

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

RECEIVED**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION****This Section must be completed for all projects.****HEALTH FACILITIES &
SERVICES REVIEW BOARD****Facility/Project Identification**

Facility Name: Silver Cross Hospital Observation Unit		
Street Address: 1900 Silver Cross Boulevard		
City and Zip Code: New Lenox, Illinois 60451		
County: Will	Health Service Area: 009	Health Planning Area: A-13

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

Exact Legal Name: Silver Cross Hospital and Medical Centers	
Street Address: 1900 Silver Cross Boulevard	
City and Zip Code: New Lenox, Illinois 60451	
Name of Registered Agent: Vincent Pryor	
Registered Agent Street Address: 1900 Silver Cross Boulevard	
Registered Agent City and Zip Code: New Lenox, Illinois 60451	
Name of Chief Executive Officer: Ruth Colby	
CEO Street Address: 1900 Silver Cross Boulevard	
CEO City and Zip Code: New Lenox, Illinois 60451	
CEO Telephone Number: (815) 300-7000	

Type of Ownership of Applicants

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

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

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: Edward J. Green, Esq.
Title: Attorney
Company Name: Foley & Lardner LLP
Address: 321 North Clark Street, Suite 2800, Chicago, Illinois 60654
Telephone Number: (312) 832-4375
E-mail Address: egreen@foley.com
Fax Number: (312) 832-4700

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

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Silver Cross Hospital Observation Unit		
Street Address: 1900 Silver Cross Boulevard		
City and Zip Code: New Lenox, Illinois 60451		
County: Will	Health Service Area: 009	Health Planning Area: 009

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

Exact Legal Name: Silver Cross Health System		
Street Address: 1900 Silver Cross Boulevard		
City and Zip Code: New Lenox, Illinois 60451		
Name of Registered Agent: Edward J. Green, Esq., c/o Foley & Lardner LLP		
Registered Agent Street Address: 321 North Clark Street, Suite 2800		
Registered Agent City and Zip Code: Chicago, Illinois 60654		
Name of Chief Executive Officer: Ruth Colby		
CEO Street Address: 1900 Silver Cross Boulevard		
CEO City and Zip Code: New Lenox, Illinois 60451		
CEO Telephone Number: (815) 300-7000		

Type of Ownership of Applicants

<input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Partnership <input type="checkbox"/> Governmental <input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other
<ul style="list-style-type: none"> o Corporations and limited liability companies must provide an Illinois certificate of good standing. o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. 		

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: Edward J. Green, Esq.
Title: Attorney
Company Name: Foley & Lardner LLP
Address: 321 North Clark Street, Suite 2800, Chicago, Illinois 60654
Telephone Number: (312) 832-4375
E-mail Address: egreen@foley.com
Fax Number: (312) 832-4700

Additional Contact

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

Name: Ruth Colby
Title: President and Chief Executive Officer
Company Name: Silver Cross Hospital & Medical Centers
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Telephone Number: (815) 300-7000
E-mail Address: rcolby@silvercross.org
Fax Number: 815-300-4965

Additional Contact

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

Name: Mary Bakken
Title: Executive Vice President and Chief Operating Officer
Company Name: Silver Cross Hospital & Medical Centers
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Telephone Number: (815) 300-7107
E-mail Address: mbakken@silvercross.org
Fax Number: (815) 300-7047

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: Mary Bakken
Title: Executive Vice President and Chief Operating Officer
Company Name: Silver Cross Hospital & Medical Centers
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Telephone Number: (815) 300-7107
E-mail Address: mbakken@silvercross.org
Fax Number: (815) 300-7047

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Silver Cross Hospital and Medical Centers
Address of Site Owner: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Street Address or Legal Description of Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: Silver Cross Hospital and Medical Centers

Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451

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

- o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- o **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

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

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT**1. Project Classification**

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

Part 1110 Classification:

- ☐ Substantive
- ☒ Non-substantive

2. Narrative Description

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

Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation ("Silver Cross"), and Silver Cross Health System, an Illinois not-for-profit corporation ("Silver Cross Health System," collectively with Silver Cross, the "Applicants") seek authority from the Illinois Health Facilities & Services Review (the "Review Board") to: (a) construct a dedicated sixteen (16) bed observation unit (the "Observation Unit") on the first floor of Silver Cross Hospital (the "Hospital"); and (b) reduce the square footage on pending Project 18-020 by 8,146 feet and reduce the costs on pending Project 18-020 by \$1,073,250.

The Observation Unit will occupy 8,146 feet of space and is replacing 8,146 feet of administrative/office space that was originally included on the Applicants' Certificate of Need Application to establish an open heart surgery program and to expand the Hospital's foot print by 32,020 feet ("Project No. 18-020"). Project No. 18-020 is still under construction, with a projected completion date of June 30, 2021.

The Observation Unit project (the "Project") will cost \$6,895,573 to complete with a projected completion date of December 31, 2022. The square footage on Project 18-020 will be reduced by 8,146 feet and the costs on Project 18-020 will be reduced by \$1,073,250 as a result of this Project.

As set forth herein, the Applicants have filed this Application to address the increasing demand for observation beds at the Hospital. Since the Hospital moved from Joliet to New Lenox, the Hospital's observation days have increased by **69 percent** from 5,924 in 2013 to 10,011 in 2019. During this same time period, the Hospital's inpatient med/surg admissions have also increased by nearly 17 percent (from 12,293 in 2013 to 14,364 in 2019) and the Hospital's inpatient med/surg days have increased by 10 percent (from 48,865 in 2013 to 53,792 in 2019). In order to meet the rising demand for inpatient med/surg beds and observation beds, the Hospital has added 22 inpatient med/surg beds to its inventory since 2013. But the Hospital has still hit 100% census levels on its med/surg floors, which then requires the Hospital to temporarily board patients in the Hospital's Emergency Department and the Hospital's Procedural Care Unit until a med/surg bed opens on a floor. This, in turn, has led to more hours of bypass for the Emergency Department and significant use of overflow areas in the Emergency Department and the Procedural Care Unit. The creation of the dedicated 16 bed observation unit (located between the Hospital's Emergency Department and the Hospital's Cardiac Testing Department) set forth in this Application will relieve that burden. The Project will also decompress the Hospital's inpatient med/surg units by adding observation beds.

Project Classification

Because this Project does **not** involve inpatient services or designated "categories of services," this Project is considered Non-Substantive.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$42,647	\$7,353	\$50,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$3,515,308	\$606,122	\$4,121,430
Modernization Contracts			
Contingencies	\$351,531	\$60,612	\$412,143
Architectural/Engineering Fees	\$330,085	\$56,915	\$387,000
Consulting and Other Fees	\$106,617	\$18,383	\$125,000
Movable or Other Equipment (not in construction contracts)	\$1,618,300	\$181,700	\$1,800,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$5,964,488	\$931,085	\$6,895,573
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$5,964,488	\$931,085	\$6,895,573
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$5,964,488	\$931,085	\$6,895,573
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

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

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

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.
Indicate the stage of the project's architectural drawings: <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <input type="checkbox"/> None or not applicable <input type="checkbox"/> Preliminary </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <input checked="" type="checkbox"/> Schematics <input type="checkbox"/> Final Working </div>
Anticipated project completion date (refer to Part 1130.140): December 31, 2022
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140): <div style="margin-top: 10px;"> <input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed. <input type="checkbox"/> Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies <input checked="" type="checkbox"/> Financial Commitment will occur after permit issuance. </div>
APPEND DOCUMENTATION AS <u>ATTACHMENT 8</u> , 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: <div style="margin-top: 5px;"> <input checked="" type="checkbox"/> Cancer Registry <input checked="" type="checkbox"/> APORS <input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted <input checked="" type="checkbox"/> All reports regarding outstanding permits </div> <p>Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.</p>
--

Cost Space Requirements

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

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Observation Unit (Clinical Portions)			6,948 DGSF	6,948 DGSF			
Total Clinical			6,948 DGSF	6,948 DGSF			
NON REVIEWABLE							
Observation Unit (Non-Clinical Portions)			1,198 DGSF	1,198 DGSF			
Total Non-clinical			1,198 DGSF	1,198 DGSF			
TOTAL			8,146 DGSF	8,146 DGSF			

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are 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: Silver Cross Hospital		CITY: 1900 Silver Cross Blvd., New Lenox, Illinois			
REPORTING PERIOD DATES: From: 01/01/2019 to: 12/31/2019					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	207	14,364	63,803	0	207
Obstetrics	30	2,955	7,632	0	30
Pediatrics	8	229	949	0	8
Intensive Care	30	2,075	8,524	0	30
Comprehensive Physical Rehabilitation	25	666	8,056	0	25
Acute/Chronic Mental Illness	0*	134*	852*	0*	0*
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	300	20,423	89,816	0	300

* On April 1, 2019, Silver Cross Hospital discontinued its acute mental illness ("AMI") category of service and transferred all of its AMI patients to Silver Oaks Hospital. See CON Project No. 17-009 and COE Project No. E-036-18.

