solis Off-Campus Mammography Services, LLC seek authority from the Board to develop and jointly operate a dedicated Mammography Suite in a portion of this shell space (the "Project").¹

¹ The Project is an extension of UCMC's commitment to community service and to improve access to services in which our own community has been historically underserved. Our 2015 community needs health assessment identified breast cancer screening as a priority for the patients that we serve. UCMC continues to invest and partner on programs that reach the most vulnerable populations to promote

Specifically, the Applicants seek to build out a dedicated Mammography Suite with a comprehensive line of women's imaging services consisting of one mammography machine (digital breast (3D) tomosynthesis), an ultrasound device that will be used by the radiologist following diagnostic scans for additional views and also for biopsy targeting, and a bone density scanner (DEXA).

The purpose of the Project is to increase access to high-quality screening and diagnostic mammography, for which there is unmet demand and a disparate distribution of resources, alongside any necessary treatment modalities for medical care. The Applicants also seek to overcome barriers that prevent women from getting annual breast health screenings as part of a comprehensive preventative health program, as well as complementary diagnostic testing, by keeping patient safety, patient experience, and convenience foremost in mind.

The Project will utilize an existing mammography machine (digital breast (3D) tomosynthesis) approved by Permit #14-023 and has an established and growing patient base since mammography services were first offered in the Orland Park MOB.

The proposed Mammography Suite will be opened at the beginning of FY21. Solis estimates 3,072 exams the first year and 5,069 in FY22, the second full year of operation, reaching the State standard of 5,000 annual exams. This forecast is based on market research and Solis' experience, which is extensive.

Underlying this forecast of strong growth is over three decades of experience and Solis Mammography's specialized approach to patient care. Dr. Timothy Freer, a radiologist from Plano, Texas and founder of Solis, understood that women were not comfortable sitting in a large waiting room, buried deep in a large hospital, among many other patients, perhaps a man waiting for a lung scan for example. Dr. Freer surmised it gave women there for screening mammograms the idea they were sick. This raised their anxiety about the mammogram and might serve as a deterrent to having regular screenings. He was inspired in 1986 to open a dedicated women's imaging service, outside of a hospital, focused on women's wellness, with the clinical efforts dedicated towards woman.

breast cancer screenings, including partnerships with the Illinois Breast & Cervical Cancer Program, the Metropolitan Chicago Breast Cancer Task Force and Sisters Work it Out. The expansion of mammography screening and diagnostics throughout Chicago is a key priority for UCMC.

Richard H. Sewell, Interim Chair
Mammography Suite Project
March 7, 2019
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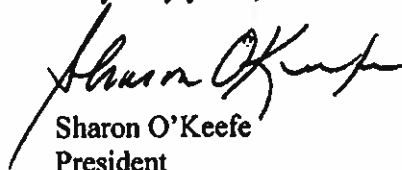
The Project addresses disparities in availability of resources and seeks to improve access to high-quality breast imaging for all women

Programmatically, this Project champions the area in which UCMC is already serving its community. As one salient example, the expansion of mammography services to increase access to such care is consistent with UCMC's commitment to reduce disparities of women's health outcomes in breast cancer and lower rates of mammography screening, a goal shared by Solis Mammography, with whom we selected to partner. Differential access to specialists, technology and affiliation with academic medical centers are thought to account for this disparity. An inequitable distribution of specially trained providers exists, with a high concentration in Chicago Metro area, but insufficient access in surrounding communities and suburbs is also problematic. The Joint Venture between UCMC and Solis squarely address these issues by providing access to an academic medical center environment, radiologists specializing in breast imaging, and state-of-the-art imaging technology.

UCMC remains one of the largest Medicaid providers in the State of Illinois. Through the new Mammography Suite, the Applicants will be expanding access to high-quality, specialty outpatient services in a suburb of Chicago. Additionally, UCMC has robust financial assistance and charity care policies, which will be upheld by Solis and by the Joint Venture and will be available to patients on the same terms at the Mammography Suite.

We are pleased to submit our application for development of a dedicated Mammography Suite in UCMC's existing Orland Park MOB to the Review Board and look forward to working with you to fulfill our mission.

Very truly yours,



Sharon O'Keefe
President

The University of Chicago Medical Center