#20-001

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
JAN 3 2020
HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	University of Illinois Medical Center at Chicago (UIMCC) Ambulatory Care Building		
Street Address:	Intersection of Taylor Street and Wood Street		
City and Zip Code:	Chicago, IL 60612		
County: Cook	Health Service Area: VI	Health Planning Area: A-02	

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

Exact Legal Name:	The Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois
Street Address:	364 Henry Administration Building (MC364) 506 S. Wright Street
City and Zip Code:	Urbana, IL 61801
Name of Registered Agent:	Dedra M. Williams, Secretary to the Board of Trustees
Registered Agent Street Address:	364 Henry Administration Building (MC364) 506 S. Wright Street
Registered Agent City and Zip Code:	Urbana, IL 61801
Name of Chief Executive Officer:	Timothy Killeen, President, University of Illinois
CEO Street Address:	364 Henry Administration Building (MC364) 506 S. Wright Street
CEO City and Zip Code:	Urbana, IL 61801
CEO Telephone Number:	217/333-3070

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

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

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

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

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

Name:	David H. Loffing
Title:	Chief Operating Officer
Company Name:	University of Illinois Hospital & Health Sciences System
Address:	1740 W. Taylor Street Suite 1400 Chicago, IL 60612
Telephone Number:	312/996-3900
E-mail Address:	dhloff@uic.edu
Fax Number:	312/996-7049

Site Ownership
[Provide this information for each applicable site]

Exact Legal Name of Site Owner: The Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois
Address of Site Owner: 364 Henry Administration Building (MC364) 506 S. Wright Street Urbana 61801
Street Address or Legal Description of the Site: Intersection of Taylor Street and Wood Street Chicago, IL 60612
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 <u>ATTACHMENT 2,</u> 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: please see ATTACHMENT 3

Address:

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

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which 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 <u>ATTACHMENT 4,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (http://www.hfsrb.illinois.gov).
APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.
APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

X Non-substantive

2. Narrative Description

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

The applicant proposes the construction of a six-story (plus basement and penthouse) building on the campus of the University of Illinois Medical Center at Chicago (UIMCC), to be connected by bridge to UIMCC's main inpatient building. Services to be provided in the proposed building will be limited to outpatient services. Among the services to be provided in the proposed building are outpatient surgery and endoscopy, and a variety of outpatient clinics, as discussed in the ATTACHMENTS to this Certificate of Need ("CON") application.

Because the proposed project will not involve any Health Facilities and Services Review Board-designated "categories of service", and because inpatient services will not be provided in the proposed building, the project is classified as "non-substantive".

The primary functions within the building will be distributed in the following fashion:

Penthouse:
- Mechanicals

Sixth Floor:
- Clinics
- Public areas

Fifth Floor:
- Clinics
- Public areas

Fourth Floor:
- Clinics

Multi-Specialty Procedure Area
- Public Areas

Third Floor:
- Perioperative Services
- Public Areas

Second Floor:
- Clinics
- Anesthesiology Preop. Evaluation
- Sterile Processing
- Public Areas

First Floor:
- Lobby and Public Areas
- Imaging
- Pharmacy
- Materials Management

Basement:
- Mechanicals
- Department of Corrections

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	$ 1,450,000	$ 800,000	$ 2,250,000
Site Survey and Soil Investigation	$ 25,000	$ 25,000	$ 50,000
Site Preparation	$ 2,175,000	$ 2,175,000.00	$ 4,350,000
Off Site Work			
New Construction Contracts	$ 42,362,925	$ 46,212,930	$ 88,575,855
Modernization Contracts			
Contingencies	$ 1,635,885	$ 1,400,160	$ 3,036,045
Architectural/Engineering Fees	$ 3,100,000	$ 3,400,000	$ 6,500,000
Consulting and Other Fees	$ 17,112,971	$ 14,001,521	$ 31,114,492
Movable and Other Equipment (not in construction contracts)	$ 49,348,109	$ 4,339,204	$ 53,687,313
Net Interest Expense During Construction Period	$ 951,687	$ 608,456	$ 1,560,143
Fair Market Value of Leased Space or Equipment			
Other Costs to be Capitalized		$ 246,013	$ 246,013
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	**$ 118,161,577**	**$ 73,208,284**	**$ 191,369,861**
Sources of Funds:			
Cash and Securities	$ 19,369,363	$ 12,000,498	$ 31,369,861
Pledges			
Gifts and Bequests			
Bond Issues (project related)	$ 98,792,214	$ 61,207,786	$ 160,000,000
Mortgages			
Leases (fair market value)			
Fair Mkt Value of Relocated Equipment			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 118,161,577**	**$ 73,208,284**	**$ 191,369,861**

Cost Space Requirements

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

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

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

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

Land acquisition is related to project ☐ Yes X No
Purchase Price: $________________
Fair Market Value: $________________

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

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

Estimated start-up costs and operating deficit cost is $ _____N/A__________.

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

X Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): ______June 30, 2023_____

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

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

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

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:
X Cancer Registry
X APORS
X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
X All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

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: University of Illinois Medical Center at Chicago			**CITY: Chicago**		
REPORTING PERIOD DATES:	**From: January 1, 2018**		**to: December 31, 2018**		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	240	11,381	60,592	None	240
Obstetrics	45	2,350	7,035	None	45
Pediatrics	32	648	2,245	None	32
Intensive Care	65	2,949	21,506	None	65
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	50	987	11,906	None	50
Neonatal Intensive Care	30	565	4,929	None	30
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	462	18,880	108,213	None	462

#20-001

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 Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois__* 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

Avijit Ghosh
PRINTED NAME

Vice President, CFO & Comptroller
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 3rd day of December, 2019

Jill C. Odom
Signature of Notary

Seal JILL C ODOM
Official Seal
Notary Public - State of Illinois
My Commission Expires Jan 7, 2020

Dedra M. Williams
SIGNATURE

DEDRA M. WILLIAMS
PRINTED NAME

SECRETARY, BOARD OF TRUSTEES of UNIVERSITY
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 3rd day of December

Catherine Ellen Foran
Signature of Notary

Seal CATHERINE ELLEN FORAN
Official Seal
Notary Public – State of Illinois
My Commission Expires Oct 17, 2021

*Insert the EXACT legal name of the applicant

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.

3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.

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

   b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.

   c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.

   d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.

   e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

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

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

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

4. Cite the sources of the documentation.

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

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

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

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

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

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

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

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

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

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

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

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

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 14,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

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 <u>ATTACHMENT 16,</u> 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 <u>ATTACHMENT 17,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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
☐		
☐		
☐		

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.	

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

not applicable

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]:**

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

______	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
______	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
______	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE

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

SECTION VII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

not applicable

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

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

Variance

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

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

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

not applicable

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 <u>ATTACHMENT 36,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. SAFETY NET IMPACT STATEMENT

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

not applicable

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			

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)	**2016**	**2017**	**2018**
Inpatient	312	334	540
Outpatient	7568	8660	10892
Total	**7880**	**8994**	**11432**
Charity (cost in dollars)			
Inpatient	$3,936,025	$4,425,434	$7,881,359
Outpatient	$3,827,888	$4,558,194	$5,267,573
Total	**$7,763,913**	**$8,983,628**	**$13,148,932**
MEDICAID			
Medicaid (# of patients)	**2016**	**2017**	**2018**
Inpatient	8,205	8,226	8,481
Outpatient	195,081	255,768	256,766
Total	203,286	263,994	265,247
Medicaid (revenue)			
Inpatient	$199,322,592	$201,265,644	$246,358,141
Outpatient	$77,410,580	$99,147,541	$90,576,780
Total	$276,733,172	$300,413,185	$336,934,921

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

SECTION X. CHARITY CARE INFORMATION

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

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **<u>audited</u>** 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 <u>must</u> be provided at cost.

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

CHARITY CARE			
	2016	**2017**	**2018**
Net Patient Revenue	**$694,466,813**	**$742,452,981**	**$765,803,803**
Amount of Charity Care (charges)	$25,136,603	$34,206,520	$39,211,028
Cost of Charity Care	$7,763,913	$8,983,628	$13,148,932

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

STATUS OF APPLICANT

By law, the applicant is exempt from having to obtain a Certificate of Good Standing.

ATTACHMENT 1

UI Health UIC
Hospital Administration

University of Illinois Hospital & Clinics
1740 W Taylor Street
Suite 1400. M/C 693
Chicago, IL 60612-4325
Phone 312.996.3900
Fax 312-996-7049

November 11, 2019

Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

To Whom It May Concern:

I hereby certify that the site of the proposed ambulatory care building addressed in this Certificate of Need application is owned by the Board of Trustees of the University of Illinois, a state body corporate and politic, which is the applicant for the proposed project.

Sincerely,

David H. Loffing
Chief Operating Officer

Notarized ______ 11/12/19
Date

JAY T ELENGICAL
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
October 10, 2023

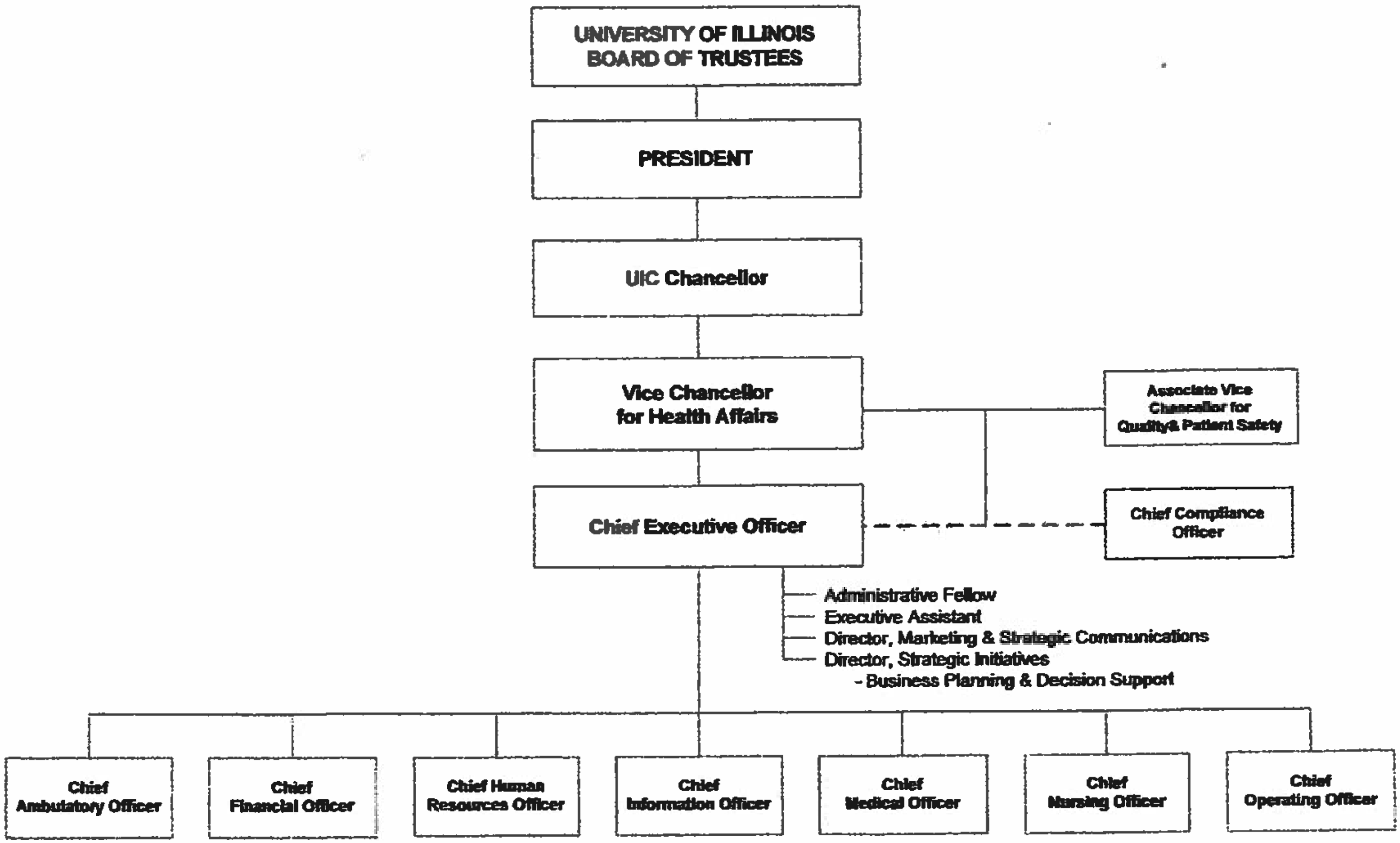
ATTACHMENT 2

NOTE ON OPERATING ENTITY/LICENSEE

The Board of Trustees of the University of Illinois owns the University of Illinois Medical Center at Chicago and several other healthcare providers across the state. These providers, pursuant to 210 ILCS 85/3(A)(2), are not subject to the licensure requirements of the Illinois Hospital Licensure Act. The Hospital was established under the University of Illinois Hospital Act (110 ILCS 330).

#20-001

UNIVERSITY OF ILLINOIS HOSPITAL & CLINICS
TABLE OF ORGANIZATION



ATTACHMENT 4

#20-001

UI Health UIC
Hospital Administration

University of Illinois Hospital & Clinics
1740 W Taylor Street
Suite 1400, M/C 693
Chicago, IL 60612-4325
Phone 312.996.3900
Fax 312-996-7049

November 11, 2019

Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

To Whom It May Concern:

I hereby certify that the project proposed in this Certificate of Need application, that being the construction of an ambulatory care building at the intersection of Taylor Street and Wood street in Chicago, complies with the requirements of Executive Order #2006-5. A map confirming such, and provided by FEMA, is attached.