CERTIFICATION

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

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- 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 Silver Cross Hospital & Medical Centers* 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 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

Ruth Colby
PRINTED NAME


President & CEO
PRINTED TITLE


SIGNATURE

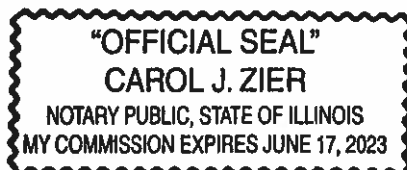
Vincent Pryor
PRINTED NAME

Executive Vice President & CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 10th day of March, 2020


Signature of Notary

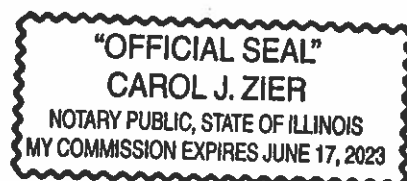
Seal



Notarization:
Subscribed and sworn to before me
this 10th day of March, 2020


Signature of Notary

Seal



*Insert EXACT legal name of the applicant

CERTIFICATION

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

- 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 Silver Cross Health System* 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

Ruth Colby
PRINTED NAME

President & CEO
PRINTED TITLE

SIGNATURE

Vincent Pryor
PRINTED NAME

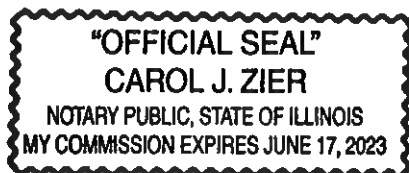
Assistant Treasurer & CFO
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 10th day of March, 2020

Carol J Zier
Signature of Notary

Seal

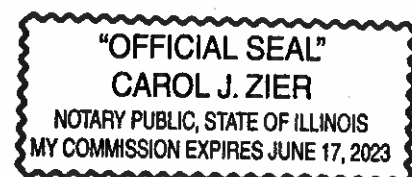


Notarization:

Subscribed and sworn to before me
this 10th day of March, 2020

Carol J Zier
Signature of Notary

Seal



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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

ASSURANCES:

Submit the following:

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

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

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
<input type="checkbox"/>		
<input type="checkbox"/>		
<input type="checkbox"/>		

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

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]:

<u>\$6,895,573</u>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 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; <p>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.</p> <p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>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;</p> <p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p> <p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<u>\$6,895,573</u>	TOTAL FUNDS AVAILABLE

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

SECTION VII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

SECTION VII. 1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION IX. SAFETY NET IMPACT STATEMENT (NOT APPLICABLE)

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

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

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

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

A table in the following format must be provided as part of Attachment 37.

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

	Outpatient				
Total					

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

SECTION X. CHARITY CARE INFORMATION

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

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

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

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

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

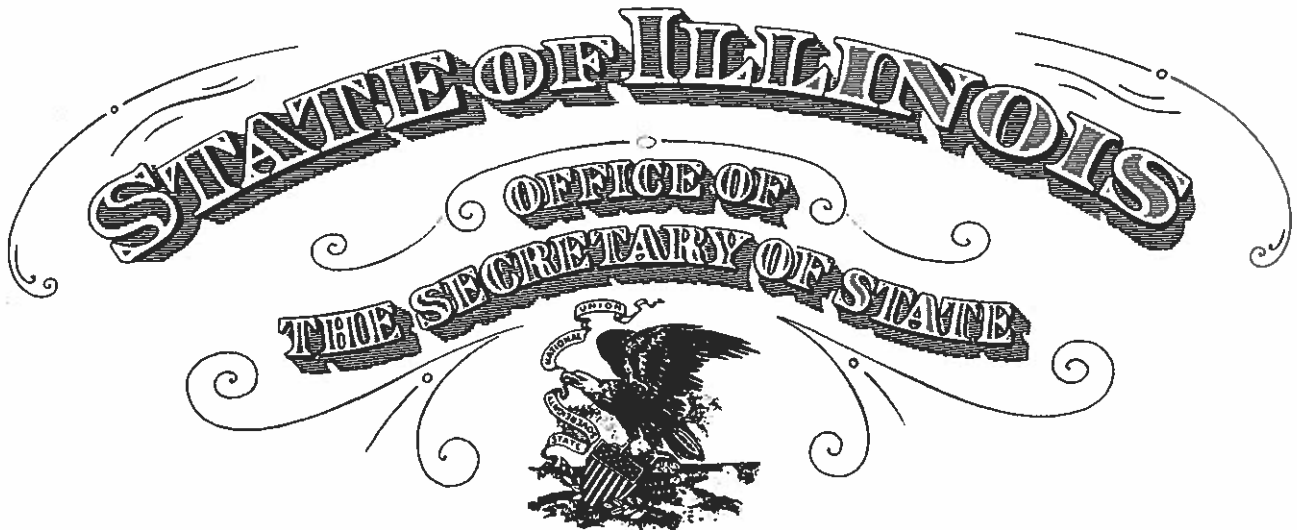
APPEND DOCUMENTATION AS **ATTACHMENT 38**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section I
Attachment 1
Applicant Identification

The Certificates of Good Standing for the Applicants are attached at ATTACHMENT 1.

File Number

0548-203-8



To all to whom these Presents Shall Come, Greeting:

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

SILVER CROSS HOSPITAL AND MEDICAL CENTERS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 16, 1891, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 9TH
day of MARCH A.D. 2020 .

Jesse White

SECRETARY OF STATE

Authentication #: 2006900526 verifiable until 03/09/2021

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

File Number

5257-283-5



To all to whom these Presents Shall Come, Greeting:

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

SILVER CROSS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 19, 1981, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 9TH
day of MARCH A.D. 2020 .

Jesse White

SECRETARY OF STATE

Authentication #: 2006900544 verifiable until 03/09/2021
Authenticate at: <http://www.cyberdriveillinois.com>

Section I
Attachment 2
Site Ownership

Silver Cross owns and operates Silver Cross Hospital. An Affidavit from Ruth Colby, the President and CEO of Silver Cross, in support of this Criterion is attached at ATTACHMENT 2.



1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020

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

Re: Certification of Corporate Ownership of Silver Cross Hospital and Medical Centers (Observation Unit Certificate of Need)

Dear Mr. Constantino:

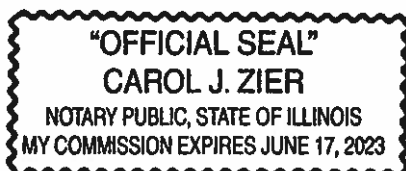
I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, that Silver Cross Hospital and Medical Centers, an Illinois not-for-profit, owns and operates Silver Cross Hospital and Medical Centers, a general acute care hospital located at 1900 Silver Cross Boulevard, New Lenox, Illinois.

Sincerely,

Ruth Colby
President & CEO
Silver Cross Health System
Silver Cross Hospital and Medical Centers

SUBSCRIBED AND SWORN
to before me this 8th day
of March, 2020.

Notary Public



Attachment

2

Section I
Attachment 3
Operating Entity/Licensee

Silver Cross owns and operates Silver Cross Hospital. The Certificate of Good Standing for Silver Cross is attached at ATTACHMENT 1.

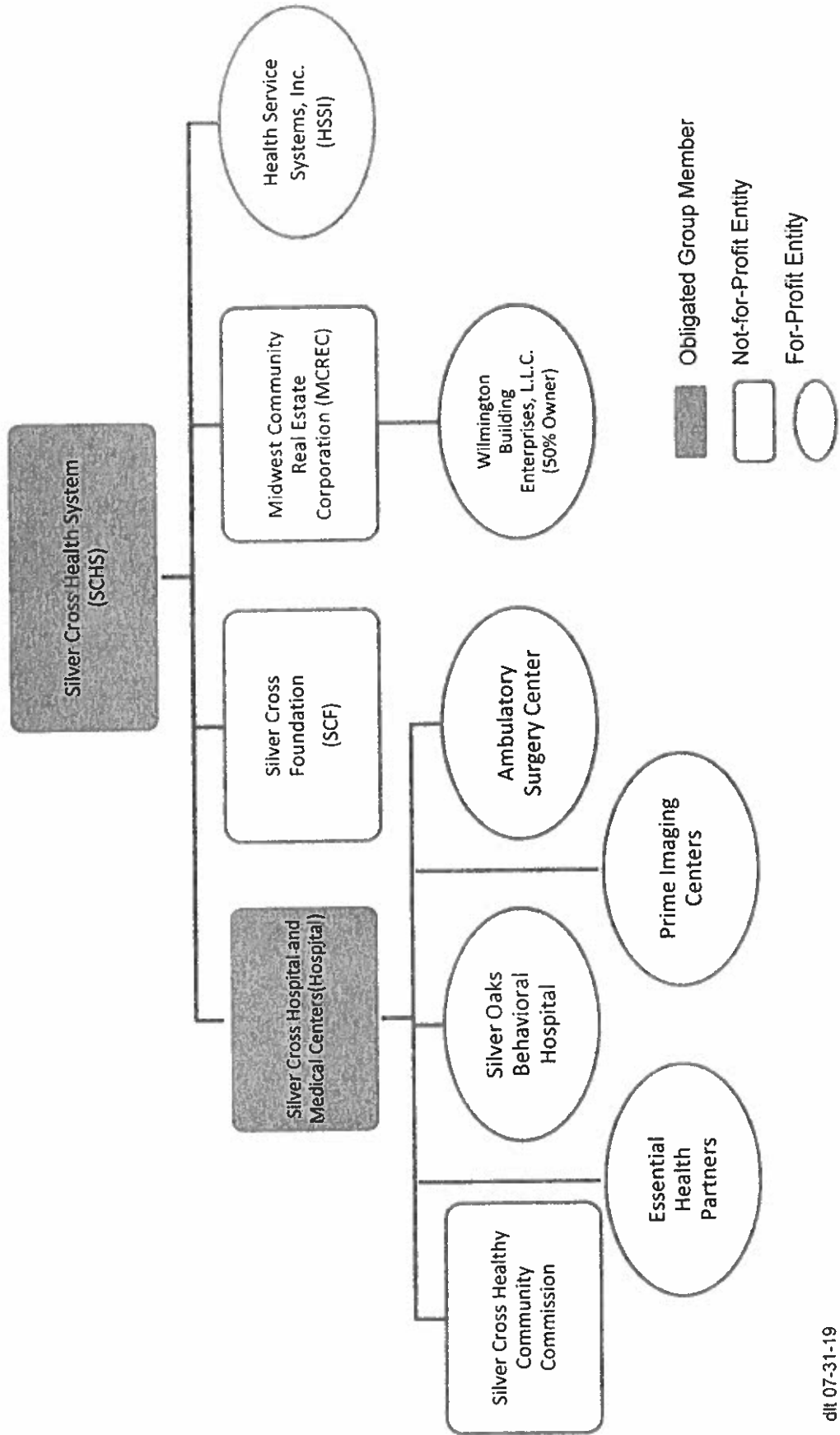
Section I
Attachment 4
Organizational Relationships

The organizational chart for the Applicants is attached at ATTACHMENT 4.



The way you *should* be treated.

Silver Cross Health System & Affiliates



dlt 07-31-19

Section I
Attachment 5
Flood Plain Compliance

As set forth in ATTACHMENT 5, Silver Cross Hospital is not in a designated flood plain. An Affidavit from Ruth Colby, the President and CEO of Silver Cross Hospital, attesting to the fact that the Applicants will comply with Executive Order #5 (2006), to the extent Executive Order #5 (2006) is applicable, is also attached at ATTACHMENT 5.



Illinois State Water Survey

Main Office • 2204 Griffith Drive • Champaign, IL 61820-7495 • Tel (217) 333-2210 • Fax (217) 333-6640
 Peoria Office • P.O. Box 697 • Peoria, IL 61652-0697 • Tel (309) 671-3196 • Fax (309) 671-3106



Special Flood Hazard Area Determination pursuant to Governor's Executive Order 5 (2006) (supersedes Governor's Executive Order 4 (1979))

Requester: Sara Jackson, Director, Planning
 Address: Silver Cross Hospital, 1200 Maple Road
 City, state, zip: Joliet, IL 60432 Telephone: (815) 740-1234 x7544

Site description of determination:

Site address: SE corner Maple Rd. (US 6) & Clinton St.
 City, state, zip: New Lenox, IL 60451
 County: Will Sec#: W½ of SW¼ Section: 4 T. 35 N. R. 11 E. PM: 3rd
 Subject area: Parcel IDs 15-08-04-300-008-0000, 15-08-04-300-011-0000, & 15-08-04-300-012-0000, which comprise the W½ SW¼ Sec. 4, T. 35 N., R. 11 E., 3rd P.M., Will County IL, except the S 250 ft thereof, and except U.S. 6 and Clinton St. rights-of-way.

The property described above IS NOT located in a Special Flood Hazard Area or a shaded Zone X floodzone.
 Floodway mapped: N/A Floodway on property: No
 Sources used: FEMA Flood Insurance Rate Map (FIRM - copy attached): Will Co. tax parcel map 08-04-C-W (9/15/2006)
 Community name: Village of New Lenox, IL Community number: 170706
 Panel/map number: 17197C0190 E Effective Date: September 6, 1995
 Flood zone: X (unshaded) Base flood elevation: N/A R. NGVD 1929

- N/A a. The community does not currently participate in the National Flood Insurance Program (NFIP). NFIP flood insurance is not available; certain State and Federal assistance may not be available.
N/A b. Panel not printed: no Special Flood Hazard Area on the panel (panel designated all Zone C or unshaded X).
N/A c. No map panels printed: no Special Flood Hazard Areas within the community (NSFHA).

The primary structure on the property:

- N/A d. Is located in a Special Flood Hazard Area. Any activity on the property must meet State, Federal, and local floodplain development regulations. Federal law requires that a flood insurance policy be obtained as a condition of a federally-backed mortgage or loan that is secured by the building.
N/A e. Is located in shaded Zone X or B (500-yr floodplain). Conditions may apply for local permits or Federal funding.
X f. Is not located in a Special Flood Hazard Area or a 500-year floodplain. (Flood insurance may still be available.)
N/A g. A determination of the building's exact location cannot be made on the current FEMA flood hazard map.
N/A h. Exact structure location is not available or was not provided for this determination.

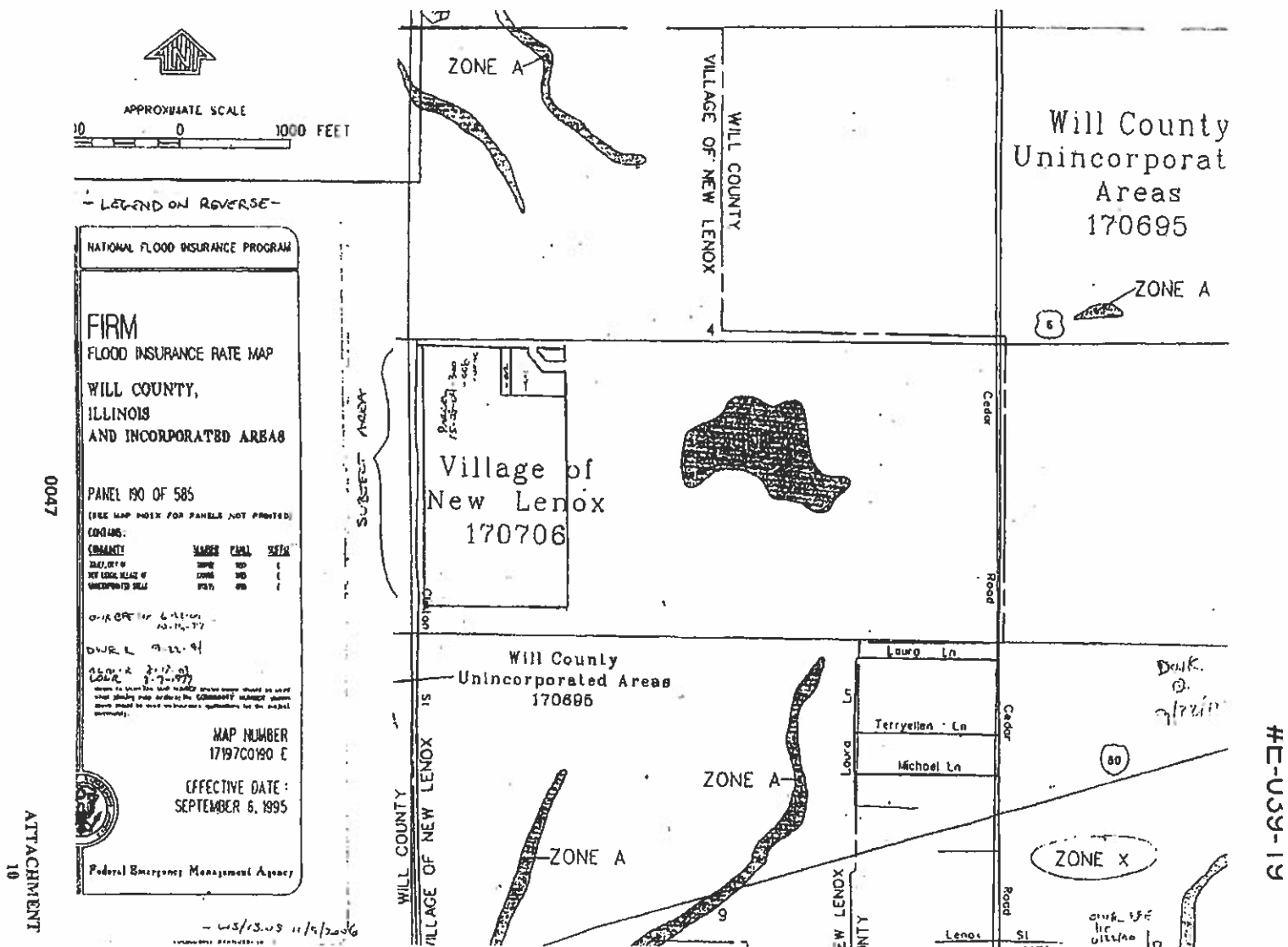
Note: This determination is based on the current Federal Emergency Management Agency (FEMA) flood hazard map for the community. This letter does not imply that the referenced property will or will not be free from flooding or damage. A property or structure not in a Special Flood Hazard Area may be damaged by a flood greater than that predicted on the FEMA map or by local drainage problems not mapped. This letter does not create liability on the part of the Illinois State Water Survey, or employee thereof for any damage that results from reliance on this determination. This letter does not exempt the project from local stormwater management regulations.