Sincerely,

David H. Loffing
Chief Operating Officer

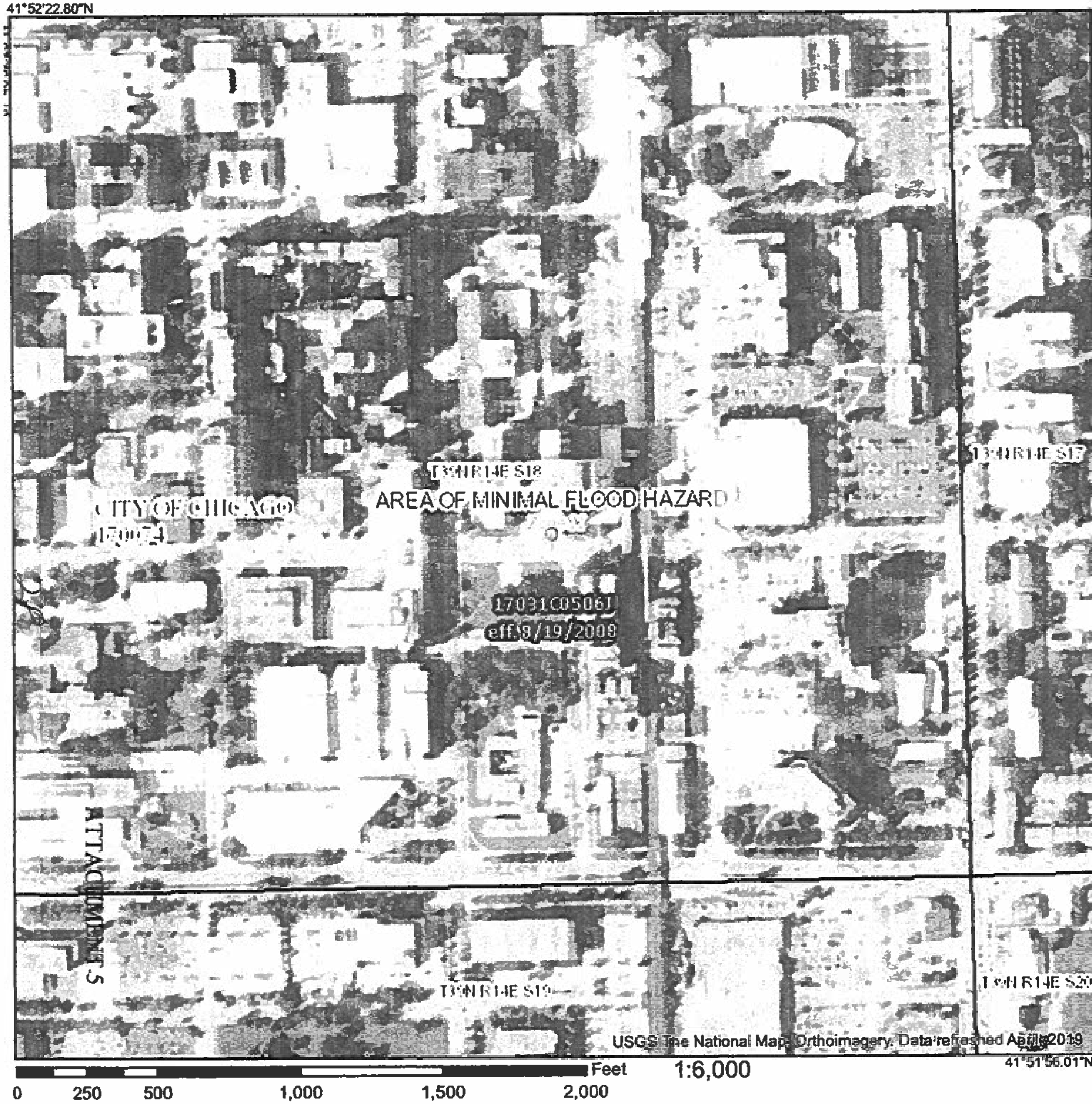
Notarized: 11/12/19
Date

JAY T ELENGICAL
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
October 10, 2023

ATTACHMENT 5

National Flood Hazard Layer FIRMette

FEMA



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, A99*
- With BFE or Depth *Zone AE, AO, AH, VE, AR*
- Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD
- 0.2% Annual Chance Flood Hazard, Areas 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 Levee. See Notes. *Zone X*
- Area with Flood Risk due to Levee *Zone D*

OTHER AREAS
- NO SCREEN Area of Minimal Flood Hazard *Zone X*
- Effective LOMRs
- Area of Undetermined Flood Hazard *Zone*

GENERAL STRUCTURES
- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

OTHER FEATURES
- 20.2 / 17.5 Cross Sections with 1% Annual Chance Water Surface Elevation
- Coastal Transect
- Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Transect Baseline
- Profile Baseline
- Hydrographic Feature

MAP PANELS
- Digital Data Available
- No Digital Data Available
- Unmapped

N

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

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

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 10/30/2019 at 5:22:46 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: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

#20-004

#20-001

ILLINOIS
DEPARTMENT OF NATURAL RESOURCES

Illinois Department of Natural Resources

JB Pritzker, Governor
Colleen Callahan, Director

One Natural Resources Way Springfield, Illinois 62702-1271
www.dnr.illinois.gov Mailing Address: 1 Old State Capitol Plaza, Springfield, IL 62701

FAX (217) 524-7525

Cook County
Chicago
New Construction of a 5-Story Outpatient Building, University of Illinois Medical Center at Chicago
SE Corner of Taylor St. and Woods St.
SHPO Log #007072519

September 13, 2019

Jacob Axel
Axel & Associates, Inc.
675 North Court, Suite 210
Palatine, IL 60067

Dear Mr. Axel:

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 call 217/782-4836.

Sincerely,

Robert F. Appleman
Deputy State Historic
Preservation Officer

ATTACHMENT 6

PROJECT COSTS				
	Preplanning Costs			
		Evaluation of Alternatives	$ 750,000	
		Pre-Arch. Functional Planning	$ 1,000,000	
		Financial Feasibility	$ 250,000	
		Misc./Other	$ 250,000	
				$ 2,250,000
	Site Survey and Soil Investigation			
		Survey	$ 15,000	
		Soil Testing	$ 25,000	
		Misc./Other	$ 10,000	
				$ 50,000
	Site Preparation			
		Roadways & Walkways	$ 2,000,000	
		Exterior Lighting & Signage	$ 1,000,000	
		Landscaping	$ 200,000	
		Traffic-Related	$ 150,000	
		Earthwork	$ 250,000	
		Utility-Related	$ 200,000	
		Drainage-Related	$ 150,000	
		Misc./Other	$ 400,000	
				$ 4,350,000
	New Construction Contracts			
		Per ATTACHMENT 36C		$ 88,575,855
	Construction Contingency			
		Per ATTACHMENT 36C		$ 3,036,045
	Architectural & Engineering			
		Design	$ 6,000,000	
		Document Preparation	$ 100,000	
		Interface with Agencies	$ 100,000	
		Project Moniitoring	$ 200,000	
		Misc./Other	$ 100,000	
				$ 6,500,000
	Consulting & Other Fees			
		Environmental Assessment	$ 3,500	
		Archelogical Assessment	$ 2,500	
		Commissioning Agent	$ 264,500	
		CON-Related	$ 175,000	
		Zoning Approvals	$ 34,500	
		General Legal	$ 86,000	
		Accounting and Audit	$ 11,500	
		Construction Monitor	$ 69,000	
		Appraisal	$ 11,500	
		Title Insurance	$ 172,500	
		Development Manager	$ 6,331,000	
		Excess Facilities Charges	$ 172,500	

	Utilities Cinnection	$ 57,500	
	Building Permit and Inspecting	$ 6,000	
	Driveway Permit	$ 29,000	
	Roadway Permit-Closures	$ 730,000	
	Signage Permit	$ 6,000	
	Letter of Credit	$ 17,000	
	Insurance	$ 4,800,000	
	Construction Escrow	$ 29,000	
	Developer-Related	$ 15,020,592	
	Pre-Construction Management	$ 383,000	
	Equipment Consulting	$ 345,900	
	Affirmative Action Consultant	$ 172,500	
	Operations/FM Consultant	$ 23,000	
	Site Tours	$ 11,500	
	Owner's Cleaning	$ 115,000	
	Mock-ups	$ 34,500	
	Misc./Other	$ 2,000,000	
			$ 31,114,492
Moveable and Other Equipment			
	Environmental Services	$ 139,654	
	Facilities & Biomedical	$ 82,567	
	Dept. of Corrections	$ 2,229	
	Sterile Processing	$ 1,819,327	
	Staff and Misc. Non-Clinical	$ 109,400	
	Lobby and Public Areas	$ 1,179,428	
	Outpatient Pharmacy	$ 922,570	
	Outpatient Imaging	$ 6,232,022	
	Materials Management	$ 73,600	
	Urology Clinic	$ 1,040,986	
	Anesthesia	$ 97,663	
	Transplant Clinic	$ 1,966,500	
	Outpatient Perioperative	$ 14,126,654	
	GI Center	$ 10,539,382	
	Ophthalmology Clinic	$ 7,702,767	
	Otolaryngology Clinic	$ 3,719,563	
	Other	$ 3,933,000	
			$ 53,687,313
Construction Period Interest			$ 1,560,143
Other Costs to be Capitalized			
	Tunnel stub		$ 246,013
TOTAL PROJECT COST			$ 191,369,861

NOTE ON SOURCES OF FUNDS

The proposed project will be funded through a public-private partnership, a project financing structure previously used for other types of capital projects, including the development and construction of student housing and academic facilities. A newly-formed 501(c)(3) entity that is a wholly-owned subsidiary of Provident Resources Group, LLC, unrelated to the hospital or the Board of Trustees of the University of Illinois, a body politic of the State of Illinois (the "Board"), will enter into a ground lease with the Board, secure tax-exempt bond financing through the Illinois Finance Authority, and engage a developer who will be responsible for the design and construction of the building. The Board will sublease the facility from the new 501(c)(3) entity, with the sublease rent being used to pay the debt service on the bonds.

As of the filing of this CON application, the anticipated amount of the bond is approximately $160 million, the anticipated term of the bond is thirty years, and the anticipated interest rate on that bond is approximately 4%, subject to market conditions. The balance of the project cost will be funded through cash and other liquid sources of the Board.

#20-001

Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Square Feet That is:			
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Pharmacy	$ 3,933,371		4,702	4,702			
Imaging	$ 7,623,289		3,600	3,600			
Urology Clinic	$ 8,115,114		6,403	6,403			
Anesthesia	$ 2,459,125		2,360	2,360			
Multi-Spec. Procedures	$ 20,687,460		18,749	18,749			
Transplant Clinic	$ 3,565,732		3,718	3,718			
Outpatient Perioperative	$ 34,440,052		26,340	26,340			
Gastroenterology Clinic	$ 3,965,273		2,737	2,737			
Ophthalmology Clinic	$ 26,978,435		31,239	31,239			
Otolaryngology Clinic	$ 6,393,726		9,211	9,211			
	$ 118,161,577		109,059	109,059			
Non-Reviewable							
Environmental Services	$ 532,990		917	917			
Facilities Mgt. & Biomed.	$ 381,252		648	648			
Dept. of Corrections	$ 1,066,743		1,764	1,764			
Sterile Processing	$ 6,251,289		7,185	7,185			
Staff Areas	$ 2,607,763		3,385	3,385			
Mechanical	$ 22,392,492		22,872	22,872			
Medical Gasses	$ 76,250		176	176			
ConferenceMtg. Rms.	$ 1,441,132		2,538	2,538			
IT	$ 179,188		209	209			
Elevators & Stairs	$ 5,337,526		8,840	8,840			
Lobby	$ 3,637,143		5,927	5,927			
Materials Mgt.	$ 1,447,994		2,460	2,460			
Public & Gen'l. Circ.	$ 12,087,947		21,398	21,398			
Bridge	$ 11,201,179		3,650	3,650			
DGSF>>BGSF	$ 4,567,397		11,375	11,375			
	$ 73,208,283		93,344	93,344			
PROJECT TOTAL	$ 191,369,861		202,403	202,403			

ATTACHMENT 9

BACKGROUND OF APPLICANT

This Certificate of Need application's sole applicant is the Board of Trustees of the University of Illinois, body politic of the State of Illinois. The University of Illinois Medical Center at Chicago ("UIMCC") is the sole health care facility operated by the applicant, per the HFSRB's definition of a health care facility. As discussed in ATTACHMENT 3, UIMCC does not hold an Illinois Department of Health-issued license.

The University of Illinois Board of Trustees is constituted with the following individuals:

- Ramon Cepeda
- Kareem Dale
- Donald J. Edwards
- Ricardo Estrada
- Patricia Brown Holmes
- Naomi D. Jakobson
- Stuart C. King
- Edward L. McMillan
- Jill B. Smart
- Trayshawn M. W. Mitchell
- Susan E. Panek
- Rosalie Dawoud
- Govenor J. B. Pritzker

UI Health UIC
Hospital Administration

University of Illinois Hospital & Clinics
1740 W Taylor Street
Suite 1400, M/C 693
Chicago, IL 60612-4325
Phone 312.996.3900
Fax 312-996-7049

November 11, 2019

Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

To Whom It May Concern:

I hereby acknowledge that no adverse action has been taken against the University of Illinois Medical Center at Chicago, directly or indirectly, within three (3) years prior to the filing of this Application. For the purposes of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize HFSRB and IDPH to access any documents which it finds necessary to verify any information submitted, including, but not limited to: official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations.

Sincerely,

David H. Loffing
Chief Operating Officer

Notarized: 11/12/19
Date

JAY T ELENGICAL
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
October 10, 2023

ATTACHMENT 11

#20-001

The Joint Commission

January 25, 2017

Avijit Ghosh, PhD
Chief Executive Officer

The Board of Trustees of the University of Illinois
1740 W Taylor Street, Ste 1400
Chicago, IL 60612

Joint Commission ID #: 7282
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed: 01/24/2017

Dear Dr. Ghosh:

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

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning November 19, 2016 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

ATTACHMENT 11

PURPOSE

The purpose of the proposed project is to increase the ability of the applicant hospital to provide selected outpatient services in a more efficient manner than is currently possible, given the hospital's space constraints. This goal will be accomplished through the construction of an addition to the hospital to house selected outpatient services, including but not limited to outpatient perioperative services and outpatient clinics. As a result, the health care and well-being of the market area population to be served will be improved.

University of Illinois Medical Center at Chicago ("UIMCC"), because of both the broad scope of primary, secondary and tertiary services it provides, and because of its unique role as a community provider of health care services, attracts patients from a wide area, while at the same time serving as a primary site of care for residents in the neighborhoods and communities surrounding the hospital. As a result, a majority of the patients treated at the hospital reside in the neighborhoods and communities surrounding the hospital. Consistent with HFSRB policy, the hospital's geographic service area ("GSA") includes those ZIP Code areas located within ten miles of the hospital. Per *Searchbug*, there are 108 ZIP Code areas in the GSA, and a listing of those ZIP Code areas is attached.

During 2018, UIMCC provided care to 126,935 unique outpatients, and below is an identification of the outpatient utilization of UIMCC by residents of those ZIP Code areas accounting for a minimum of 0.5% of the total outpatient encounters. Based on this analysis, a minimum of 59.81% of the 2018 outpatient encounters involved residents of the GSA, with the total percentage of outpatients residing in the GSA certainly being higher, when those ZIP Code areas contributing less than 0.5% of the outpatient encounters are added.

Zip Code	City	2018 Outpatient Origin Outpt. Encounters	%	Cumulative %
60608	Chicago	7,062	5.60%	5.60%
60623	Chicago	4,936	3.90%	9.50%
60632	Chicago	4,459	3.50%	13.00%
60629	Chicago	4,423	3.50%	16.50%
60609	Chicago	4,134	3.30%	19.80%
60612	Chicago	3,946	3.10%	22.90%
60624	Chicago	3,116	2.50%	25.40%
60644	Chicago	3,017	2.40%	27.80%
60651	Chicago	2,945	2.30%	30.10%
60620	Chicago	2,594	2.00%	32.10%
60607	Chicago	2,500	2.00%	34.10%
60616	Chicago	2,489	2.00%	36.10%
60804	Cicero	2,322	1.80%	37.90%
60639	Chicago	2,304	1.80%	39.70%
60649	Chicago	2,253	1.80%	41.50%
60647	Chicago	1,861	1.50%	43.00%
60637	Chicago	1,736	1.40%	44.40%
60636	Chicago	1,654	1.30%	45.70%
60638	Chicago	1,513	1.20%	46.90%
60402	Chicago	1,439	1.10%	48.00%
60615	Chicago	1,431	1.10%	49.10%
60653	Chicago	1,396	1.10%	50.20%
60621	Chicago	1,367	1.10%	51.30%
60622	Chicago	1,367	1.10%	52.40%
60652	Chicago	1,275	1.00%	53.40%
60618	Chicago	1,182	0.90%	54.30%
60641	Chicago	1,067	0.80%	55.10%
60640	Chicago	925	0.70%	55.80%
60605	Chicago	905	0.70%	56.50%
60411	Chicago	871	0.70%	57.20%
60625	Chicago	799	0.60%	57.80%
60302	Oak Park	691	0.50%	58.30%
60614	Chicago	652	0.50%	58.80%
60626	Chicago	647	0.51%	59.31%
60616	Chicago	641	0.50%	59.81%
ZIP Code area with <0.5%		51,016	40.19%	100.00%
TOTAL		126,935		

Upon the completion of the proposed project, the hospital fully anticipates that the outpatient services addressed through the project will be provided in a more efficient manner.