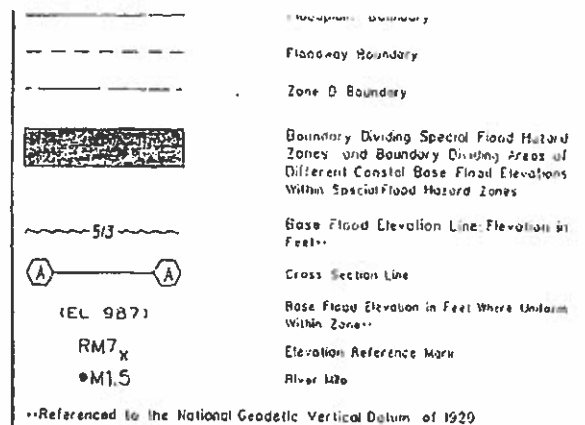
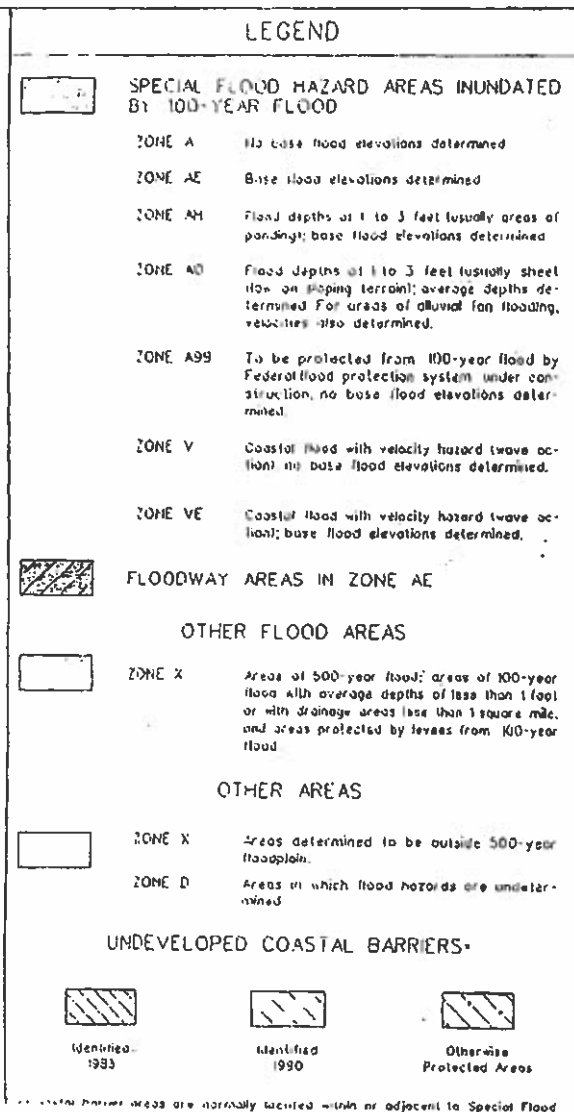
Questions concerning this determination may be directed to Bill Saylor (217/333-0447) at the Illinois State Water Survey. Questions concerning requirements of Governor's Executive Order 5 (2006), or State floodplain regulations, may be directed to John Lentz (847/608-3100) at the IDNR Office of Water Resources.

William Saylor
 William Saylor, CFM #14310111, Illinois State Water Survey

Title: ISWS Surface Water & Floodplain Information Date: 11/9/2006

Post-It® Fax Note 7671 Date 11/9/2006 # of pages 3



**MAP REPOSITORY**

Refer to Repository Listing on Map Index

**EFFECTIVE DATE OF COUNTYWIDE
FLOOD INSURANCE RATE MAP**
SEPTEMBER 6, 1995

EFFECTIVE DATE(S) OF REVISION(S) TO THIS PANEL

Refer to the FLOOD INSURANCE RATE MAP effective date shown on this map to determine when actuarial rates apply to structures in the zones where elevations or depths have been established.

To determine if flood insurance is available in this community, contact your insurance agent or call the National Flood Insurance Program at 1-800-638-664.



APPROXIMATE SCALE

0048

ATTACHMENT
10

#E-003-19



1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020

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

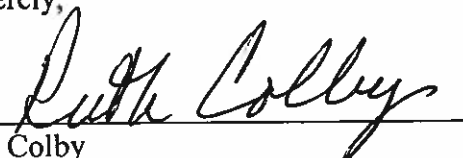
Re: Certification Re: Compliance with Illinois Executive Order #5
(Observation Unit Certificate of Need)

Dear Mr. Constantino:


I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

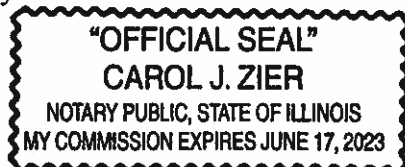
1. Silver Cross Hospital and Medical Centers, ("Silver Cross Hospital"), a general acute care hospital located at 1900 Silver Cross Boulevard, New Lenox, Illinois, is owned and operated by Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation ("Silver Cross").
2. Silver Cross Hospital is not located within a flood plain area.
3. Silver Cross has reviewed and will comply with the development requirements of Illinois Executive Order #5 (2006), to the extent Illinois Executive Order #5 (2006) is applicable.

Sincerely,


Ruth Colby
President & CEO
Silver Cross Health System
Silver Cross Hospital and Medical Centers

Subscribed and Sworn to before me
this 8th day of March, 2020.


Notary Public



Section 1
Attachment 6
Historic Resources Preservation Act Compliance

By way of background, Silver Cross Hospital (at its New Lenox location) opened in 2012, and stands on what was formerly farmland. In 2006, the Illinois State Historic Preservation Office (the "Historic Preservation Office") determined that the construction of Silver Cross Hospital (in New Lenox) presented no issues. In 2018, as part of Project No. 18-020, the Historic Preservation Office issued a clearance letter to Silver Cross Hospital which authorized the expansion of the Silver Cross Hospital footprint by 32,020 feet. See ATTACHMENT 6. The proposed Observation Unit described in this Application is replacing 8,146 feet of administrative/office space that was originally included in Project No. 18-020. Thus, like Project No. 18-020, this Project is in compliance with the requirements of the Illinois Historic Resources Preservation Act.



Illinois Department of Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271

www.dnr.illinois.gov

Mailing Address: 1 Old State Capitol Plaza, Springfield, IL 62701

JB Pritzker, Governor

Colleen Callahan, Director

FAX (217) 524-7525

Will County

New Lenox

CON - New Construction of Two for a Neonatal Intensive Care Unit, Silver Cross Hospital

1900 Silver Cross Blvd.

SHPO Log #010082019

December 6, 2019

Edward Green

Foley & Lardner LLP

321 N. Clark St., Suite 2800

Chicago, IL 60654

Dear Mr. Green:

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,

A handwritten signature in black ink, appearing to read "Robert F. Appleman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert F. Appleman
Deputy State Historic
Preservation Officer



ATTORNEYS AT LAW

321 N. CLARK STREET, SUITE 2800
CHICAGO, ILLINOIS, 60654-5313
312.832.4500 TEL
312.832.4700 FAX
www.foley.com

WRITER'S DIRECT LINE

312.832.4375
egreen@foley.com EMAIL

CLIENT/MATTER NUMBER
026141-0101

August 12, 2019

VIA FACSIMILE (217) 524-7525, EMAIL (BOB.APPLEMAN@ILLINOIS.GOV)
AND FEDERAL EXPRESS

Mr. Robert Appleman
Deputy State Historic Preservation Officer
Preservation Services Division
Illinois Historic Preservation Office
1 Natural Resources Way
Springfield, Illinois 62702-1271

Re: Silver Cross Hospital and Medical Centers – Expansion

Dear Mr. Appleman:

I am writing on behalf of Silver Cross Hospital and Medical Centers ("Silver Cross Hospital"), a general acute care hospital located at 1900 Silver Cross Boulevard, New Lenox, Illinois 60451. We are in the process of preparing a Certificate of Exemption Application for Silver Cross Hospital, pursuant to which Silver Cross Hospital will seek permission from the Illinois Health Facilities and Services Review Board to establish a neonatal intensive care unit (the "NICU") at Silver Cross Hospital. As part of the establishment of the NICU, Silver Cross Hospital will be adding two floors to Silver Cross Hospital. Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act (the "Act"), we are seeking a formal determination from the Illinois Historic Preservation Agency as to whether the Act applies to the expansion of Silver Cross Hospital. The legal description and parcel identification number for the land upon which Silver Cross Hospital sits is attached as Exhibit A. A drawing of Silver Cross Hospital and the proposed expansion is attached as Exhibit B.

By way of background, Silver Cross Hospital (at its New Lenox location) opened in 2012, and stands on what was formerly farmland. In 2006, your office determined that the construction of Silver Cross Hospital presented no issues. A copy of that clearance letter is attached as Exhibit C. On August 27, 2018, your office cleared the construction of a two-story addition to the immediate east of the existing Silver Cross Hospital structure (to accommodate the establishment of a structural heart program at Silver Cross Hospital). A copy of that clearance letter is attached as Exhibit D. The NICU expansion will simply add two floors (technically, one floor for the NICU and one floor of interstitial space to accommodate HVAC and mechanical units to support the NICU) above the floors for the structural heart program.

AUSTIN
BOSTON
CHICAGO
DALLAS
DENVER

DETROIT
HOUSTON
JACKSONVILLE
LOS ANGELES
MADISON

MEXICO CITY
MIAMI
MILWAUKEE
NEW YORK
ORLANDO

SACRAMENTO
SAN DIEGO
SAN FRANCISCO
SILICON VALLEY
TALLAHASSEE

TAMPA
WASHINGTON, D.C.
BRUSSELS
TOKYO

0040

Attachment

6



FOLEY & LARDNER LLP

Mr. Robert Appleman

August 12, 2019

Page 2

I understand that there are no fees associated with this request. If you have any questions or need any additional information to complete your evaluation of the proposed project, you may contact me at (312) 832-4375. My fax number is (312) 832-4700 and my email address is egreen@foley.com.

Best regards,

A handwritten signature in black ink that reads 'Edward J. Green'.

Edward J. Green

EJG:src

Encls.