ATTACHMENT 12

Below is a listing of all ZIP Code areas located within UIMCC's geographic service area.

60612	CHICAGO	60639	CHICAGO
60622	CHICAGO	60618	CHICAGO
60674	CHICAGO	60804	CICERO
60624	CHICAGO	60632	CHICAGO
60607	CHICAGO	60609	CHICAGO
60642	CHICAGO	60303	OAK PARK
60661	CHICAGO	60613	CHICAGO
60608	CHICAGO	60304	OAK PARK
60701	CHICAGO	60302	OAK PARK
60606	CHICAGO	60641	CHICAGO
60654	CHICAGO	60301	OAK PARK
60623	CHICAGO	60653	CHICAGO
60664	CHICAGO	60640	CHICAGO
60668	CHICAGO	60625	CHICAGO
60669	CHICAGO	60402	BERWYN
60670	CHICAGO	60682	CHICAGO
60673	CHICAGO	60130	FOREST PARK
60675	CHICAGO	60305	RIVER FOREST
60677	CHICAGO	60707	ELMWOOD PARK
60678	CHICAGO	60615	CHICAGO
60680	CHICAGO	60636	CHICAGO
60681	CHICAGO	60630	CHICAGO
60684	CHICAGO	60659	CHICAGO
60685	CHICAGO	60629	CHICAGO
60686	CHICAGO	60621	CHICAGO
60687	CHICAGO	60141	HINES
60688	CHICAGO	60660	CHICAGO
60690	CHICAGO	60634	CHICAGO
60691	CHICAGO	60638	CHICAGO
60693	CHICAGO	60546	RIVERSIDE
60694	CHICAGO	60153	MAYWOOD
60696	CHICAGO	60637	CHICAGO
60697	CHICAGO	60534	LYONS
60699	CHICAGO	60171	RIVER GROVE
60695	CHICAGO	60706	HARWOOD HEIGHTS
60647	CHICAGO	60645	CHICAGO
60610	CHICAGO	60161	MELROSE PARK
60689	CHICAGO	60155	BROADVIEW
60602	CHICAGO	60646	CHICAGO
60603	CHICAGO	60626	CHICAGO
60651	CHICAGO	60712	LINCOLNWOOD
60604	CHICAGO	60513	BROOKFIELD

ATTACHMENT 12

60601	CHICAGO	60499	BEDFORD PARK
60614	CHICAGO	60160	MELROSE PARK
60605	CHICAGO	60656	CHICAGO
60644	CHICAGO	60652	CHICAGO
60611	CHICAGO	60620	CHICAGO
60616	CHICAGO	60104	BELLWOOD
60657	CHICAGO	60165	STONE PARK

ALTERNATIVES

Aside from the alternative of "doing nothing", two reasonable alternatives to improving the manner in which outpatient perioperative services and outpatient clinic services are provided were considered, with those being: 1) the de-centralizing of services, including the use of off-campus locations and 2) a project similar to that being proposed, but without the bridge connector to the hospital.

The alternative of using off-site locations, including the establishment of an ASTC, was dismissed because the physical areas to be developed serve as primary teaching sites for the medical, nursing, and allied health professional training programs based at the hospital. Because of the training programs' paramount importance to the role of UIMCC's purpose, this alternative was dismissed. Had this alternative been selected, patient access would likely have been similar to that of the proposed project, but staff and student access would have been compromised. The quality of care would be identical to that of the proposed project. Operating costs and capital costs were not evaluated, but would be dependent on the design of the alternative.

The alternative of building a structure similar or identical to that being proposed through this CON application, but without the bridge connector to the hospital's main building was considered, and subsequently deemed to be inferior to the proposed project. The bridge component of the proposed project will provide for a direct physical link for staff between UIMCC's existing surgical suite (which will provide all inpatient as well as selected outpatient surgery) and the outpatient surgical suite, that is a primary component of the proposed project; as well as a link between the medical center's other inpatient areas and the outpatient services to be provided in the proposed building. The ability for staff to migrate between the two surgical suites without going outside and/or interfacing with the public is viewed as being valuable from the perspectives of staffing efficiency and patient care. Aside from the cost of the bridge (approximately $7M) and minimal duplicative staffing-associated costs, all aspects of this alternative are very similar to those of the proposed project.

SIZE OF PROJECT

The function-specific space allocation developed for this project is the culmination of a planning process that involved hospital representatives, the project architect, and other consultants; and the applicant is confident that the number of treatment sites is necessary, and the physical size of the project not excessive.

As part of the proposed project, UIMCC will be returning the Eye and Ear Infirmary building, which houses three of the clinics included in this project to the university.

The project involves three areas and eight functions having HFSRB-adopted space standards, those being the outpatient perinatal services (operating rooms, procedure rooms, and Phase 1 and Phase 2 recovery), and MRI (the HFSRB does not have standards for PET/CT) and the Multi-Specialty Procedure Area (procedure rooms, Phase 1 recovery and Phase 2 recovery). A comparison of the space allocation of the individual functions to the applicable HFSRB standards is provided in the table on the following page.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Surgery				
Class C ORs (6)	16,400	16,500	(100)	YES
Class B ORs (2)	2,200	2,200	-	YES
Recovery				
Phase 1 (8)	1,400	1,440	(40)	YES
Phase 2 (16)	6,340	6,400	(60)	YES
Imaging				
MRI (1)	1,600	1,800	(200)	YES
Multi-Specialty Procedure				
Class B ORs (8)	8,309	8,800	-491	YES
Phase 1 Recovery (8)	1,440	1,440	none	YES
Phase 2 Recovery (24)	9,000	9,600	-600	YES

UTILIZATION

The proposed project involves three clinical services having HFSRB-adopted utilization standards. The projected utilization of those services is addressed in narrative fashion below, with the required table being provided at the end of this ATTACHMENT. The project also includes the following clinical services, not having HFSRB-adopted utilization standards, and therefore not addressed in this ATTACHMENT: one PET/CT unit, a urology clinic, a transplant clinic, an ophthalmology clinic, an otolaryngology clinic and a gastroenterology clinic.

Surgical Suite

The hospital currently has 21 Class C operating rooms ("ORs"), used for both inpatient and outpatient surgery. Through the proposed project, eight Class C ORs, to be used exclusively for outpatient procedures, will be added, resulting in a total of 29 ORs. Historically, the hospital has significantly exceeded the HFSRB's target utilization rate of 1,500 annual hours per OR; with utilization increasing at a 9.7% annual rate between 2014 and 2018.

Operationally, two significant changes will be made to the manner in which the surgical suite is utilized. First, it is projected that approximately 70% of the outpatient urology caseload will move from the surgical suite to the urology clinic (3,175 hours in 2025, assuming 3% annual growth discussed below). Second, a multi-specialty procedure area (discussed below) will have two procedure rooms designed for "general" usage, as well as gastroenterology procedure rooms. While it is anticipated that a portion of the surgical suite's current general surgery, ophthalmology, orthopedic, otolaryngology, podiatry, gynecological, and plastic outpatient surgery cases will migrate from the surgical suite to the "general" usage procedure rooms in the multi-specialty procedure area, for planning purposes, it is conservatively estimated that only

20% of the outpatient orthopedic surgery and ophthalmology caseload (projected to increase at 8% annually, as discussed below) will leave the surgical suite, a projected total of 2,647 hours in the second year following the project's completion, 2025.

For planning purposes, surgical suite utilization is projected to increase at the conservative annual rate of 3% (compared to the historical rate of 9.7%), which would result in 55,624 hours, less the reductions noted above, resulting in 49,445 projected hours of utilization in 2025. (55,267-3,175-2,647) This utilization "supports" a total of 33 Class C operating rooms, compared to the proposed 29 ORs.

Multi-Specialty Procedure Area

The planned multi-specialty procedure area will consist of eight Class B procedure rooms, six of which will be dedicated to gastroenterology procedures, and two of which will be used for other types of procedures, as noted above.

The hospital currently has six procedure rooms in its endoscopy suite. One room is limited to bronchoscopy procedures, and one room is limited to fluoroscopy procedures, and the remaining four rooms are used for traditional/general endoscopic procedures. Upon the completion of the proposed project, four of the existing six rooms will be discontinued, leaving two procedure rooms to primarily address the needs of inpatients.

Between 2014 and 2018 inpatient gastroenterology utilization increased at an annual rate of 3.1%, with a total of 1,682 hours being utilized in 2018. Inpatient utilization is projected grow at an annual rate of 3% through 2025, resulting in a projected 2,068 hours of inpatient usage, supporting the two procedure rooms to remain accessible to inpatients. During the same period, outpatient utilization increased at an annual rate of 6.7%, with a total of 5,069 hours being utilized in 2018. Outpatient demand, primarily driven by screening colonoscopies, is projected to increase at a rate exceeding the overall historical rate of 6.7%. However, to lend conservatism to the utilization projection, outpatient gastroenterology procedures are projected to continue to grow at the historical rate of 6.7%, annually, resulting in a projection of 7,981 hours of outpatient utilization in 2025, supporting the need for the six gastroenterology procedure rooms to be located in the multi-specialty procedure area.

Additionally, and as discussed above, two procedure rooms will be provided for minor surgical procedures heretofore performed in the surgical suite, due to the lack of an alternative location. While, at least seven surgical specialties (see discussion above) will have access to these procedure rooms, to lend conservatism to the projected utilization, those projections are based on the assumption that 20% of the outpatient ophthalmology and orthopedic surgery caseload will be performed in the procedure rooms. Between 2014 and 2018, outpatient ophthalmology OR utilization (hours) increased at an annual rate of 11.4%, and outpatient orthopedic surgery OR utilization increased at an annual rate of 12.2%. For planning purposes, utilization of both specialties is projected to grow at an annual rate of 8%, through 2025. As a result, utilization of these two specialties, factored by 20%, is projected to result in 2,647 hours of required procedure room time in 2025, supporting the need for the two proposed "general" usage procedure rooms.

Imaging

A small imaging department, consisting of one MRI unit and one PET/CT unit will be located in the proposed outpatient building. As noted above, the HFSRB does not have utilization standards for PET/CT units.

During 2018, 13,019 MRI procedures, or 74% of the MRI procedures performed at the hospital, were performed on outpatients. The hospital currently operates four on-campus MRI units, and one off-campus unit, all of which will remain in operation. During 2018, a total of 17,657 MRI procedures were performed, and during the period 2015-2018, annual utilization increased by an average of 4.9% per year. Utilization is projected to increase by 3% a year, through 2025, resulting in a projection of 21,715 procedures that year, to be performed on six units, an average of 3,619 procedures per unit, compared to the HFSRB's standard of 2,500 procedures per unit.

	PROJECTED UTILIZATION YEAR 1	YEAR 2	STATE STANDARD	MET STANDARD?
Surgery (29)-hrs	47,962	49,445	42,001+	YES
GI Hrs-Outpt (6)-hrs		7,981	7,501+	YES
Gen'l Proc. (2)-hrs	2,435	2,647	1,501+	YES
MRI (6)-exams	21,064	21,715	12,501+	YES

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project is necessary to provide additional capacity for the provision of the clinical services identified in the table below, and to address the demand for those services.

Please refer to ATTACHMENT 15 for discussions relating to historical utilization, demand, and projected utilization of the individual clinical services.

Service	# Existing Key Rooms	# Proposed Key Rooms
Operating Rooms	21	29
Procedure Rooms	8	10
MRI	5	6
Clinic Exam Rooms	97	152

#20-001

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Annual Financial Report

June 30, 2018

(With Independent Auditors' Report Thereon)

ATTACHMENT 33

#20-001

ATTACHMENT 33

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Annual Financial Report

June 30, 2018

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UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller
349 Henry Administration Building, 506 South Wright Street • Urbana, Illinois 61801

December 19, 2018

Holders of University of Illinois
Health Services Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Health Services Facilities System for the fiscal year ended June 30, 2018. This report supplements the Annual Financial Report of the University of Illinois.

The Health Services Facilities System continues to have to a strong financial position thanks to an increase in patient revenue realization and appropriation support from the State of Illinois. Through effective and efficient utilization of resources, prudent decision-making and a commitment to excellence by medical professionals, administrators and staff, the Health Services Facilities System continued to advance its mission in fiscal year 2018.

The 2018 financial statements and accompanying notes appearing on pages 5 through 34 have been audited by CliftonLarsonAllen LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois, whose report on the financial statements appears on pages 2 through 4.

CliftonLarsonAllen LLP will also prepare a report for the year ended June 30, 2018, containing special data requested by the Auditor General and another report covering their audit of the compliance of the University with applicable state and federal laws and regulations for the year ended June 30, 2018. These reports, which include some data related to the Health Services Facilities System, are not contained herein and are primarily for the use of the Auditor General and state and federal agencies.

Very truly yours,

SIGNED ORIGINAL ON FILE

Avijit Ghosh,
Vice President, Chief Financial Officer and Comptroller

Urbana • (217) 333-1560 • Fax (217) 244-8108
Chicago • 1737 West Polk Street • Chicago, Illinois 60612 • (312) 996-8800

#20-001

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois
and Board of Trustees
University of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the University of Illinois Health Services Facilities System (the System), a segment of the University of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ATTACHMENT 33

Honorable Frank J. Mautino
Auditor General, State of Illinois
and Board of Trustees
University of Illinois

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the System as of June 30, 2018, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(a), the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of University of Illinois as of June 30, 2018, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Systems' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of University of Illinois Health Services Facilities System Proportionate Share of the Net Pension Liability on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and Board of Trustees
University of Illinois

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated December 19, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Peoria, Illinois
December 19, 2018

#20-001

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Net Position

June 30, 2018
(with summarized comparative information for June 30, 2017)

Assets and Deferred Outflow of Resources	2018	2017
Current assets:		
Claim on cash and on pooled investments	$ 226,745,816	$ 183,050,780
Restricted claim on cash and on pooled investments	1,102,400	1,115,900
Restricted cash and cash equivalents	38,045	25,760
Accrued investment income	801,777	631,917
Patient accounts receivable, net	162,101,942	154,960,372
Receivable from the State of Illinois	39,588,800	
Other receivables	10,233,948	9,135,817
Inventories	6,247,287	6,172,549
Prepaid expenses, deposits, and other assets	2,450,673	1,503,907
Total current assets	449,310,688	356,597,002
Noncurrent assets:		
Restricted claim on cash and on pooled investments	21,758,266	12,913,356
Restricted cash and cash equivalents	38,268	2,540,005
Restricted investments	5,504,215	17,317,772
Capital assets, net of accumulated depreciation	203,372,257	201,619,437
Total noncurrent assets	230,673,006	234,390,570
Deferred outflow of resources	3,291,265	4,666,875
Total assets and deferred outflow of resources	$ 683,274,959	$ 595,654,447
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 72,268,217	$ 49,208,878
Accrued payroll	14,085,435	13,818,349
Accrued interest payable	1,140,445	1,141,660
Estimated third-party settlements	68,921,214	61,520,168
Unearned revenues		97,816
Current maturities of long-term debt	3,837,115	4,649,688
Current portion of accrued compensated absences	2,137,664	2,173,300
Total current liabilities	162,390,090	132,609,859
Noncurrent liabilities:		
Long-term debt, net of current maturities	105,612,770	109,449,884
Accrued compensated absences, net of current portion	24,366,519	22,830,419
Derivative instrument – swap liability	1,868,697	3,071,874
Total noncurrent liabilities	131,847,986	135,352,177
Total liabilities	294,238,076	267,962,036
Net investment in capital assets	101,825,277	100,076,640
Restricted:		
Expendable for capital projects	19,558,832	17,046,888
Expendable for debt service	15,641	13,091
Unrestricted	267,637,133	210,555,792
Total net position	389,036,883	327,692,411
Total liabilities and net position	$ 683,274,959	$ 595,654,447

See accompanying notes to financial statements.