5/24/2018


Will County Supervisor of Assessments

Will County Property Information

Home | PIN Search | Address Search | Sales Search | Neighborhood Search

<< Prev Parcel | Next Parcel >>

PIN #: 15-08-04-300-022-0000
OTHER

 , IL 00000

[Tax Map](#)
[GIS Map & Address Info](#)
[Treasury Tax Info](#)

PREVIOUS SALE INFORMATION

Sale Date: N/A
Sale Amount: N/A

MOST CURRENT RATE

Tax Rate: 8.7038 (2017)

ASSESSMENT INFORMATION (2017)

Land:	0	Farm Land:	0	Instant Ass't: 0
Building:	0	Farm Building:	0	
Total:	0	Total:	0	View Tax Bodies

BUILDING INFORMATION

Electronic format not available.
Please contact local Township Assessor.

LEGAL DESCRIPTION

Lot #:	Unit #:	Building #:	Area #:
<p>TRACT 1: THE W1/2 OF THE SW1/4 OF SEC 4, T35N-R11E, (EXCEPT THRFROM THE FOLL 6 TRACTS OF LAND: (1) THE S 250 FT OF THE W1/2 OF THE SW1/4 OF SD SEC 4 WHICH WAS CONVEYED TO JOHN GULLICK BY DEED RECORDED JULY 31, 1930 IN BK 729, PG 613, AS DOC# 443214), (2) THAT PART DEDICATED TO THE PEOPLE OF THE STATE OF ILLINOIS PER DOG# 448748), (3) THAT PRT TAKEN FOR RD WIDENING PER R2009-092281), (4) (THAT PRT OF THE W1/2 OF THE SW1/4 OF SEC 4, T35N-R11E; DAF: COMM AT THE NW COR OF SD SW1/4; THC S 01 DEG 39'30" E, 1491.59 FT, ALG THE W LN OF SD SW1/4; THC N 88 DEG 20'30" E, 319.21 FT, TO THE POB; THC N 88 DEG 18'39" E, 29.99 FT; THC N 01 DEG 43'21" W, 37.61 FT; THC N 44 DEG 47'03" E, 6.89 FT; THC N 88 DEG 28'54" E, 81.70 FT; THC S 46 DEG 32'58" E, 7.09 FT; THC S 01 DEG 43'21" E, 37.05 FT; THC N 88 DEG 16'39" E, 90.80 FT; THC S 01 DEG 38'29" E, 137.68 FT; THC S 88 DEG 20'50" W, 100.69 FT; THC N 48 DEG 39'10" W, 7.07 FT; THC S 88 DEG 20'50" W, 11 FT; THC S 43 DEG 20'50" W 7.07 FT; THC S 88 DEG 20'50" W, 101.01 FT; THC N 01 DEG 32'53" W, 137.41 FT, TO THE POB. (5) THAT PRT OF THE W1/2 OF THE SW1/4 OF SEC 4, T35N-R11E; DAF: COMM AT THE NW1/4 COR OF SD SW1/4 OF SEC 4; THC S 01 DEG 39'30" E, 1463.82 FT ALG THE W LN OF SD SW1/4; THC N 88 DEG 20'30" E, 318.88 FT; PERP SD W LN OF THE NW1/4 TO THE POB; THC N 01 DEG 32'58" W, 40 FT; THC S 88 DEG 27'02" W, 30 FT; THC N 01 DEG 32'58" W, 30 FT; THC S 88 DEG 27'24" W, 4.83 FT; THC N 01 DEG 32'58" W, 77.89 FT; TO A PT ON A CURVE; THC NE'LY 132.92 FT ALG A CURVE TO THE RIGHT WITH A RADIUS OF 359.68 FT AND HAVING A CHORD BEARING AND DIST OF N 85 DEG 06'55" E, 132.17 FT, TO A PT OF REVERSE CURVE; THC SE'LY 59.44 FT ALG A CURVE TO THE LEFT WITH A RADIUS</p>			

http://www.willcountysos.com/search_pin.aspx

1/2

5/24/2018

Will County Supervisor of Assessments

OF 351.18 FT AND HAVING A CHORD BEARING AND DIST OF S 89 DEG 12'08" E, 59.37 FT, TO A PT OF COMPOUND CURVE; THC NE'LY 29.78 FT ALG A CURVE TO THE LEFT WITH A RADIUS OF 349.88 FT AND HAVING A CHORD BEARING AND DIST OF N 83 DEG 30'17" E, 29.77 FT, TO A PT OF COMPOUND CURVE; THC NE'LY 37.39 FT ALG A CURVE TO THE LEFT WITH A RADIUS OF 350.31 FT AND HAVING A CHORD BEARING AND DIST OF N 78 DEG 00'30" E, 37.37 FT; THC S 01 DEG 33'43" E, 2.66 FT, TO A PT ON A CURVE; THC NE'LY 32.55 FT ALG A CURVE TO THE LEFT WITH A RADIUS OF 351.45 FT AND HAVING A CHORD BEARING AND DIST OF N 72 DEG 25'31" E, 32.54 FT; THC S 77 DEG 05'53" E, 3.82 FT; THC S 20 DEG 02'19" E 25 FT; THC S 16 DEG 42'17" W 15 FT; THC N 72 DEG 31'48" W, 15.48 FT; THC N 22 DEG 30'03" W, 6.56 FT, TO A PT ON A CURVE; THC SW'LY 21.89 FT, ALG A CURVE TO THE RIGHT WITH A RADIUS OF 379.27 FT AND HAVING A CHORD BEARING AND DIST OF S 74 DEG 15'46" W, 21.89 FT; THC S 01 DEG 32'59" E, 135.71 FT; THC S 88 DEG 27'02" W, 81.82 FT; THC N 01 DEG 39'30" W, 3.08 FT; THC S 88 DEG 19'18" W, 12.32 FT; THC N 46 DEG 32'58" W, 2.31 FT; THC S 88 DEG 28'54" W, 91.70 FT; THC S 44 DEG 47'03" W, 6.79 FT; THC S 88 DEG 27'02" W 30.45 FT, TO THE POB. (6) THAT PRT OF THE W1/2 OF THE SW1/4 OF SEC 4, T35N-R11E, DAF: COMM AT THE NW COR OF SD SW1/4; THC S 01 DEG 39'30" E 1785.41 FT, ALG THE W LN OF SD SW1/4; THC N 88 DEG 20'30" E 313.19 FT, TO THE POB; THC N 01 DEG 39'10" W 54.67 FT; THC 88 DEG 20'50" E 12.06 FT; THC N 01 DEG 39'10" W 39.47 FT; THC 88 DEG 20'50" E 42.24 FT; THC N 01 DEG 39'10" W 30.38 FT; THC N 88 DEG 20'50" E 52.36 FT; THC N 01 DEG 39'10" W, 31.89 FT; THC N 43 DEG 20'50" E 7.07 FT; THC N 88 DEG 20'50" E 11 FT; THC S 48 DEG 39'10" E 7.07 FT; THC S 01 DEG 39'10" E 31.89 FT; THC N 88 DEG 20'50" E 10.08 FT; THC S 01 DEG 39'10" E 103.44 FT; THC S 88 DEG 20'50" W, 12.01 FT; THC S 01 DEG 38'07" E, 12.54 FT; THC S 88 DEG 20'50" W 16.93 FT; THC S 01 DEG 39'10" E 8.53 FT; THC S 88 DEG 20'50" W, 108.77 FT, TO THE POB). TOGETHER WITH: OUTLOT 1, LOTS 1 & 2 IN CEDAR CROSSINGS PHASE 1 PUD, BEING A SUB OF PRT OF THE S1/2 OF SEC 4, T35N-R11E. REM AFTER DIV PER PET.#2011-79 NDA:

* Property Information is retrieved periodically from the Local Township Assessor; therefore, the property characteristics may not be the most current. For the most current information regarding your property, please contact your Local Township Assessor and review your property's record card.

© 2015 Will County Supervisor of Assessments.
All rights reserved. Designed and Maintained by NJS Enterprises, Inc.

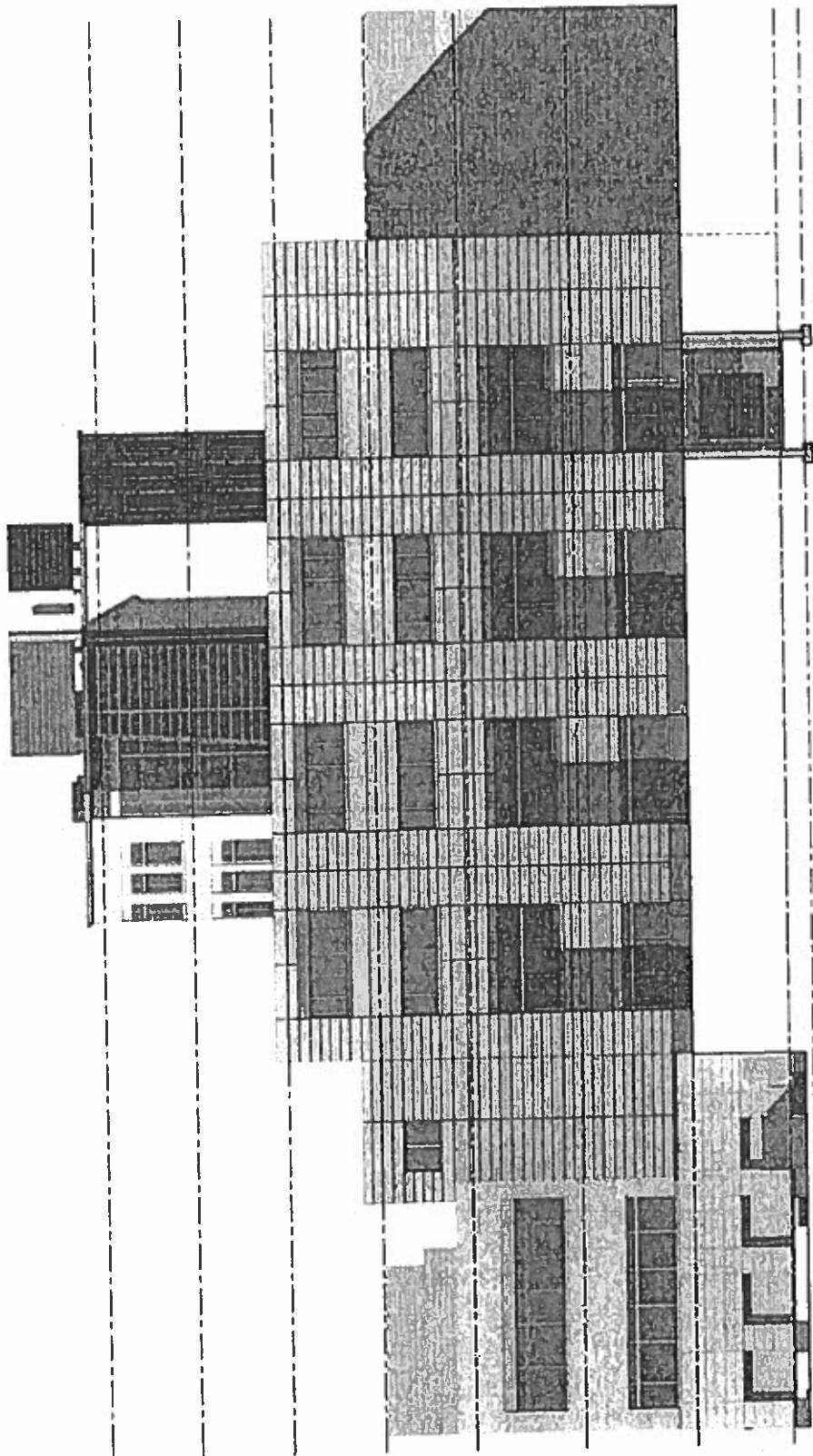


Exhibit C

NOV-08-2007 13:42

IL HISTORIC PRES AGY

217 782 8161 P.01/01



Illinois Historic Preservation Agency

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

Will County

New Lenox

CON - New Construction for Freestanding Health Care Facility
Maple Road (Route 6) and Clinton St., 790, 850 W. Maple Road (Route 6).
IHPA Log #052111306

December 6, 2006

Sara Jackson
Silver Cross Hospital
1200 Maple Rd.
Joliet, IL 60432

Dear Ms. Jackson:

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

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

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

If you have any further questions, please contact Andrew Heckenkamp, Manager, 1 Old State Capitol Plaza, Springfield, IL 62701, 217/782-8168.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

A teletypewriter for the speech/hearing impaired is available at 217-624-7128. It is not a voice nr. fax line



Illinois Department of Natural Resources

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

Bruce Rauner, Governor
Wayne A. Rosenthal, Director

FAX (217) 524-7525

Will County
New Lenox

CON - New Addition for Structural Heart Program, Silver Cross Hospital
1900 Silver Cross Blvd.
SHPO Log #017062818

August 27, 2018

Edward Green
Foley & Lardner LLP
321 N. Clark St., Suite 2800
Chicago, IL 60654

Dear Mr. Green:

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,

A handwritten signature in black ink, appearing to read "Robert F. Appleman".

Robert F. Appleman
Deputy State Historic
Preservation Officer

Attachment 7
Project Costs & Sources of Funds

An equipment listing/summary is attached at ATTACHMENT 7.

OBSERVATION UNIT

Fixtures, Furniture & Equipment

NON-CLINICAL		
Office Furnishings		\$15,000
1 Staff Lounge		\$1,400
Artwork		\$9,000
Patient Room Side Chairs	32	\$16,000
Nursing Station Furniture		\$35,000
Nursing Stools	10	\$8,300
Interior Signage		\$5,000
Security Cameras		\$50,000
Card Access		\$42,000
Non-Clinical Subtitle		\$181,700
CLINICAL		
Computer Carts	16	\$22,582
GCX Mounts	16	\$12,866
Computer Stations for Patient Rooms and Nurse Stations	16	\$120,140
DAS Telemetry		\$42,504
IT Technology		\$230,000
Accuchecks	3	\$2,886
Recliner	16	\$56,000
Nurse Station	1	\$5,000
Crash Cart	1	\$14,586
Bladder Scanner	1	\$10,750
Food Cart	1	\$565
Portable Procedure Light	1	\$2,186
Pyxis Refrigerator	1	\$4,065
Pyxis Station	1	\$92,862
Sara Lift	1	\$8,444
Thermometers	8	\$1,173
Chair Alarms	16	\$1,273
Beds	16	\$237,776
Hampers	16	\$2,224
IV Poles	16	\$10,119
O2 Flow Meters	16	\$408
Otosopes / Ophthalmoscope	16	\$7,329
Over-Bed Tables	16	\$3,440
Patient Lifts	2	\$19,655
Patient Monitoring	16	\$321,000
Peggy Cabinet	16	\$24,000
Sphygmomanometer	16	\$1,896

CLINICAL		
Stools	16	\$5,680
Suction Holders	32	\$9,280
TVs	16	\$11,456
Room Clocks	16	\$2,960
Lattice Scanners	16	\$17,104
Patient Monitoring Infrastructure	1	\$175,000
Nurse Call		\$121,091
Miscellaneous Small Equipment		\$20,000
Clinical Subtotal		<u>\$1,618,300</u>
TOTALS		\$1,800,000

GT:cz

3/25/2020

Section II
Attachment 11
Background of the Applicants


Silver Cross Hospital and Medical Centers

1. Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation, owns and operates Silver Cross Hospital and Medical Centers. Silver Cross Hospital is a fully licensed, Medicare-certified, Joint Commission accredited, 300 bed general acute care hospital, located at 1900 Silver Cross Boulevard, New Lenox, Illinois 60451. Copies of the current license and Joint Commission accreditation for Silver Cross Hospital are attached at ATTACHMENT 11.
2. Silver Cross Hospital has been recognized as a 5 star hospital by the Centers for Medicare and Medicare Services, a Truven Health Analytics 100 Top Hospitals National Award winner for seven consecutive years, a Hospital of Choice by the American Alliance of Healthcare Providers, and was honored with an "A" Hospital Safety GradeSM by The Leapfrog Group for eleven consecutive periods.
3. Silver Cross Hospital has forged partnerships with several "best in breed" organizations to deliver state-of-the-art medicine on its campus in New Lenox. Those partners include the Shirley Ryan AbilityLab (formerly the Rehabilitation Institute of Chicago) on rehabilitation, Ann & Robert H. Lurie Children's Hospital of Chicago on pediatrics, and the University of Chicago on cancer care.
4. In 2019, Silver Cross Hospital provided over \$39 million in charity care and other community benefits.
5. Silver Cross Hospital (through a joint venture with USPI and certain physicians) owns an interest in Silver Cross Ambulatory Surgery Center, a fully licensed, Medicare-certified, three operating room, nine recovery room, ambulatory surgery center on the Silver Cross Hospital campus. See Project No. 16-021.
6. Silver Cross Hospital (through a joint venture with US HealthVest and various US Healthvest affiliates) owns an interest in Silver Oaks Hospital, a fully licensed, Medicare-certified, 100 bed behavioral health hospital on the Silver Cross Hospital Campus. See Project No. 17-009.
7. There have been no adverse actions taken against any facility owned or operated by Silver Cross Hospital during the three (3) years prior to the filing of this Application. A letter certifying the above information is attached at ATTACHMENT 11.
8. An authorization letter granting access to the Board and the Illinois Department of Public Health ("IDPH") to verify information about Silver Cross Hospital is attached at ATTACHMENT 11.

Silver Cross Health System

1. Silver Cross Health System, an Illinois not-for-profit corporation, is the sole member of Silver Cross Hospital and Medical Centers.

2. There have been no adverse actions taken against any facility owned or operated by Silver Cross Health System during the three (3) years prior to the filing of this Application. A letter certifying the above information is attached at ATTACHMENT 11.
3. An authorization letter granting access to the Board and IDPH to verify information about Silver Cross Health System is attached at ATTACHMENT 11.

 Illinois Department of PUBLIC HEALTH			HF 119447
LICENSE, PERMIT, CERTIFICATION, REGISTRATION			
<small>The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.</small>			
Ngozi O. Ezike, M.D. Director		<small>Issued under the authority of the Illinois Department of Public Health</small>	
EXPIRATION DATE	CATEGORY	I.D. NUMBER	
2/25/2021		0005827	
General Hospital			
Effective: 02/26/2020			
Silver Cross Hospital and Medical Centers 1900 Silver Cross Blvd New Lenox, IL 60451			
<small>The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19-493-001 10M 9/18</small>			

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

Exp. Date 2/25/2021

Lic Number 0005827

Date Printed 12/4/2019

Silver Cross Hospital and Medical Cent

1900 Silver Cross Blvd
New Lenox, IL 60451

FEE RECEIPT NO.