ATTACHMENT 33

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2018
(with summarized comparative information for year ended June 30, 2017)

	2018	2017
Operating revenues:		
Net patient service revenues	$ 721,081,781	$ 672,724,981
Revenues recognized on behalf of the System	28,018,039	29,197,700
Other revenues	42,198,886	37,540,591
Total operating revenues	791,298,706	739,463,272
Operating expenses:		
Salaries and wages	332,524,265	315,690,489
Fringe benefits	323,092,114	298,438,110
Supplies and general expenses	393,141,666	369,687,746
Administrative services	13,056,116	13,859,481
Depreciation and amortization	21,498,679	20,845,815
Total operating expenses	1,083,312,840	1,018,521,641
Operating loss	(292,014,134)	(279,058,369)
Nonoperating revenues (expenses):		
On-behalf for fringe benefits	316,872,252	292,263,906
State appropriations	57,595,400	20,177,300
Transfer of State appropriations to the University of Illinois Hospital Services Fund	(20,000,000)	(20,177,300)
Net (decrease) increase in fair value of investments	(656,800)	1,000,999
Interest on capital asset related debt	(4,365,815)	(4,054,283)
Investment income (net of related expenses)	3,535,130	2,766,745
Loss on disposal of capital assets	(59,105)	(127,993)
Other nonoperating revenues, net	437,544	60,472
Net nonoperating revenues	353,358,606	291,909,846
Increase in net position	61,344,472	12,851,477
Net position, beginning of year	327,692,411	314,840,934
Net position, end of year	$ 389,036,883	$ 327,692,411

See accompanying notes to financial statements.

#20-001

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2018
(with summarized comparative information for year ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Patient services	$ 721,341,257	$ 692,151,157
Payments to suppliers	(375,326,575)	(349,726,756)
Payments for administrative services	(13,056,116)	(13,859,481)
Payments to employees	(316,608,178)	(298,235,420)
Payments for benefits	(4,719,398)	(4,498,704)
Other receipts	41,002,939	43,207,867
Net cash provided by operating activities	52,633,929	69,038,663
Cash flows from noncapital financing activities:		
State appropriations	18,006,600	
Other receipts	71,636	59,459
Net cash provided by noncapital financing activities	18,078,236	59,459
Cash flows from capital and related financing activities:		
Purchases of capital assets	(25,523,432)	(32,362,219)
Principal paid on capital debt and leases	(4,285,066)	(5,341,043)
Interest paid on capital debt and leases	(5,388,700)	(5,500,640)
Net cash used in capital and related financing activities	(35,197,198)	(43,203,902)
Cash flows from investing activities:		
Interest on investments	3,365,269	2,614,528
Pooled cash allocated (to) from University related to unrealized (losses) gains	(671,509)	1,035,109
Purchases of investments	(2,972,270)	(26,397,491)
Sales of investments	14,800,537	38,208,655
Net cash provided by investing activities	14,522,027	15,460,801
Net increase in cash and cash equivalents	50,036,994	41,355,021
Cash and cash equivalents, beginning of year	199,645,801	158,290,780
Cash and cash equivalents, end of year	$ 249,682,795	$ 199,645,801

ATTACHMENT 33

(Continued)

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2018
(with summarized comparative information for year ended June 30, 2017)

	2018	2017
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (292,014,134)	$ (279,058,369)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	21,498,679	20,845,815
Provision for uncollectible accounts	26,308,488	40,593,579
On-behalf for fringe benefits	316,872,252	292,263,906
Changes in assets and liabilities:		
Patient receivables	(33,450,058)	(25,722,893)
Other receivables	(1,098,131)	5,704,432
Inventories	(74,738)	(117,708)
Prepaid expenses, deposits, and other assets	(946,766)	(329,319)
Accounts payable and accrued expenses	6,734,643	8,665,386
Estimated third-party settlements	7,401,046	4,555,490
Accrued compensated absences	1,500,464	1,675,500
Unearned revenues	(97,816)	(37,156)
Net cash provided by operating activities	$ 52,633,929	$ 69,038,663
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits	$ 316,872,252	$ 292,263,906
State appropriation	20,000,000	20,177,300
Transfers to University of Illinois Hospital Services Fund	(20,000,000)	(20,177,300)
Other capital asset adjustments	21,620	49,875
Net interest capitalized	1,173,769	1,577,172
(Decrease) increase of capital assets obligations in accounts payable	(3,408,217)	3,647,612
Loss on disposal of capital assets	$ (59,105)	$ (127,993)

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Notes to Financial Statements

June 30, 2018

(1) Organization and Summary of Significant Accounting Policies

Organization

The University of Illinois Health Services Facilities System (System) comprises the University of Illinois Hospital (Hospital) and associated clinical facilities providing patient care at, but not limited to, the University of Illinois at Chicago Medical Center. The System is a tertiary care facility located in Chicago, Illinois offering a full range of clinical services. The System does not include the operations of the University of Illinois' Medical Service Plans or Colleges of Medicine. Management of the System is the responsibility of the University of Illinois (University).

The System was established by a Bond Resolution (Resolution) of the Board of Trustees (Board) of the University of Illinois adopted on January 22, 1997. These financial statements have been prepared to satisfy the requirements of the 1997B, 2008 and 2013 bond indentures. The financial balances and activities of the System are also included in the University's financial statements. The financial statements of the System are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and has not presented management's discussion and analysis.

The financial statements include certain prior year comparative information that has been derived from the System's 2017 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2017.

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

The System prepared its financial statements as a Business Type Activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business Type Activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Advances are classified as unearned revenues.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and all liquid investments with original maturities of ninety days or less are defined as cash and cash equivalents.

(c) Investments

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Fair value is determined for the System's investments based upon a framework described in Note 2(f). Bank deposits and money market funds are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(d) Inventories

Inventories of pharmaceutical and other supplies are stated at the lower of cost, determined using the first-in, first-out method, or market.

(e) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition value at the date of a gift. Depreciation of capital assets is calculated on a straight-line basis over the estimated useful lives (see below) of the respective assets. The System's policy requires the capitalization of land and collection purchases regardless of cost, equipment over $5,000, software, easements, buildings and improvements over $100,000 and infrastructure over $1,000,000. The System does not capitalize collections, such as works of art or historical treasures, which are held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection.

Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25		
Intangibles:		Moveable equipment:	
Software	5 – 10	Equipment	3 – 20

(f) Deferred Outflow of Resources

Under hedge accounting, the University has determined that the interest rate swap agreement on the System's bonds payable, as a hedging derivative instrument, is an effective hedge. Accordingly, changes in the fair value of the interest rate swap, since being associated with the related outstanding bonds, is reported as a deferred outflow of resources on the accompanying Statement of Net Position. Additionally, an interest rate swap reassigned to new debt, after a refunding of debt that the swap previously hedged, normally has an other than zero fair value upon the reassociation. For a swap with a fair value of other than zero upon reassociation with a hedgeable item, the fair value is amortized as an adjustment to interest expense in a systematic manner.

Losses on refundings for the System's bonds are reported as deferred outflow of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method.

Deferred Outflow of Resources						
		Beginning balance	Additions	Deductions	Change in fair value	Ending balance
Interest rate swap agreement that hedges Series 2008 bonds	$	2,347,705	78,300		(1,203,177)	$ 1,222,828
Unamortized deferred loss on refunding		2,319,170		(250,733)		2,068,437
Total deferred outflow of resources	$	4,666,875	78,300	(250,733)	(1,203,177)	$ 3,291,265

(g) Compensated Absences

Accrued compensated absences for System personnel are charged as an operating expense, using the vested method, based on earned but unused vacation and sick leave days including the System's share of Social Security and Medicare taxes. The estimated outstanding liability at June 30, 2018 was $26,504,183.

(h) Premiums

Premiums for the System's bonds are reported within long-term debt and amortized over the life of the debt issue using the straight-line method.

(i) Net Position

The System's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets, (b) Restricted – net position subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The System first applies resources included in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(j) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the System's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services.

Certain revenue sources that the System relies on for operations including on-behalf payments for fringe benefits and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of net nonoperating revenues.

In fiscal year 2018, $20,000,000 was appropriated by the State to be transferred to the University of Illinois Hospital Services Fund, which is a special fund established in the State of Illinois Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services. It is not part of or a related organization of the University.

Other operating revenues of the System include capitation payments from Health Maintenance Organizations (HMOs) to provide medical services to subscribers, revenues from laboratory services provided to external organizations, cafeteria/gift shop sales and other sources.

(k) Patient Services Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, some of which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods.

The System provides allowances for uncollectible accounts receivable based upon management's best estimate of uncollectible accounts, considering type, age, collection history, and any other factors as considered appropriate.

(l) Charity Care

The policy of the System is to treat patients in immediate need of medical services without regard to their ability to pay for such services. The System provides care without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. This policy defines charity care and provides guidelines for assessing a patient's ability to pay. Eligibility is based on patient qualification, financial resources and service criteria. Because the System does not pursue collection of amounts determined to be charity care, they are not reported as revenue.

The System maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated cost of charity care using the System's cost-to-charge ratio was $18,397,000 for fiscal year 2018, an increase of 37% from the prior year, primarily due to accelerated charity reviews being performed, an increase in the number of patients qualifying for charity care and patients who qualified under the presumptive requirement of the System's financial assistance policy who were either declined Medicaid coverage or were previously covered by Medicaid but are now uninsured. The ratio of costs to charges is calculated based on the System's total operating expenses. Unreimbursed costs of providing care to Medicare and Medicaid patients are not included as charity care.

(m) Classification of Expenses

The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include transfers of State appropriations and capital financing costs.

(n) On-Behalf for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported expenses incurred by the State of Illinois (State) on behalf of the System related to State group insurance and retirement programs, including postemployment benefits, for System employees and its retirees of $316,872,252 for the year ended June 30, 2018.

On-behalf for fringe benefits are classified as nonoperating revenues and the corresponding expenses are reported in fringe benefits of the System as operating expenses.

(o) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the plan net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

(p) Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) New Accounting Pronouncements

The System adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which was effective for periods beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit other postemployment benefits (OPEB), this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Implementation of this pronouncement required a change to the System's footnote 8(b) disclosures and an increase in on-behalf for fringe benefits.

The System adopted the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which was effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Implementation of this pronouncement did not impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, which was effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Implementation of this pronouncement did not impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which was effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Implementation of this pronouncement did not impact the System's financial statements.

(2) Cash, Cash Equivalents and Investments

The System has cash and certain investments that are pooled with other University funds for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Income is distributed based upon average quarterly balances invested in the investment pool.

Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk.

The following details the carrying value of the System's cash, cash equivalents, and investments as of June 30, 2018:

U.S. government treasuries	$	4,004,501
U.S. government securities		1,499,714
Money market funds		76,313
Subtotal		5,580,528
Claim on cash and pooled investments		249,606,482
Total cash, cash equivalents and investments	$	255,187,010

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(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay's Capital 90-Day and Bank of America Merrill Lynch 12-month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers' performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year-to-three-year Government Credit Bond Index, the Barclays Capital Intermediate Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The System's non-pooled investments and maturities as of June 30, 2018 were as follows:

		Maturities - Less than 1 year
U.S. government treasuries	$	4,004,501
U.S. government securities		1,499,714
Money market funds		76,313
Total cash equivalents and investments	$	5,580,528

Claim on cash and on pooled investments represents the System's share of participation in the University's operating internal investment pool. At June 30, 2018, the University's operating internal investment portfolio had an effective duration for its interest-bearing securities of 1.5 years.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g., money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short-term instruments using Standard and Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk. At June 30, 2018, the University's operating internal investment pool and non-pooled investments primarily consisted of securities with quality ratings of A or better.

(c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2018, the System's investments and deposits had no custodial credit risk exposure.

(d) *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized securities, an individual issuance trust. These concentration limits do not apply to investments in money market funds, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2018, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding money market funds, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

(e) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars. The University's operating fund investments generally are not exposed to foreign currency risk.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, private equity and absolute return strategies. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) *Investments and Fair Value Measurements*

Accounting guidance for fair value establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the System has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the System has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments may be classified as Level 1 when the values are based upon unadjusted quoted prices in active markets for identical assets and generally include active listed equities. Publicly-traded investments that have no or insignificant restrictions are classified in Level 1 of the fair value hierarchy. Level 1 securities would include exchange traded equities.

Investments may be classified as Level 2 when the values include inputs that are directly observable for an asset (including quoted prices for similar assets), as well as inputs that are not directly observable for the asset. These inputs are derived principally from or corroborated by observable market data through correlation or by other means (market-corroborated inputs). The concept of market-corroborated inputs is intended to incorporate observable market data (such as interest rates and yield curves that are observable at commonly quoted intervals) based upon an assessment of factors relevant to the asset or liability. Level 2 securities include US Treasury bonds and bills, US government agencies, international government bonds and agencies, nongovernment mortgage-backed securities, asset backed securities, corporate bonds, commercial paper, and municipal bonds.

Investments may be classified as Level 3 when the values include inputs that are unobservable and Level 1 and Level 2 inputs are not available. The values are based upon the best information available under the circumstances and may include management's own data. Level 3 securities include certain types of inactively traded corporate bonds and equities.

The following table summarizes assets measured at fair value as of June 30, 2018, segregated by the level of the valuation inputs within the hierarchy utilized to measure fair value:

Fair Value Measurements as of June 30, 2018

Investments in which fair value was measured based on significant other observable inputs (Level 2):		
U.S. government treasuries	$	4,004,501
U.S. government securities		1,499,714
Investments subject to fair value hierarchy		5,504,215
Investments measured at cost:		
Money market funds		76,313
Total cash equivalents and investments	$	5,580,528

(3) Capital Assets

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of $1,173,769 was capitalized during the year ended June 30, 2018. The capital assets of the System are not pledged to secure outstanding indebtedness of the Board.

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

Capital assets

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 770,917				$ 770,917
Construction in process	20,132,568	13,546,431		(27,947,936)	5,731,063
Total nondepreciable capital assets	20,903,485	13,546,431		(27,947,936)	6,501,980
Depreciable capital assets:					
Buildings	261,020,381			26,339,450	287,359,831
Leasehold improvements	2,320,152				2,320,152
Equipment	159,425,381	9,764,173	(906,196)		168,283,358
Software	43,753,575			1,608,486	45,362,061
Total depreciable capital assets	466,519,489	9,764,173	(906,196)	27,947,936	503,325,402
Less accumulated depreciation:					
Buildings	118,332,218	8,923,369			127,255,587
Leasehold improvements	2,220,091	28,588			2,248,679
Equipment	132,327,525	9,257,398	(847,091)		140,737,832
Software	32,923,703	3,289,324			36,213,027
Total accumulated depreciation	285,803,537	21,498,679	(847,091)	—	306,455,125
Total depreciable capital assets, net	180,715,952	(11,734,506)	(59,105)	27,947,936	196,870,277
Total capital assets, net	$ 201,619,437	1,811,925	(59,105)	—	$ 203,372,257

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(4) Long-Term Obligations

During fiscal year 1997, the University issued $25,000,000 of Health Services Facilities System Revenue Bonds Series 1997B. The bonds are variable rate bonds which bear interest at a rate determined weekly and paid monthly. Proceeds from the bonds were used to finance the costs of a new ambulatory care facility in Chicago, a medical office building in Rockford, Illinois and to pay costs incidental to the issuance of the bonds.