February 25, 2020

Ruth Colby
President and CEO
Silver Cross Hospital
1900 Silver Cross Blvd
New Lenox , IL 60451

Joint Commission ID #: 7365
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards
Compliance
Accreditation Activity Completed : 2/25/2020

Dear Ms. Colby:

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 Hospital**

This accreditation cycle is effective beginning November 1, 2019 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 G. Pelletier, RN, MS
Chief Operating Officer and Chief Nurse Executive
Division of Accreditation and Certification Operations



SILVER CROSS
HOSPITAL

#20-023

1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020

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

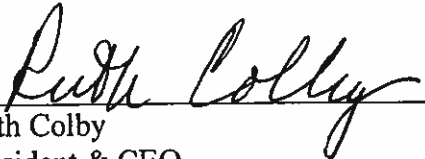
Re: No Adverse Actions Certification (Observation Unit Certificate of Need)

Dear Mr. Constantino:


I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

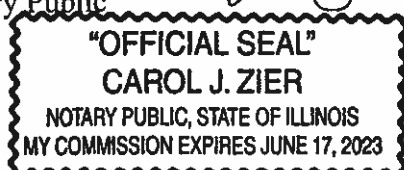
1. There have been no adverse actions taken against any facility owned or operated by Silver Cross Health System during the three (3) years prior to the filing of this Certificate of Need Application.
2. There have been no adverse actions taken against any facility owned or operated by Silver Cross Hospital and Medical Centers during the three (3) years prior to the filing of this Certificate of Need Application.

Sincerely,


Ruth Colby
President & CEO
Silver Cross Health System
Silver Cross Hospital and Medical Centers

Subscribed and Sworn to before me
this 8th day of March, 2020.


Notary Public



Attachment

11



SILVER CROSS
HOSPITAL

#20-023

1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020


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

Re: Authorization to Access Information (Observation Unit Certificate of Need)

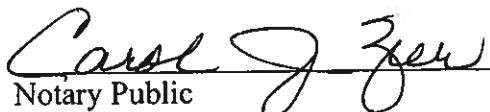
Dear Mr. Constantino:

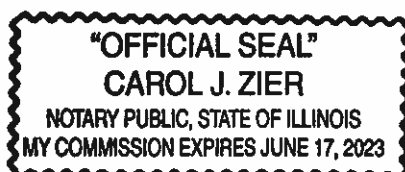
I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by Silver Cross Health System and Silver Cross Hospital and Medical Centers with this Certificate of Need Application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this Certificate of Need Application.

Sincerely,


Ruth Colby
President & CEO
Silver Cross Health System
Silver Cross Hospital and Medical Centers

Subscribed and Sworn to before me
this 8th day of March, 2020.


Notary Public



Section III
Attachment 12
Criterion 1110.110(b)
Purpose of Project

Purpose Statement

Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation ("Silver Cross"), and Silver Cross Health System, an Illinois not-for-profit corporation ("Silver Cross Health System," collectively with Silver Cross, the "Applicants") are seeking authority from the Illinois Health Facilities & Services Review (the "Review Board") to construct a dedicated sixteen (16) bed observation unit (the "Observation Unit") on the first floor of Silver Cross Hospital (the "Hospital") located between the Hospital's Emergency Department and the Hospital's Cardiac Testing Department in order to address the increasing demand for observation beds at the Hospital and to reduce the time the Hospital's Emergency Department spends on bypass. The Project will also decompress the Hospital's inpatient med/surg units by adding observation beds. This Project will also reduce the square footage on pending Project 18-020 by 8,146 feet and reduce the costs on pending Project 18-020 by \$1,073,250.

Supporting Statements & Documentation

Background Facts

1. The Observation Unit will occupy 8,146 feet of space and is replacing 8,146 feet of administrative/office space that was originally included on the Applicants' Certificate of Need Application to establish an open heart surgery program and to expand the Hospital's foot print by 32,020 feet ("Project No. 18-020"). Project No. 18-020 is still under construction, with a projected completion date of June 30, 2021.
2. The Observation Unit project will cost \$6,895,573 to complete with a projected completion date of December 31, 2022. The square footage on Project 18-020 will be reduced by 8,146 feet and the costs on Project 18-020 will be reduced by \$1,073,250 as a result of this Project.

Define the Planning Area or Market Area

1. There are no designated health planning areas for observation beds.
2. That said, the Hospital's current health planning area for med/surg inpatient beds would be the appropriate proxy. The Hospital is in health planning area A-13 for med/surg inpatient beds, which shows a need for 81 med/surg inpatient beds.

Identify the Existing Problems or Issues that need to be Addressed

1. Since the Hospital moved from Joliet to New Lenox, the Hospital's observation days have increased by 69 percent from 5,924 in 2013 to 10,011 in 2019. During this same time period, the Hospital's inpatient med/surg admissions have also increased by nearly 17 percent (from 12,293 in 2013 to 14,364 in 2019) and the Hospital's inpatient med/surg days have increased by 10 percent (from 48,865 in 2013 to 53,792 in 2019). In order to meet the rising demand for inpatient med/surg beds and observation beds, the Hospital has added 22 inpatient med/surg beds to its inventory since 2013. But the Hospital has still hit 100% census levels on

its med/surg floors, which then requires the Hospital to temporarily board patients in the Hospital's Emergency Department and the Hospital's Procedural Care Unit until a med/surg bed opens on a floor. This, in turn, has led to more hours of bypass for the Emergency Department and significant use of overflow areas in the Emergency Department and the Procedural Care Unit.

Detail how the Project will Address or Improve the Previously Referenced Issues as well as the Population's Health Status and Well-Being

1. The creation of the dedicated 16 bed observation unit will relieve some of the burdens referenced above.

Provide Goals with Quantified and Measurable Objectives with Specific Timeframes that Relate to Achieving the Stated Goals

1. It is projected that the dedicated 16 bed observation unit will maintain an average daily census of 16 within one (1) year of project completion.

Section III**Attachment 13****Criterion 1110.110(d), Alternatives to Proposed Project**

The Applicants considered three alternatives before electing to file this Application. As discussed below, the three alternatives reviewed with respect to this Project included: (1) the "do nothing" alternative (i.e., simply leave the administrative/office space described in Project No. 18-020 as administrative/office space); (2) re-configure the administrative/office space described in Project No. 18-020 into a six bed inpatient med/surg unit; or (3) re-configure the administrative/office space described in Project No. 18-020 into a dedicated sixteen (16) observation bed unit.

Alternative No. 1: Do Nothing

Since the Hospital moved from Joliet to New Lenox, the Hospital's observation days have increased by **69 percent** from 5,924 in 2013 to 10,011 in 2019. During this same time period, the Hospital's inpatient med/surg admissions have also increased by nearly 17 percent (from 12,293 in 2013 to 14,364 in 2019) and the Hospital's inpatient med/surg days have increased by 10 percent (from 48,865 in 2013 to 53,792 in 2019). In order to meet the rising demand for inpatient med/surg beds and observation beds, the Hospital has added 22 inpatient med/surg beds to its inventory since 2013. But the Hospital has still hit 100% census levels on its med/surg floors, which then requires the Hospital to temporarily board patients in the Hospital's Emergency Department and the Hospital's Procedural Care Unit until a med/surg bed opens on a floor. This, in turn, has led to more hours of bypass for the Emergency Department and significant use of overflow areas in the Emergency Department and the Procedural Care Unit.

Thus, the Hospital needs to address the increasing demand for observation beds. "Doing nothing" would mean ignoring the issue and spending more money in the future to address the issue.

Alternative No. 2: Build 6 Bed Inpatient Med/Surg Unit

The Applicants also considered re-configuring the administrative/office space described in Project No. 18-020 into a six bed inpatient med/surg unit. This alternative was rejected for the following reasons: (a) a six bed inpatient med/surg unit would be inefficient as a typical inpatient med/surg unit is 16 beds; (b) a six bed med/surg inpatient unit on the first floor of the Hospital would be disconnected from the other inpatient floors at the Hospital; and (c) a six bed inpatient med/surg unit would cost more than \$6,000,000 to construct.

Alternative No. 3: Build 16 Bed Dedicated Observation Unit

Ultimately, the Applicants chose to file this Application to re-configure the administrative/office space described in Project No. 18-020 into a sixteen bed dedicated observation unit for the following reasons: (a) a sixteen bed dedicated observation unit would be very efficient; (b) a sixteen bed dedicated observation unit fits perfectly into the administrative/office space described in Project No. 18-020; (c) a sixteen bed dedicated observation unit on the first floor of the Hospital would be located between the Hospital's Emergency Department and the Hospital's Cardiac Testing Department; (d) a dedicated sixteen bed unit observation costs less than

\$6,000,000 to construct; and (e) a dedicated sixteen bed observation unit will decompress the Hospital's inpatient med/surg units.