During fiscal year 2008, the University issued $41,215,000 Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2008. The bonds are variable rate bonds which bear interest at a rate determined weekly. Proceeds from the bonds funded the redemption of the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2007 on July 28, 2008 and paid costs incidental to the issuance of the bonds. The difference between the reacquisition price and net carrying amount of the old debt, loss on refunding, was $4,485,000. This loss is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

During fiscal year 2014, the University issued $70,785,000 Health Services Facilities System Revenue Bonds, Series 2013. The bonds are fixed rate bonds which bear interest payable on April 1 and October 1 of each year. Proceeds from the bonds are being used to finance the costs of certain construction, renovation and equipment purchases for the System and to pay costs incidental to the issuance of the Series 2013 Bonds. The bond premium, $591,216, is deferred and amortized over the remaining life of the issue.

Long-term obligations activity for the year ended June 30, 2018 was as follows:

			Long-term obligations				
Series	**Rate on June 30 outstanding debt**	**Fiscal year maturity dates**	**Beginning balance**	**Additions**	**Deductions**	**Ending balance**	**Current portion**
Bonds payable:							
1997B	Variable	2019 – 2027	$ 12,400,000	$	$ (1,000,000)	$ 11,400,000	$ 1,100,000
2008	Variable	2019 – 2027	29,060,000		(2,485,000)	26,575,000	2,520,000
2013	5% to 6.25%	2028 – 2043	70,785,000			70,785,000	
			112,245,000	—	(3,485,000)	108,760,000	3,620,000
Unamortized premium			513,439		(20,335)	493,104	20,334
	Total bonds payable		112,758,439	—	(3,505,335)	109,253,104	3,640,334
Other obligations			1,341,133		(1,144,352)	196,781	196,781
	Total long-term debt		114,099,572	—	(4,649,687)	109,449,885	3,837,115
Compensated absences			25,003,719	3,446,770	(1,946,306)	26,504,183	2,137,664
	Total long-term obligations		$ 139,103,291	$ 3,446,770	$ (6,595,993)	$ 135,954,068	$ 5,974,779

The bonds do not constitute obligations of the State of Illinois. Bond principal and interest payments are funded from revenues pledged from (a) System net revenues, principally consisting of all charges, income and revenues received from the continued use and operation of the System remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System, (b) Medical Service Plan (MSP) revenues net of bad debt expense and contractual allowances and (c) College of Medicine tuition revenue. These revenues for the year ended June 30, 2018 are as follows:

System net revenues	$	76,985,159
Adjusted MSP revenues		238,535,817
College of Medicine student tuition		53,784,043
Total	$	369,305,019

The table below shows the amount of revenues pledged for future principal and interest payments on the bonds:

Pledged revenues					
Bond issue(s)	Purpose	Source of revenue pledged	Future revenues pledged[1]	Term of commitment	Debt service to pledged revenues (current year)
Series 1997B, 2008 and 2013	Additions to System and Refunding	System net revenues, MSP revenues net of bad debt and contractual allowances, College of Medicine tuition	$ 191,973,056	2043	2.40%

[1] Total estimated future principal and interest payments on debt

The resolutions authorizing the bonds provides for the establishment of separate funds as follows: Revenue Fund, Project Fund, Repair and Replacement Reserve, Equipment Reserve, Bond and Interest Sinking Fund and Development Reserve. All income and revenues received from the continued use and operation of the System, as provided for by the Bond Resolution, are to be deposited in the Revenue Fund and used to pay necessary operation and maintenance expenses of the System. The Bond Resolution also requires transfers to funds as follows:

Project Fund – at the discretion of the University Comptroller, amounts not needed to complete construction and renovation projects specified in the Bond Resolution are required to be transferred either to the Repair and Replacement Reserve or to the Bond and Interest Sinking Fund.

Repair and Replacement Reserve – an amount calculated as specified in the Bond Resolution to provide for the cost of unusual maintenance and repairs.

Equipment Reserve – an amount approved by the Board for the acquisition of movable equipment to be installed in the facilities constituting the System. The reserve may not exceed 20% of the book value of the movable equipment of the System.

Bond and Interest Sinking Fund – amounts transferred into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds.

Development Reserve – an amount approved by the Board for System development. No transfers were authorized by the Board during the year ended June 30, 2018, and there was not a balance in the reserve at June 30, 2018.

The System made all required transfers for the year ended June 30, 2018.

After fulfillment of the provisions described above, the surplus, if any, remaining in the Revenue Fund may be used at the Board's option (a) to redeem bonds of the System which are subject to early redemption, (b) to improve or add facilities to the System, or (c) for any other lawful purpose.

Assets restricted by Bond Resolution were held for the following purposes at June 30, 2018:

Restricted assets:		
Cash and investments	$	28,441,194
Purpose:		
Capital projects, bond projects	$	7,726,277
Repair and replacement reserve		19,558,831
Bond and interest sinking fund		1,156,086
Total assets limited as to use		28,441,194
Less amounts required for current liabilities		(1,140,445)
Total for long-term use	$	27,300,749

(a) *Health Services Facilities System Variable Rate Debt and Interest Rate Swap Agreement*

Demand Provisions

The System's Series 1997B and 2008 bonds mature serially through October 2026. These bonds have variable interest rates that are adjusted periodically (i.e., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's remarketing agents. The University pays the remarketing agent fees on the outstanding bond balance. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the University has a standby bond purchase agreement with a liquidity facility entity. The University has several such agreements, with the fees on the Bond Purchase Commitment (formula based on outstanding bonds plus pro forma interest). The University, in the event a liquidity facility is utilized, has reimbursement agreements with associated financial entities. Generally, the payback period, in which the initial payment is due 366 days after the agreement takes effect, is five to seven years, at an interest rate initially set at slightly above prime or the federal funds rate.

The required future interest payments for these variable rate bonds have been calculated using the current interest rate, based upon short-term tax-exempt rates, or the synthetic fixed rate, as illustrated in the table below:

Variable rate bonds at June 30, 2018

Bond issues	Interest rate at June 30, 2018	Remarketing agent	Remarketing fee	Liquidity facility: Bank	Liquidity facility: Expiration	Liquidity facility: Insured by	Liquidity facility: Fee
HSFS, Series 1997B	1.55%	JPMorgan Securities	0.070%	Wells Fargo	May 30, 2019	Letter of Credit	0.72%
HSFS, Series 2008	1.49	Goldman Sachs	0.070	Wells Fargo	May 30, 2019	Letter of Credit	0.72

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Interest Rate Swap Agreement

In fiscal year 2009, the University entered into a variable-to-fixed interest rate swap agreement with Loop Financial Products I LLC (Loop). The purpose of this interest rate swap was to hedge the Series 2008 debt by effectively changing the variable interest rate on the bonds to a synthetic fixed rate. When the swap agreement was entered, the notional amount of the swap was $40,875,000. In accordance with the swap agreement, the University makes monthly payments to the counterparty (Loop) equal to 3.534% of the notional amount and receives monthly payments from Loop equal to 68% of the one-month London Interbank Offered Rate (LIBOR). The swap will terminate in October 2026. As of June 30, 2018, the notional amount of the swap was $26,360,000.

The University engaged a third-party consultant to determine the fair value of the swap agreement. The fair value provided by the consultant was derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant market conditions. The fair value (Level 2 measurement) is recognized as a noncurrent liability and was $1,868,697 as of June 30, 2018.

In connection with the interest rate swap agreement, the University may be exposed to various types of risk:

Credit Risk – As of June 30, 2018, the University was not exposed to credit risk because the swap had a negative fair value. If interest rates change and the fair value of the swap becomes positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The counterparty may have to post collateral in the University's favor in certain conditions, and the University would never be required to post collateral in the counterparty's favor.

Interest Rate Risk – During fiscal year 2018, low interest rates exposed the University to interest rate risk, which adversely affected the fair value of the swap agreement.

Termination Risk – The swap is scheduled to terminate in October 2026. The University has the option to terminate the swap early. The University or Loop may terminate the swap if the other party fails to perform under the terms of the contract. The University may terminate the swap if both credit ratings of the counterparties fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Service. As of June 30, 2018, the counterparty (Loop) credit rating by Standard & Poor's was A- and by Moody's Investors Service was Baa1.

If the swap is terminated, the Series 2008 variable-rate bonds would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, the swap has a negative fair value, the University would be liable to Loop for a payment equal to the swap's fair value.

Basis Risk – The swap exposes the University to basis risk should the relationship between LIBOR and the variable weekly rate determined by the remarketing agent change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

Other Risks – Since the swap agreement extends to the maturity of the Series 2008 bonds, it does not expose the University to rollover risk. In addition, the University is not exposed to foreign currency risk associated with this swap agreement. The University is not exposed to market access risk as of June 30, 2018. However, if the University decides to issue refunding bonds and credit is more costly at that time, it could be exposed to market access risk.

(b) Debt Service Requirements

Future estimated debt service requirements for the Series 1997B, 2008 and 2013 Bonds at June 30, 2018 were as follows:

	Principal	Interest
2019	$ 3,620,000	$ 5,297,537
2020	3,755,000	5,188,656
2021	3,900,000	5,076,093
2022	4,045,000	4,959,136
2023	4,200,000	4,838,177
2024 - 2028	21,180,000	22,229,488
2029 - 2033	16,250,000	18,312,681
2034 - 2038	21,955,000	12,610,750
2039 - 2043	29,855,000	4,700,538
Total debt service	108,760,000	$ 83,213,056
Unamortized premium	493,104	
Total bonds payable	$ 109,253,104	

The required debt service for the variable rate Series 1997B and 2008 Bonds has been calculated using the current interest rate of 1.55% and 1.49%, respectively, over the remaining life of the bonds.

Using the actual rate in effect as of June 30, 2018 (1.49% for Series 2008), debt service requirements of the Series 2008 variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will also vary.

Health Services Facilities System Revenue Refunding Bonds, Series 2008
Variable-Rate Debt Service Requirements

	Variable rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
2019	$ 2,520,000	395,967	479,700	$ 3,395,667
2020	2,655,000	358,420	425,419	3,438,839
2021	2,700,000	318,860	370,500	3,389,360
2022	2,845,000	278,630	312,372	3,436,002
2023	2,900,000	236,239	253,436	3,389,675
2024 - 2027	12,955,000	490,136	363,066	13,808,202
Total	$ 26,575,000	2,078,252	2,204,493	$ 30,857,745

Another obligation consists of a third-party financing arrangement for equipment, which has a maturity date through 2019 and an interest rate of 1.64%.

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As of June 30, 2018, future minimum payments under other obligations are as follows:

		Principal		Interest
2019	$	196,781	$	3,235
Total minimum payments – other obligations	$	196,781	$	3,235

(5) Operating Leases

The System leases various real property and equipment under operating lease agreements, including leases renewed on an annual basis. Total rental expense under these agreements was $2,005,031 for the year ended June 30, 2018.

As of June 30, 2018, future minimum payments under operating leases are as follows:

2019	$	1,323,180
2020		1,185,806
2021		631,157
2022		561,640
2023		212,606
2024 - 2026		253,571
Total minimum payments – operating leases	$	4,167,960

(6) Patient Accounts Receivable

Patient accounts receivable as of June 30, 2018, reported as current assets, consisted of the following amounts:

Patient accounts receivable, net of contractual allowances and charity care:		
Medicaid managed care	$	137,123,638
HMO/PPO		99,030,979
Medicaid		35,793,871
Commercial insurance		33,308,399
Medicare managed care		28,514,323
Medicare		22,585,162
Self-pay and other		13,745,875
Total		370,102,247
Less allowance for uncollectible accounts		(208,000,305)
Total patient accounts receivable, net	$	162,101,942

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 at June 30, 2018 was as follows:

Medicaid managed care	37.1 %
HMO/PPO	26.8
Medicaid	9.7
Commercial insurance	9.0
Medicare managed care	7.7
Medicare	6.0
Self-pay and other	3.7
	100.0 %

(7) Net Patient Service Revenues

Approximately 93% of the System's net patient service revenue was derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2018. Reimbursement under these programs provided payments to the System at amounts different from its established rates, based on a specific amount per case, or a contracted price, for rendering services to program beneficiaries. The System records contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs, and adjusts them in future periods as final settlements through cost reports or other means as determined.

Net patient service revenue for the fiscal year ending June 30, 2018 was as follows:

Medicaid managed care	$	804,249,774
HMO/PPO		629,109,385
Medicare		516,823,441
Medicaid		172,656,223
Medicare managed care		200,895,608
Commercial insurance		64,016,332
Self-pay and other		120,401,998
Total gross revenue		2,508,152,761
Less:		
Contractual allowances		(1,760,762,492)
Provision for uncollectible accounts		(26,308,488)
Net patient revenue	$	721,081,781

A summary of the payment arrangements with major third-party payers follows:

Medicare and Medicare Managed Care – Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient services are paid at prospectively determined rates that are based on the patients' diagnosis. Outpatient payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012. For the fiscal year ended June 30, 2018, changes in estimates related to the settlement of cost reports have been recognized as an increase in net patient service revenue of approximately $2,014,000 as a result of settled cost reports and changes in estimates related to services rendered in previous years.

Medicaid and Medicaid Managed Care – Services are reimbursed at prospectively determined rates. Medicaid payment methodologies and rates for services rendered are subject to change and the amount of funding available to the University of Illinois Hospital Services Fund. Such changes could have a significant effect on the System's revenues.

HMO/PPO – The System has payment agreements with certain health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, prospectively determined daily rates and capitated per-member per-month rates.

(8) Retirement and Postemployment Benefits

(a) Retirement Benefits

General Information about the Pension Plan

Plan Description: The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5. Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

Contributions: The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2017 and 2018 respectively, was 12.53% and 12.46% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: The net pension liability was measured as of June 30, 2017. At June 30, 2017, SURS reported a net pension liability of $25,481,105,995.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the System is $0. The proportionate share of the State's net pension liability associated with the System is $2,068,800,122. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2017.

Pension Expense: At June 30, 2017 SURS reported a collective net pension expense of $2,412,918,129.

Employer Proportionate Share of Pension Expense: The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the University recognized on-behalf revenue and pension expense of $1,040,720,544 for fiscal year ended June 30, 2018, of which $195,903,879 was related to the System.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 139,193,227	$ 1,170,771
Changes in assumption	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	
Total	$ 438,818,369	$ 260,828,348

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(Continued)

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expense

Year Ending June 30		Net Deferred Outflows of Resources
2018	$	55,589,850
2019		187,874,276
2020		90,475,551
2021		(155,949,656)
2022		-
Thereafter		-
Total	$	177,990,021

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	7.34%
Global Equity	8%	6.85%
Fixed Income	19%	1.38%
Treasury-Inflation Protected Securities	4%	1.17%
Emerging Market Debt	3%	4.14%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	3.95%
Opportunity Fund	1%	6.71%
Total	100%	5.20%
Inflation		2.75%
Expected Arithmetic Return		**7.95%**

Discount Rate: A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
$30,885,146,279	$25,481,105,995	$20,997,457,586

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

(b) Postemployment Benefits

Plan description: The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System ("GARS"), Judges Retirement System ("JRS"), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System ("TRS"), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for the SURS members were defined within Note 8(a). The University's employees can only be eligible members of the SURS.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided: The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the State universities' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding policy and annual other postemployment benefit cost: OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $10,926.24 ($6,145.92 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,939.04 ($5,165.04 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

(9) Related-Party Transactions

The University charged the System for administrative and other services totaling $13,056,116 in fiscal year 2018. These charges represent a portion of the estimated administrative and other service costs incurred by the University in support of the System. An additional $28,018,039 was paid by the University on behalf of the System for salaries and other costs for the year ended June 30, 2018, in exchange for System services and facilities provided, and are recognized as operating expenses (salaries and general) and operating revenues.

The System provides funds to the College of Medicine to support programmatic initiatives that benefit the System's strategic goals and to pay for salaries of physicians and staff in the College of Medicine who serve as medical directors and physician leaders of the System under various agreements. During fiscal year 2018, approximately $38.9 million was recognized in salaries and wages and supplies and general expenses by the System under these agreements.

The System provides funds to the University's College of Pharmacy under various arrangements to pay for salaries of clinical pharmacists, faculty and residents and to support programs that benefit the System's clinical operations. During fiscal year 2018, approximately $10.5 million was recognized in salaries and wages and supplies and general expenses under these arrangements.

The System contracts with the College of Pharmacy to provide certain pharmacy services related to the Federal drug discount program under Section 340b of the Public Health Service Act, under which the System is a covered entity and purchases drugs for dispensing to eligible outpatients. During fiscal year 2018, the System paid approximately $9.4 million to the College of Pharmacy for these services.

The College of Pharmacy also provides various community benefit programs to patients and constituents of the System. During fiscal year 2018, the System paid approximately $5.3 million to the College of Pharmacy to support these programs.

Most healthcare services rendered by physicians at the University are charged, billed and collected through the MSP. For ambulatory care services, there is a charge for both professional and technical components. Based on the underlying agreements between the MSP and the System, the System remits certain funds collected to the MSP. Total MSP remittances from the System for the year ended June 30, 2018 relating to the delivery of ambulatory care were approximately $18.4 million.

During 2018, various departments within the College of Medicine agreed to reimburse the System for a portion of the expenses related to the resident and fellowship training program. This reimbursement, which totaled $3.5 million, has been reflected in the financial statements as a reduction of the related expenses.

(10) Commitments and Contingencies

(a) Commitments

At June 30, 2018, the System had commitments on various construction projects and contracts for repairs and renovation of health services facilities of $9,285,206.

(b) Contingencies

The University (including the System) is involved in regulatory audits arising in the normal course of business.

In 2016, the System received notices from Medicare requiring that it provide documentation for certain claims as part of the Recovery Audit Contractor (RAC) program. The System has responded to these requests. Review of claims through the RAC program may result in a liability to Medicare which could have a material impact on the System's net patient service revenues.

The University (including the System) is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self-insurance liability, which covers hospital and medical professional/general liability; estimated general and contractual liability, and workers' compensation liability. At June 30, 2018, the University's total accrued self-insurance liability was $235,048,295.

The University's accrued self-insurance liability includes $167,816,970 at June 30, 2018, for the most probable and reasonably estimable ultimate cost of medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and System specific data to cover projected losses for claims incurred but not yet reported. The System contributes to the University's self-insurance reserve through annual assessments. Therefore, no liability related to medical malpractice claims is included in the System's financial statements, but the entire self-insurance liability is reflected in the University's financial statements.

In 2004, the Office of the Inspector General of the U.S. Department of Health and Human Services (OIG) conducted an audit of the Medicaid disproportionate share hospital (DSH) programs in ten states for the years 1997 through 2000, including the State of Illinois. The OIG's audit report indicated that the State of Illinois' Medicaid DSH payments exceeded hospital-specific limits, and that the Federal share of those overpayments was $145.8 million, of which $140.3 million related to payments made to the University's hospital. The Illinois Department of Healthcare and Family Services (IDHFS) believes it followed guidelines published by the U. S. Centers for Medicare and Medicaid Services (CMMS) and that its methodology for calculating the hospital-specific limit had consistently been approved by CMMS. However, on July 25, 2016, CMMS issued a formal notice to IDHFS that it had adopted the OIG's recommendation and was requesting repayment by IDHFS of the $140.3 million associated with the University's hospital. In January 2017, IDHFS filed an appeal notice with the U.S. Department of Health and Human Services Departmental Appeals Board. On April 2, 2018, the Departmental Appeals Board rendered a decision in favor of CMMS, sustaining the disallowance of DSH payments to the State as calculated by OIG. In June 2018, IDHFS filed a motion with the Departmental Appeals Board to reconsider its decision. Please refer to note 11 for activity subsequent to June 30, 2018 related to the audit and its appeals process.

(11) Subsequent Events

In September 2018, IDHFS notified the System that it will not seek recovery of the $140.3 million disallowance from the System or University in the event any further administrative or legal challenges by IDHFS are unsuccessful in whole or in part, settled or exhausted without a favorable decision. The University has agreed to continue to take any actions or steps requested by IDHFS in support of IDHFS's further appeals of this matter.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Required Supplementary Information
Year Ended June 30, 2018

Schedule of University of Illinois Health Services Facilities System Proportionate Share of the Net Pension Liability	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	$2,068,800,122	$2,016,718,081	$1,770,601,518	$1,546,893,194
Total (b) + (c)	$2,068,800,122	$2,016,718,081	$1,770,601,518	$1,546,893,194
Employer defined benefit Covered Payroll*	$274,251,179	$265,271,833	$253,062,776	$260,376,968
Proportion of Collective Net Pension Liability associated with Employer as a percentage of DB covered payroll	754.35%	760.25%	699.67%	594.10%
SURS Plan Net Position as a Percentage of Total Pension Liability	42.04%	39.57%	42.37%	44.39%

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Notes to Required Supplementary Information
June 30, 2018

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2017.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increases. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

*Note: The System implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

#20-001

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A1 to University of Illinois' (IL) Academic Facilities Lease Revenue Bonds Provident Group - UIUC Properties LLC; outlook stable

18 Apr 2019

New York, April 18, 2019 -- Moody's Investors Service has assigned an A1 to University of Illinois' proposed $74 million Academic Facilities Lease Revenue Bonds (Provident Group - UIUC Properties LLC - University of Illinois at Urbana-Champaign Project) Series 2019A (2051 maturity) and $4 million Academic Facilities Lease Revenue Bonds (Provident Group - UIUC Properties LLC - University of Illinois at Urbana-Champaign Project) Taxable Series 2019B (2051 maturity). The bonds will be issued by Provident Group - UIUC Properties LLC (PR-UIUC) through the Illinois Finance Authority, with debt service paid from lease payments from University of Illinois (U of I) from all legally available non-appropriated funds. At the same time, we have affirmed the A1 ratings on the $1.1 billion of Auxiliary Facilities System Revenue Bonds (AFS) and the $147 million of Certificates of Participation (COPs), the A2 on $23 million of South Campus Development Bonds and the Baa1 on the $105 million of Health Services Facilities System (HSFS) bonds. The outlook is stable for all ratings.

RATINGS RATIONALE

The A1 rating for the Academic Facilities Lease Revenue Bonds reflects the legal security of lease payments from University of Illinois as lessee for the two facilities to be financed from bond proceeds and located on U of I's Urbana-Champaign campus. Both facilities are critical academic facilities - a Campus Instructional Facility for the School of Engineering and a new Feed Technology Center for its College of Agriculture, Consumer and Environmental Sciences. The facilities will be leased to the university under triple-net lease agreements, with lease payments to be paid from all legally available non-appropriated funds. Under the lease U of I is responsible for all operating expenses, capital expenses, maintenance, upkeep, insurance and other related costs. The university is required to make the base rent payments directly to the trustee to fund the debt service. The base rent is not subject to diminution, abatement, suspension or other reductions. U of I can purchase the facilities at any time by prepaying the base rent sufficient to redeem all outstanding principal and related costs, or can require PG-UIUC to call the bonds for redemption when available for redemption.

The A1 rating for the AFS bonds, COPs and lease revenue bonds incorporates U of I's excellent liquidity and significant market strength resulting in favorable trends in student generated revenues pledged to bondholders. The rating also incorporates University of Illinois' notable scale with nearly $7 billion of operating revenue, relatively strong overall wealth levels with $5.4 billion of total cash and investments for fiscal 2018 and a modest debt burden with manageable debt plans. The key challenge is U of I's material operating reliance on the State of Illinois (Baa3 stable), including state on-behalf payments for employee benefits. This has resulted in volatile operations from state budget problems, including only partial annual appropriations. In particular, the fiscal 2020 budget is not yet finalized, with the ultimate outcome for the amount of direct operating appropriations still to be determined. The potential shifting over time of responsibility for post-retirement benefit costs to the university is also factored into the credit profile.

U of I's continued strong student and research market positions are reflected in record enrollment of over 85,000 students for fall 2018 and research expenditures now about $1 billion. These, with good gift revenues from its campaign and a generally stable patient care enterprise, is expected to drive stable to stronger operations and strong debt service coverage for fiscal 2019.

The A2 on the South Campus bonds is primarily supported by a subordinate lien on certain tuition and fee and incorporates the risk associated with receipt of declining tax increment revenues from the City of Chicago (Ba1 stable) related to the tax increment financing (TIF) district created for the project area.

The Baa1-rated HSFS bonds incorporates potential future pressures on pledged revenues from Medicaid reimbursement and delayed cash collections from insurers or from the state.

RATING OUTLOOK

The stable outlook reflects expectations that University of Illinois will maintain very good liquidity and strong

ATTACHMENT 34

operating performance to provide a sufficient cushion to cope with the possibility of reduced or delayed state funding. It also incorporates our expectation that any shift to U of I of payment responsibility for annual pension costs will be over a medium to longer term, providing sufficient time for it to adjust operations to absorb the additional cash outlay.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Multi-year material improvement in the state's fiscal condition resulting in greater predictability in the amount and timing of state support

- Substantial growth in balance sheet reserves to mitigate exposure to volatile or declining state funding

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material weakening of liquidity or inability to maintain sound operating performance

- Substantial, sustained decline in directly paid state operating support or benefits provided through "on behalf" payments

- Material adverse changes in federal funding for research or health care reimbursement

- Weaker pledged revenue coverage of the AFS, South Campus or HSFS bonds

LEGAL SECURITY

The Academic Facilities Lease Revenue Bonds are secured by lease payments paid by University of Illinois directly to the bond trustee to fund debt service. U of I's lease can be terminated in the event of non appropriation in the budget and absence of other legally available non-appropriated funds. The base rent is not subject to diminution, abatement, suspension or other reductions. The payments are from legally available non-appropriated funds, similar to the COPs. There is no debt service reserve fund. The trustee will have a mortgage lien on PG-UIUC's interest from the leases on the two facilities. If the university fails to pay the lease payments when due, PG-UIUC can accelerate U of I's lease payments to fully redeem the outstanding bonds. PG-UIUC has irrevocably appointed U of I as attorney in fact in the event of default and the university can assume full control. Given U of I's ample legally available non-appropriated funds comprised largely of student net tuition and fees, no distinction is currently made between the lease revenue bonds and the AFS ratings.

The Auxiliary Facilities System bonds are payable from net revenue of the AFS system, which is a closed system not accessible to fund general operating expenses, and student tuition and fees. There is an additional bonds test and a rate covenant that Net System Revenues and Student Tuition and Fees to be at least 2.0x maximum annual net debt service. Fiscal 2018 pledged revenues were $1.29 billion and provide over 13x coverage of maximum annual net debt service.

The Certificates of Participation are payable from legally available non-appropriated funds on a subordinate basis from revenue pledged to other bonds. U of I covenants to include the required debt service in its annual budget requests. The purchase contract and the university's obligation to make installment payments can be terminated in the event of both non-appropriation by the state and the absence of other legally available funds to pay debt service. Given U of I's ample legally available non-appropriated funds comprised largely of student net tuition and fees, no distinction is currently made between the COPs and secured AFS ratings.

The South Campus Bonds are payable from the UIC South Campus Development Project, consisting of incremental taxes received by the City of Chicago (Ba1 stable); student tuition and fees, subject to prior pledges; and funds on deposit in the Bond and Interest Sinking Fund Account, including deposits from legally available non-appropriated funds. Net proceeds from completed land sales related to the project are also pledged to the 2003 Bonds. There is a 1.10x rate covenant, including student tuition and fees after providing for any Student Tuition and Fees subject to a prior pledge of other outstanding bonds. The real estate tax base of the project area was frozen when designated as a TIF district and incremental tax revenue received from the newly developed or redeveloped properties is pledged to the university through 2023. For fiscal 2018 coverage on the $8.15 million Maximum Annual Debt Service was 0.62x from the TIF revenue alone and 1.1x including other transferred available funds and university funds.

The Health Services Facilities System bonds are secured by (1) net revenues of the system; (2) Medical Service Plan (MSP) revenues (faculty practice plan), net of bad debt expense; and (3) College of Medicine net tuition revenue (subordinated to the pledge of tuition and fees to the AFS Bonds). Although the health system revenues of $77 million provide the first source of security, the pledges from MSP and the College of Medicine provide enhancement. The pledge of MSP revenues and medical school tuition is up to maximum annual debt service. Total fiscal 2018 pledged revenues totaled $339 million compared to MADS of $9.2 million (payable in fiscal 2023).

USE OF PROCEEDS

Proceeds of the Series 2019A and Series 2019B bonds will be used to fund the project costs for Campus Instructional Facility for the College of Engineering and a new Feed Technology Center for the College of Agricultural, Consumer and Environmental Sciences, both on the Urbana-Champaign campus, capitalized interest and issuance costs.

PROFILE

University of Illinois benefits from national market position as Illinois' flagship and Land Grant University and a member of the Big Ten Academic Alliance. One of the nation's largest comprehensive universities, total revenues exceed $5.2 billion in fiscal 2018. U of I reports over 85,000 students for fall 2018 at its Urbana-Champaign, Chicago, and Springfield campuses. It also has an extensive healthcare operation that includes an academic medical center and multiple health clinics in Chicago.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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MOODY'S
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CREDIT OPINION
23 April 2019

Rate this Research

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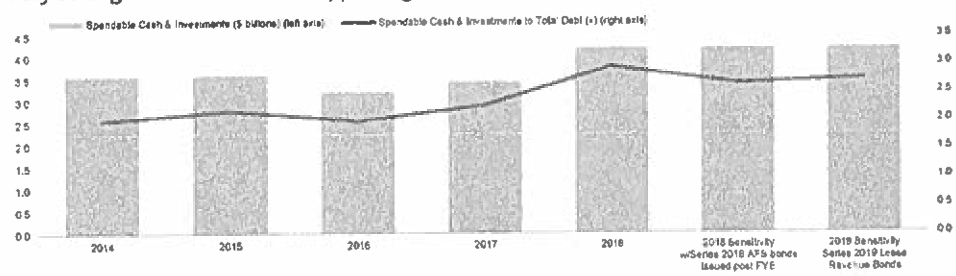
University of Illinois, IL

Update to credit analysis

Summary

University of Illinois (U of I, A1 stable) strong credit profile reflects its excellent liquidity and significant market strength driving continued enrollment growth and substantive research activity. The university has a very good strategic positioning as the state's flagship and land grant university in the Big Ten Academic Alliance. A key credit challenge is the university's material operating reliance on the State of Illinois (Baa3 stable). The fiscal 2020 budget is not yet finalized and the ultimate outcome for the amount of direct operating appropriations still to be determined. Another concern, although not currently proposed, is the potential shifting over time of responsibility for post-retirement benefit costs to the university.

Exhibit 1
Very strong financial reserves supporting debt



2018 Sensitivities include debt repayment and Series 2018 issued after June 30, 2018
Source: Moody's Investors Service

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Credit strengths

» Excellent liquidity, with $2.7 billion for fiscal 2018 (ending June 30) projected to be higher for fiscal year-end 2019

» Material scale and reputation as a flagship, land grant and large Big Ten public research university

» Strong debt service coverage by pledged revenues independent of state funding

» Notable fundraising with $191 million of average gift revenue for fiscal 2016-2018

» Moderate leverage, with debt service representing less than 3% of operating expenses

Credit challenges

» Relatively high exposure to uncertain state funding at 39% of fiscal 2018 revenues for operating, pension, and other post retirement benefit payments

» Exposure to health care risks through ownership and operation of University of Illinois Health Services Facilities System (HSFS, Baa1 stable)

» Growing capital needs following multiple years of constrained capital investment relative to national peers

Rating outlook

The stable outlook reflects expectations that University of Illinois will maintain very good liquidity and strong operating performance to provide a sufficient cushion to cope with the possibility of reduced or delayed state funding. It also incorporates our expectation that any shift to U of I of payment responsibility for annual pension costs will be over a medium to longer term, providing sufficient time for it to adjust operations to absorb the additional cash outlay.

Factors that could lead to an upgrade

» Multi-year material improvement in the state's fiscal condition resulting in greater predictability in the amount and timing of state support

» Substantial growth in balance sheet reserves to mitigate exposure to volatile or declining state funding

Factors that could lead to a downgrade

» Material weakening of liquidity or inability to maintain sound operating performance

» Substantial, sustained decline in directly paid state operating support or benefits provided through "on behalf" payments

» Material adverse changes in federal funding for research or health care reimbursement

» Weaker pledged revenue coverage of the AFS, South Campus or HSFS bonds

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Key indicators

Exhibit 2

UNIVERSITY OF ILLINOIS, IL

	2014	2015	2016	2017	2018	2018 Sensitivity w/Series 2018 AFS bonds issued post FYE	2018 Sensitivity Series 2019 Lease Revenue Bonds	Median: A Rated Public Universities
Total FTE Enrollment	78,229	80,252	81,722	83,680	85,743	85,743	85,743	10,184
Operating Revenue ($000)	5,365,340	5,545,608	5,267,753	5,947,567	6,764,238	6,764,238	6,764,238	212,722
Annual Change in Operating Revenue (%)	1.2	3.4	-5.0	12.9	13.7	13.7	13.7	1.9
Total Cash & Investments ($000)	4,602,293	4,631,992	4,285,977	4,571,542	5,376,893	5,376,893	5,376,893	178,994
Total Debt ($000)	1,794,326	1,663,552	1,619,452	1,523,135	1,425,310	1,587,450	1,541,047	139,579
Spendable Cash & Investments to Total Debt (x)	2.0	2.2	2.0	2.3	2.9	2.6	2.7	0.8
Spendable Cash & Investments to Operating Expenses (x)	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.6
Monthly Days Cash on Hand (x)	188	186	159	149	171	171	171	140
Operating Cash Flow Margin (%)	11.1	9.2	1.9	6.3	14.9	14.9	14.9	10.3
Total Debt to Cash Flow (x)	3.0	3.2	16.3	4.1	1.4	1.6	1.5	6.6
Annual Debt Service Coverage (x)	5.0	3.3	0.7	2.4	6.2	6.2	6.2	1.9

2018 Sensitivities include debt repayment and Series 2018 issued after June 30, 2018
Total FTE Enrollment is for fall of indicated year
Source: Moody's Investors Service

Profile

University of Illinois benefits from a national market position as Illinois' flagship and Land Grant University and a member of the Big Ten Academic Alliance. One of the nation's largest comprehensive universities, total revenues exceed $5.2 billion in fiscal 2018. U of I reports over 85,000 students for fall 2018 at its Urbana-Champaign, Chicago, and Springfield campuses. It also has an extensive healthcare operation that includes an academic medical center and multiple health clinics in Chicago.

Detailed credit considerations

Market profile: Big Ten flagship university with strong student demand and well-positioned research

University of Illinois derives significant market strength from its international reputation as a large research university with strong science and engineering programs. This contributes to the university's demonstrated ability to grow tuition, auxiliary, philanthropic and research revenue streams independent of state support. U of I is a member of the Big Ten Academic Alliance and one of the largest universities in the nation. It reported record enrollment of over 85,000 students for fall 2018, over 2,000 higher than the prior year. U of I's diversified undergraduate and graduate programs and the significant draw contribute to overall enrollment stability and good net tuition revenue.

With about $1 billion in research expenditures, U of I is one of the nation's leading research universities. Research sponsors are diverse, with Health and Human Services (HHS) and National Science Foundation (NSF) the largest sponsoring agencies. U of I has contingency plans and operational flexibility to cope with some reductions in federal research funding.

U of I has exposure to health care risks through HSFS, including with its ownership and operation of University of Illinois Hospital, a major medical center in Chicago with over $700 million in net patient revenues. The hospital is a tertiary clinical service provider in the highly competitive and fragmented Chicago market. The hospital's operations results in additional state reliance with about 40% of gross patient revenues paid by Medicaid. HSFS projects positive operations for fiscal 2018, including some one-time revenue items, and days cash is up from the payment of receivables from Medicaid Managed Care plans.

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Operating performance: higher 2018 cash flow from improved state funding including payment of remaining 2017 appropriations; significant scale and good revenue diversity

University of Illinois has significant operating scale, with over $7 billion of operating revenue in fiscal 2018 providing operating flexibility to adjust operations as needed. Still, its reliance on state funding for operations and on behalf payments results in operating volatility. Fiscal 2018 operating cash flow margin of 15% is much stronger than weaker operations in fiscals 2016 and 2017 from the receipt of only partial state appropriations. U of I's leadership acted to constrain and defer expenses to stabilize cash flow as it could.

Wealth and liquidity: liquidity key credit factor

University of Illinois' balance sheet reserves will continue to provide notable independent financial strength. Spendable reserves showed strong growth in fiscal 2018 to $5.4 billion from $4.6 billion in 2017, driven in part by the resumption of appropriation payments and the receipt of the remaining 2017 appropriations. Fiscal 2018 spendable cash and investments, including the foundation, were $4.2 billion, up from $3.4 billion for fiscal 2017 and representing nearly 80% of total cash and investments.

The university has demonstrated excellent fundraising. It is conducting a $3.2 billion comprehensive campaign targeted to end in 2022, with more than half received in pledges and gifts to date. This will drive future investment growth as pledge payments are received.

Liquidity

Liquidity is a key credit factor supporting the credit quality of University of Illinois. U of I reported $2.7 billion of unrestricted operating funds for fiscal year-end June 30, 2018, up from $2.3 billion. Management projects higher liquidity for the June 30, 2018 fiscal year-end. This liquidity amply provides U of I the operating cushion to cope with any delays or reductions in fiscal 2020 state funding.

Leverage: manageable leverage including near-term capital plans

U of I's total $1.54 billion pro forma debt is manageable relative to its operations and balance sheet reserves. Fiscal 2018 spendable cash and investments cushion pro forma debt 2.7x, with 1.5x pro forma debt to cash flow. Currently U of I has plans to issue during fiscal 2019 about $55 million of AFS bonds for the renovation of UIUC student housing. It is also considering other campus capital projects in varying stages of review and approval. When combined with planned principal repayment, likely debt issuance in fiscals 2019-2020 will have minimal impact on its leverage profile.

Debt structure

Less than 2% of U of I's debt, or the Series 2008 South Campus bonds, is variable rate debt supported by a bank letter of credit (LOC). The bank facility has a term-out period greater than one year in the event of a draw on the facility due to a failed remarketing. All other debt is fixed rate and amortizing.

Legal security

The Academic Facilities Lease Revenue Bonds are secured by lease payments paid by University of Illinois directly to the bond trustee to fund debt service. U of I's lease can be terminated in the event of non appropriation in the budget and absence of other legally available non-appropriated funds. The base rent is not subject to diminution, abatement, suspension or other reductions. The payments are from legally available non-appropriated funds, similar to the COPs. There is no debt service reserve fund. The trustee will have a mortgage lien on PG-UIUC's interest from the leases on the two facilities. If the university fails to pay the lease payments when due, PG-UIUC can accelerate U of I's lease payments to fully redeem the outstanding bonds. PG-UIUC has irrevocably appointed U of I as attorney in fact in the event of default and the university can assume full control. Given U of I's ample legally available non-appropriated funds comprised largely of student net tuition and fees, no distinction is currently made between the lease revenue bonds and the AFS ratings.

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The Certificates of Participation are payable from legally available non-appropriated funds on a subordinate basis from revenue pledged to other bonds. U of I covenants to include the required debt service in its annual budget requests. The purchase contract and the university's obligation to make installment payments can be terminated in the event of both non-appropriation by the state and the

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absence of other legally available funds to pay debt service. Given U of I's ample legally available non-appropriated funds comprised largely of student net tuition and fees, no distinction is currently made between the COPs and secured AFS ratings.

The South Campus Bonds are payable from the UIC South Campus Development Project, consisting of incremental taxes received by the City of Chicago (Ba1 stable); student tuition and fees, subject to prior pledges; and funds on deposit in the Bond and Interest Sinking Fund Account, including deposits from legally available non-appropriated funds. Net proceeds from completed land sales related to the project are also pledged to the 2003 Bonds. There is a 1.10x rate covenant, including student tuition and fees after providing for any Student Tuition and Fees subject to a prior pledge of other outstanding bonds. The real estate tax base of the project area was frozen when designated as a TIF district and incremental tax revenue received from the newly developed or redeveloped properties is pledged to the university through 2023. For fiscal 2018 coverage on the $8.15 million Maximum Annual Debt Service was 0.62x from the TIF revenue alone and 1.1x including other transferred available funds and university funds.

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Debt-related derivatives

University of Illinois has two interest rate swaps and HSFS is counterparty to one with a combined $61 million notional and no collateral posting required. At June 30, 2018 the total mark-to-market value of the three swaps was a $3.2 million liability.

Pensions and OPEB

U of I currently benefits from the State of Illinois' assumption of the funding and liability related to the state pension and retirement benefits. These are recognized in revenues and expenses as "on behalf" payments. These costs rose every year, lowering the funding available for direct operating appropriations.

As noted previously, the university faces exposure to the states severe and growing pressures associated with funding the retiree benefits with growing unfunded liabilities. U of I participates in the State Universities Retirement System (SURS), a multi-employer defined benefit pension plan administered and primarily funded by the state. SURS has a $26 billion reported unfunded liability as of June 30, 2018.

Since U of I is not currently obligated to independently contribute to SURS, its Moody's Adjusted Net Pension Liability (ANPL) net of state on-behalf support is minimal. Any move to shift the pension expense to the public universities will result in pressured operating cash flow. The impact would be particularly stronger if there is a short transition period or if the state fails to provide the offset funding.

The state is also paying for University of Illinois' OPEB costs for most of its employees. Although not obligated to contribute for most of the expense, effective fiscal 2018 U of I is reporting its proportionate share of the state's collective OPEB liability in its financial statements. For June 30, 2018 the university reported a $1.34 billion liability on the consolidated financial statements. Though U of I reports the liability, there is no near-term anticipated reform for other benefits or a shift in OPEB costs. Any action by the state to shift the OPEB costs to the university would be credit negative.

Governance and management: strong fiscal oversight

University of Illinois displays strong fiscal oversight, investing in key strategic academic, faculty and student initiatives while planning and coping with constrained and delayed state funding. Proactive fiscal planning drove the favorable operating cash flow, growth in balance sheet reserves supporting debt and operations and its liquidity. The university has excellent bondholder disclosure on EMMA and on its own website

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#20-001

S&P Global Ratings (/en_US/web/guest/home)

University of Illinois 2018A AFS Revenue Bonds Assigned 'A-' Rating; Other Ratings Affirmed

16-Mar-2018 13:10 EDT

View Analyst Contact Information

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CHICAGO (S&P Global Ratings) March 16, 2018--S&P Global Ratings has assigned its 'A-' long-term rating to the University of Illinois Board of Trustees' series 2018A auxiliary facilities system (AFS) revenue bonds issued on behalf of the University of Illinois (UI). At the same time, S&P Global affirmed its 'A-' long-term rating on university's existing certificates of participation (COPs) and outstanding AFS revenue bonds. The outlook is stable.

We currently rate the state of Illinois 'BBB-' with a stable outlook. The 'A-' rating on UI's bonds reflects our criteria and application of the supporting government cap to the stand-alone credit profile, limiting the rating to three notches above the state rating, so the university's final long-term rating is 'A-'.

"We assessed the university's enterprise profile as extremely strong, characterized by its large and growing enrollment, with moderate selectivity and relatively stable matriculation, as well as its significant research presence," said S&P Global Ratings credit analyst Ashley Ramchandani. We assessed the university's financial profile as strong, characterized by historically positive operating performance of both the university and the auxiliary facilities system, solid available resource ratios, and an overall low and manageable pro forma maximum annual debt service (MADS) burden of 2.5%.

Post issuance, total pro forma debt will be approximately $1.65 billion, with a modest pro forma MADS burden of 2.5% of fiscal 2017 operating expenses.

The university is the flagship institution in Illinois. It has three campuses in Urbana-Champaign, Chicago, and Springfield, as well as health profession sites in Rockford and Peoria. It is a nationally ranked research-intensive institution with total federal research expenditures of more than $800 million annually on the three campuses.

"The stable outlook reflects our expectation that during our two-year outlook period, the university's enrollment will continue to grow at a moderate rate, and operations will remain, at a minimum, positive on a cash basis," added Ms. Ramchandani. In addition, we anticipate UI will maintain a manageable debt burden and financial resource ratios consistent with the rating. We also expect the university to cover current AFS debt service through net auxiliary income and to maintain MADS coverage at or near current levels. We believe it has additional debt capacity at the current rating level.

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S&P Global
Ratings

RatingsDirect®

University of Illinois Board of Trustees University of Illinois Health Services Facilities System; Hospital; Joint Criteria

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University of Illinois Board of Trustees University of Illinois Health Services Facilities System; Hospital; Joint Criteria

***(Editor's Note:** This report, originally published Oct. 31, 2018, is being republished with additional information on the hospital's pension plan.)*

Credit Profile		
University of Illinois Brd of Trustees, Illinois		
University of Illinois Hlth Svcs Fac Sys, Illinois		
University of Illinois Brd of Trustees (University of Illinois Hlth Svcs Fac Sys) hlth svs facs sys rev rennovation & imp bnds		
Long Term Rating	A-/Stable	Affirmed
Series 2008		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed
Long Term Rating	AA/A-1	Affirmed

Rationale

S&P Global Ratings affirmed its 'A-' long-term rating on the University of Illinois Board of Trustees' series 2013 revenue bonds and its 'A-' underlying rating (SPUR) on the board's series 2008 revenue refunding bonds. At the same time, S&P Global Ratings affirmed its 'AA/A-1' dual rating on the board's series 2008 and 1997B revenue refunding bonds. The outlook is stable. All bonds were issued for the University of Illinois Health Services Facilities System (UIHSFS).

We base the 'AA/A-1' rating on the application of our joint criteria and assumed low correlation. The rating's 'AA' long-term component is jointly based on the rating on the obligor, UIHSFS, and the long-term rating on the letter of credit (LOC) provider, Wells Fargo Bank N.A. The rating's 'A-1' short-term component reflects solely the short-term rating on Wells Fargo Bank.

The rating reflects UIHSFS' solid medical staff and continued support from the University of Illinois (U of I). The rating also reflects the ample financial profile and the system reported stronger results in fiscal 2018, owing to the $22 million in recovery of Medicaid managed care claims as well as $18 million in fiscal 2017 state appropriation funds. Overall, this boosted liquidity to 115 days' cash on hand, and there are no near-term new money debt plans. UIHSFS has a sizable capital plan for its IT system as well as a new ambulatory surgery center and specialty clinic to accommodate growth in outpatient surgery cases. We expect a public-private partnership could fund the majority of the new ambulatory surgery center. The rating also reflects the ample support provided by the pledge of the revenue of the faculty practice plan and the tuition from the U of I College of Medicine.

The 'A-' rating continues to reflect our view of:

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- Essential service provider in primary service area, with over 17,000 admissions;
- Continued U of I support for the UIHSFS, which provides training for the university's medical school on the Chicago campus; and
- Additional bond security from the U of I College of Medicine's tuition and faculty practice plan revenue, which totaled $307 million for fiscal 2017 and equaled 2.7x bonds payable outstanding.

Partially offsetting the above strengths, in our view, are UIHSFS':

- Reliance on special funding programs, such as disproportionate share;
- Continued light unrestricted reserves-to-cash; and
- Competitive service area with declining inpatient usage.

Outlook

The stable outlook reflects our view that UIHSFS plans to see its operations improve and generate more cash flow that will support needed capital spending. The outlook also reflects a leadership team that has been stable the past few years and is executing plans to improve operations.

Downside scenario

We are aware that UIHSFS has a need to invest sizable capital into its facility and IT system, so we would expect that it will be able to exceed the plans it has set for the budget. However, if the system continues to show very little operational growth and reports losses or break-even operations, or if funding from the state weakens, we could revise the outlook to negative or lower the rating. In addition, we could lower the rating if there is a moderate decrease in liquidity or increase in leverage.

Upside scenario

If UIHSFS can raise and sustain its financial performance such that both its operating margin and EBITDA margin were to improve while cash continued to grow, we could revise the outlook to positive or raise the rating.

Enterprise Profile: Strong

The Chicago area is very competitive, with several medical centers in the immediate service area, including Rush University Medical Center and John H. Stroger Jr. Hospital of Cook County and other hospitals in the broader service area, including Northwestern Memorial Hospital and the University of Chicago Medical Center. However, UIHSFS has maintained a market share of almost 5%, based on the most recent information. Still, overall outpatient surgeries were up 3% in fiscal 2018 and overall equivalent inpatient admissions increased 2% while inpatient surgeries continued to decline.

Management

There have been some recent changes in the senior team. Michael Zenn was appointed CEO of UI Hospital & Clinics in February 2018, having previously served as CFO. Laurence Appel was appointed CFO as of February 2018, having

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previously been associate CFO.

This management team has focused on improving operating performance through such steps as:

- Putting controls around physician and other related party agreements;
- Making decisions on operational throughput that helped improve overall productivity;
- Initiating revenue enhancement activities, including enhancements to volume and yield;
- Enacting plans to help save on the expenses in areas such as supplies; and
- Cutting back on discretionary spending.

We continue to believe that the management team is taking appropriate steps to help improve system operations while preparing for the changing landscape of health care.

Table 1

University of Illinois Health Services Facilities System -- Enterprise Statistics				
	--12 months ended June 30--	--Fiscal year ended June 30--		
	2018	**2017**	**2016**	**2015**
PSA population	2,546,679	N.A.	2,502,561	2,457,400
PSA market share (%)	4.5	N.A.	4.6	4.9
Inpatient admissions	17,644	17,570	17,866	18,749
Equivalent inpatient admissions	36,455	35,857	36,461	36,980
Emergency visits	46,689	46,547	47,674	46,901
Inpatient surgeries	4,860	5,052	7,112	7,148
Outpatient surgeries	10,142	9,812	8,879	8,185
Medicare case mix index	1.9800	2.0600	2.0800	1.9000
FTE employees	3,488	3,356	3,233	3,136
Active physicians	894	N.A.	777	810
Top 10 physicians admissions (%)				
Based on net/gross revenues	Net	Net	Net	Net
Medicare (%)	24.0	25.0	23.0	25.0
Medicaid (%)	44.0	41.0	40.0	39.0
Commercial/Blues (%)	26.0	29.0	30.0	33.0

Note: Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. PSA--Primary service area. FTE--Full-time equivalent. N.A.--Not available.

Financial Profile: Adequate

UIHSFS' fiscal 2018 results were significantly improved and benefited from two one-time items--the $22 million in recovery of Medicaid managed care claims and $18 million in fiscal 2017 state appropriation funds. This led to an overall operating margin of 2.66% relative to 1.24% and 0.31% in fiscal years 2017 and 2016, respectively. Fiscal 2016 was softer because of the move to more Medicaid managed-care contracts. UIHSFS has moved its various Medicaid managed-care contracts to diagnosis-related group (DRG) payments.

As with other health care entities, payments from the state have continued to affect the system. It continues to receive timely payments, but given its significant reliance on state support, there is continued uncertainty concerning this funding source.

Management expects $6 million in operating income for fiscal 2019 and we note that there are some one-time costs that include an estimated $12 million for the IT implementation project as well as $6 million in incremental operating expense for the cancer institute.

Liquidity and financial flexibility

UIHSFS' balance sheet remains below rating category medians, specifically in terms of days' cash on hand (DCOH). Given the increased state payments, DCOH increased to 115 from 94 in fiscal 2017 but we expect the system to spend a portion of this given the upcoming capital projects, notably, the IT implementation. Unrestricted reserves partly reflect the state's cap, but UIHSFS is not near the threshold. As of this analysis, we view cash on hand as just adequate for the rating. Another area that hampers the system is the average age of plant, which we view as high.

However, UIHSFS has a sizable capital plan that totals about $379 million for the next five years and includes the new ambulatory surgery center as well as an integrated information infrastructure project, including the IT implementation. Management will fund the majority of the capital plan from internal cash flow, a public-private partnership, philanthropy, and an internal loan with U of I.

Debt and liabilities

Management has no near-term plans to issue new money debt. However, there are plans to build a new ambulatory surgery center and specialty clinics facility. Overall, debt to capitalization is at the lower end of the peer group at 22.4%.

UIHSFS has the following contingent debt: 1997B and 2008 variable-rate demand bonds that have acceleration provisions. However, there is sufficient liquidity to cover any potential acceleration payments given that 28% of unrestricted reserves could be received in the same business day, and cover contingent liabilities 1.6x.

The university contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing, multiple-employer defined benefit plan with a special funding situation whereby the state makes substantially all actuarially determined required contributions on behalf of the participating employers. The amount of the proportionate share to be recognized for UIHSFS has been zero.

The state passed legislation in 2017 to create a new hybrid pension plan option for SURS (Tier III plan) for newly hired participants and some current SURS participants who elect to switch to the Tier III plan. As a result, some pension costs for the hybrid plan's defined benefit portion will shift to UIHSFS phased in over several years. SURS has not yet implemented the Tier III plan. After discussions with management, we expect that future Tier III contributions will be manageable from a budgetary standpoint. The 2017 legislation also requires employers to pay the normal cost of the portion of a SURS defined benefit participant's earnings that exceeds the amount of salary set for the Governor of Illinois. Management estimates pension payments of $150,000 for fiscal 2019 based on this change. However, we will continue to monitor developments on changes as well as the Tier III plan's implementation.

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Table 2

University of Illinois Health Services Facilities System -- Financial Statistics

	--12 months ended June 30--	--Fiscal year ended June 30--			--Medians for 'A-' rated stand-alone hospitals--
	2018	2017	2016	2015	2017
Financial performance					
Net patient revenue ($000s)	724,989	672,725	620,406	610,454	321,979
Total operating revenue ($000s)	763,281	739,464	687,737	673,903	MNR
Total operating expenses ($000s)	742,964	730,311	685,606	666,709	MNR
Operating income ($000s)	20,317	9,153	2,131	7,194	MNR
Operating margin (%)	2.66	1.24	0.31	1.07	2.00
Net nonoperating income ($000s)	3,607	2,699	2,738	1,988	MNR
Excess income ($000s)	23,924	11,852	4,869	9,182	MNR
Excess margin (%)	3.12	1.60	0.71	1.36	4.10
Operating EBIDA margin (%)	6.05	4.61	3.93	4.05	8.70
EBIDA margin (%)	6.49	4.95	4.31	4.33	10.50
Net available for debt service ($000s)	49,785	36,752	29,734	29,277	38,756
Maximum annual debt service ($000s)	9,190	9,190	9,190	9,190	MNR
Maximum annual debt service coverage (x)	5.42	4.00	3.24	3.19	3.90
Operating lease-adjusted coverage (x)	4.63	3.54	2.92	2.89	3.30
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	226,313	183,051	136,881	189,930	187,103
Unrestricted days' cash on hand	114.5	94.2	75.1	107.0	233.10
Unrestricted reserves/total long-term debt (%)	214.0	167.2	120.0	159.0	165.40
Unrestricted reserves/contingent liabilities (%)	596.0	441.5	305.4	395.2	443.40
Average age of plant (years)	14.3	13.7	13.5	13.5	12.40
Capital expenditures/depreciation and amortization (%)	89.5	155.2	84.2	70.2	108.30
Debt and liabilities					
Total long-term debt ($000s)	105,748	109,450	114,100	119,461	MNR
Long-term debt/capitalization (%)	22.4	26.1	27.5	28.6	32.40
Contingent liabilities ($000s)	37,975	41,460	44,825	48,065	MNR
Contingent liabilities/total long-term debt (%)	35.9	37.9	39.3	40.2	34.80
Debt burden (%)	1.20	1.24	1.33	1.36	2.60
Defined-benefit plan funded status (%)	N.A.	N.A.	N.A.	N.A.	83.80

MNR--Median not reported. N.A.--Not available.

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Credit Snapshot

- Security pledge: Although the U of I does not formally guarantee UIHSFS' debt, net system revenue, the U of I College of Medicine's tuition receipts, and the U of I's faculty medical service plan revenue secure the bonds.
- Group rating methodology: Core. The 'A-' rating reflects our view of UIHSFS' group credit profile (GCP) and the obligated group's core status. Accordingly, we rate the bonds at the same level as the GCP.
- Organization description: The UIHSFS comprises the University of Illinois Hospital and associated clinical facilities providing patient care at the University of Illinois Medical Center. The system is a tertiary care facility located in Chicago offering a full range of clinical services. It does not include the operations of the U of I's Medical Service Plans or Colleges of Medicine. U of I is responsible for system management.
- Swaps: UIHSFS has one interest rate swap with a notional amount of about $26.4 million. It has no collateral posted and a negative mark to market of $1.9 million as of June 30, 2018.

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UI Health UIC

Hospital Administration

University of Illinois Hospital & Clinics
1740 W Taylor Street
Suite 1400, M/C 693
Chicago, IL 60612-4325
Phone 312 996 3900
Fax 312-996-7049

REASONABLENESS OF FINANCING ARRANGEMENTS

and

CONDITIONS OF DEBT FINANCING

In the opinion of the applicant, the conditions of debt proposed to finance the project addressed through this Certificate of Need application are reasonable, and the selected form of debt represents the lowest net cost available for the financing of the proposed project.

As discussed during a June 13, 2019 "Technical Assistance" conference with HFSRB staff, and in a June 18, 2019 letter from Jacob M. Axel to Mike Constantino, this project will be developed as a public-private partnership, which will involve a newly-formed (501(c)(3) entity ("Newco") that will enter into a ground lease agreement with the Board of Trustees of the University of Illinois, a state body corporate and politic ("Board"). Newco, under the ground lease, will, among other functions, secure the financing for the facility, which will be tax-exempt bond financing issued by the Illinois Financing Authority. The Board will sublease the facility from Newco, and the sublease payments made by the Board to Newco will be used by Newco to pay the bond debt.

Newco will have no involvement in the operations of the hospital, including the use of space or equipment, or the provision of service; and will have no interest in the facility at the conclusion of the ground lease.

David H. Loffing
Chief Operating Officer

Notarized: _______ 12/30/19
Date

Official Seal
Maria A Lopez
Notary Public State of Illinois
My Commission Expires 06/28/2020

ATTACHMENTS 36A and 36B

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COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	Cost/Sq. Ft.		DGSF		DGSF		New Const. $	Modernization $	Total Costs
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)
Reviewable									
Pharmacy	$ 350.00		4,702				$ 1,645,700		$ 1,645,700
Imaging	$ 390.00		3,600				$ 1,404,000		$ 1,404,000
Urology Clinic	$ 365.00		6,403				$ 2,337,095		$ 2,337,095
Anesthesia	$ 365.00		2,360				$ 861,400		$ 861,400
Transplant Clinic	$ 365.00		3,718				$ 1,357,070		$ 1,357,070
Outpatient Perioperative	$ 445.00		26,340				$ 11,721,300		$ 11,721,300
Multi-Spec. Procedures	$ 385.00		18,749				$ 7,218,365		$ 7,218,365
Ophthalmology Clinic	$ 365.00		31,239				$ 11,402,235		$ 11,402,235
Gastroenterology Clinic	$ 385.00		2,737				$ 1,053,745		$ 1,053,745
Otolaryngology Clinic	$ 365.00		9,211				$ 3,362,015		$ 3,362,015
Contingency	$ 15.00						$ 1,635,885		$ 1,635,885
	$ 403.44		109,059				$ 43,998,810		$ 43,998,810
Non-Reviewable									
Environmental Services	$ 365.00		917				$ 334,705		$ 334,705
Facilities Mgt. & Biomed.	$ 365.00		648				$ 236,520		$ 236,520
Dept. of Corrections	$ 365.00		1,764				$ 643,860		$ 643,860
Sterile Processing	$ 550.00		7,185				$ 3,951,750		$ 3,951,750
Staff Areas	$ 365.00		3,385				$ 1,235,525		$ 1,235,525
Mechanical	$ 650.00		22,872				$ 14,866,800		$ 14,866,800
Medical Gasses	$ 365.00		176				$ 64,240		$ 64,240
ConferenceMtg. Rms.	$ 365.00		2,538				$ 926,370		$ 926,370
IT	$ 365.00		209				$ 76,285		$ 76,285
Elevators & Stairs	$ 365.00		8,840				$ 3,226,600		$ 3,226,600
Lobby	$ 365.00		5,927				$ 2,163,355		$ 2,163,355
Materials Mgt.	$ 365.00		2,460				$ 897,900		$ 897,900
Public & Gen'l. Circ.	$ 365.00		21,398				$ 7,810,270		$ 7,810,270
Bridge	$ 1,900.00		3,650				$ 6,935,000		$ 6,935,000
DGSF>>BGSF	$ 250.00		11,375				$ 2,843,750		$ 2,843,750
Contingency	$ 15.00						$ 1,400,160		$ 1,400,160
	$ 510.08		93,344				$ 47,613,090		$ 47,613,090
			202,403				$ 91,611,900		$ 91,611,900

ATTACHMENT 36C

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

#20-001

University of Illinois Medical Center at Chicago
2nd Year Following Project Completion

Projected Adj. Pt. Days:	1,914,922,913	
	5,017	381,684

Year 2 OPERATING COST per ADJUSTED PATIENT DAY

Salaries & Benefits		$9,034,000
Medical Supplies		$30,362,000
		$39,396,000
per Adjusted Patient Day:	$	103.22

YEAR 2 CAPITAL COST per ADJUSTED PATIENT DAY

Interest, Dep. & Amort	$	6,551,000
per Patient Day:	$	17.16

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

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Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

by FedEX

January 2, 2020

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

Dear Ms. Avery:

Enclosed please find two copies of a Certificate of Need ("CON") application addressing University of Illinois Medical Center at Chicago's ambulatory care building project.

The application is accompanied by a check, in the amount of $2,500.00, as a filing fee.

Should any additional information be required, please do not hesitate to contact me.

Sincerely,

Jacob M. Axel
President

enclosures

675 North Court, Suite 210
Palatine, Illinois 60067

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