Section IV

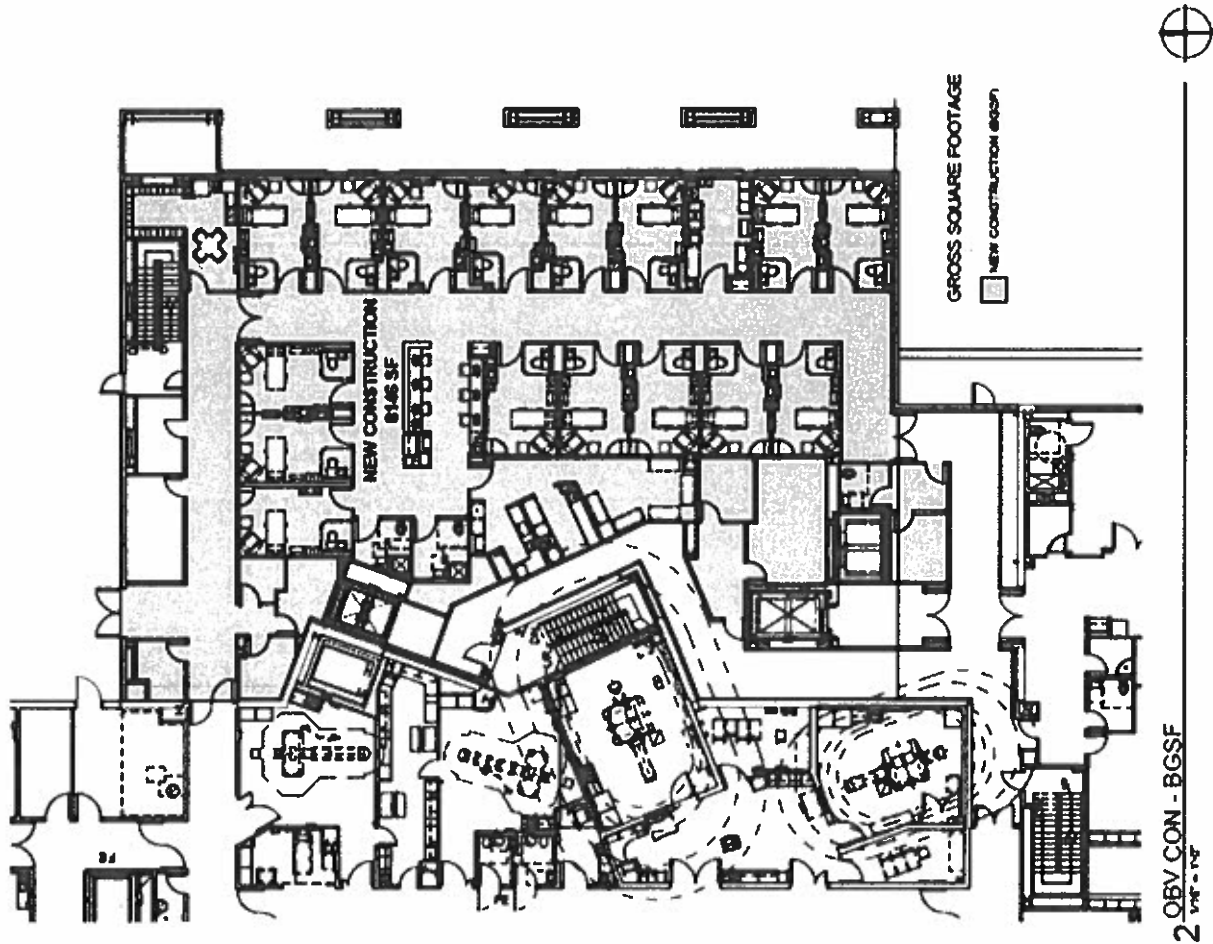
Attachment 14

Criterion 1110.120(a), Size of Project

The dedicated 16 bed observation unit will occupy 8,146 feet of space and will be located on the Hospital's first floor (between the Hospital's Emergency Department and the Hospital's Cardiac Testing Department).

There are no sizing standards for observation beds.

The floor plan for the dedicated 16 bed observation unit is attached at ATTACHMENT 14.



Square Footage

Clinical	6,948 SF
Non-Clinical	<u>1,198 SF</u>
TOTAL	8,146 SF

CON - Building Gross Square Footage	
Area Use	Area
NEW CONSTRUCTION (8057)	8146 SF

Section IV
Attachment 15
Criterion 1110.120(b), Project Services Utilization

Observation Beds

There are no utilization standards for observation beds. So, the Applicants have satisfied this Criterion.

In terms of observation days in the proposed Observation Unit, the Hospital's models assume that the observation patients in the Hospital would be concentrated in the Observation Unit. Those same models assume that the average length of stay in the Observation Unit would be consistent with the Hospital's current average length of stay for observation patients.

It is assumed that the dedicated Observation Unit will maintain an average daily census of 16 within one (1) year of project completion.

The following chart sets forth the Applicant's projected observation days (across the entire Hospital):

Silver Cross Hospital Projected Observation Days (Across Hospital)		
Calendar Year	Observation Days	Annual Growth
2019 (Actual)	10,011	
2020 (Projected)	11,355	13.4%
2021 (Projected)	12,109	6.64%
2022 (Projected)	12,465	2.94%
2023 (Projected)	12,791	2.62%
2024 (Projected)	13,109	2.49%

Inpatient Med/Surg Beds as a Proxy

Because there are no utilization standards for observation beds, the Applicants also reviewed the utilization standards for inpatient med/surg beds as a proxy for this Project.

The utilization standard for existing inpatient med/surg beds is 85%.

The utilization standard for adding 1 to 99 new inpatient med/surg beds is 80%.

The historical med/surg utilization at the Hospital is set forth below:

Silver Cross Hospital Med/Surg Bed Historical Utilization									
Calendar Year	Licensed Med/Surg Beds	Peak Census	Admissions	Inpatient Days	Observation Days	Total Days	Medicare ALOS (Obser + Inpatient)	ADC	CON Occupancy Rate
2013	185	185	12,293	48,865	5,924	54,789	4.5	150.1	81.1%
2014	185	185	13,862	50,009	6,699	56,708	4.1	155.4	84.0%
2015	185	185	13,935	50,756	7,883	58,639	4.2	160.7	86.8%
2016	185	185	14,657	53,504	9,002	62,506	4.3	170.8	92.3%
2017	191	191	13,246	50,842	10,874	61,716	4.7	169.1	88.5%
2018	205	205	13,767	51,070	10,525	61,595	4.5	168.8	82.3%
2019	207	207	14,364	53,792	10,011	63,803	4.4	174.8	84.4%

The Hospital has developed a number of med/surg bed projection models (from simple to advanced) based on the Hospital's historical growth rates, the population growth rate of the

Hospital's service area, the addition of new service lines (like the open heart surgery program that the Review Board approved in 2018), projected reimbursement changes which could encourage more outpatient procedures, projected innovations in the standard of care for certain disease states, and other factors.

The simplest med/surg bed need model (which just assumes the historical 2.61% average daily census growth rate at the Hospital continues into the future) shows a need for 26.82 additional med/surg beds at the Hospital by 2024 (assuming the 85% occupancy rate for existing med/surg beds) and a need for 41.43 additional med/surg beds (assuming the 80% occupancy rate for adding new beds). The following chart reflects the "simple model."

Silver Cross Hospital Projected Med/Surg Utilization (Simple Model)								
Calendar Year	Existing Licensed Med/Surg Beds	Projected ADC	CON Target Occupancy Standard for Existing Beds	Med/Surg Beds Needed (85% Standard)	Additional Beds Needed (85% Standard)	CON Target Occupancy Standard for Adding New Beds	Med/Surg Beds Needed (80% Standard)	Additional Beds Needed (80% Standard)
2020	207	179.35	85%	211.00	4.0	80%	224.18	17.18
2021	207	184.01	85%	216.48	9.48	80%	230.01	23.01
2022	207	188.80	85%	222.11	15.11	80%	236.00	29.00
2023	207	193.71	85%	227.89	20.89	80%	242.14	35.14
2024	207	198.75	85%	233.82	26.82	80%	248.43	41.43

The advanced med/surg bed need model shows a need for 51.82 additional med/surg beds at the Hospital by 2024 (assuming the 85% occupancy rate for existing med/surg beds) and a need for 68 additional med/surg beds (assuming the 80% occupancy rate for adding new beds). The following chart reflects the "advanced model."

Silver Cross Hospital Projected Med/Surg Utilization (Advanced Model)								
Calendar Year	Existing Licensed Med/Surg Beds	Projected ADC	CON Target Occupancy Standard for Existing Beds	Med/Surg Beds Needed (85% Standard)	Additional Beds Needed (85% Standard)	CON Target Occupancy Standard for Adding New Beds	Med/Surg Beds Needed (80% Standard)	Additional Beds Needed (80% Standard)
2020	207	197	85%	231.75	24.76	80%	246.25	39.25
2021	207	205	85%	241.17	34.18	80%	256.25	49.25
2022	207	210	85%	247.06	40.06	80%	262.50	55.50
2023	207	216	85%	254.12	47.12	80%	270.00	63.00
2024	207	220	85%	258.82	51.82	80%	275.00	68.00

Thus, based on any of these bed projection models, the Hospital easily satisfies the utilization standards for existing and additional inpatient med/surg beds (if, in fact, one wanted to use inpatient med/surg utilization standards as a proxy for observation beds).

The same conclusion can be drawn if the A-13 need models for inpatient med/surg beds developed by the Review Board are used as a proxy for observation beds. Currently, the A-13 planning area is showing a need for 81 additional med/surg inpatient beds.

See also the Utilization Affidavit of Ruth Colby, attached as ATTACHMENT 15.



SILVER CROSS
HOSPITAL

#20-023

1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020

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

Re: Utilization Assurance (Observation Unit Certificate of Need)

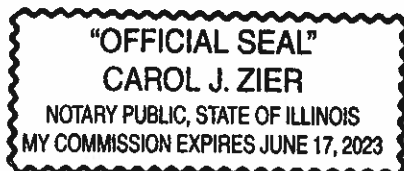
Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, that Silver Cross Hospital and Medical Centers ("Silver Cross Hospital") will achieve and maintain the utilization projections set forth in its Certificate of Need Application to establish an Observation Unit at Silver Cross Hospital.

Sincerely,

Ruth Colby
President & CEO
Silver Cross Health System
Silver Cross Hospital and Medical Centers

Subscribed and Sworn to before me
this 8th day of March, 2020.

Notary Public

Section VI
Attachment 30
Clinical Service Areas Other Than Categories of Service
Criterion 1110.270

Criterion 1110.270(a), Introduction

The proposed Project does not involve any designated categories of service recognized by the Review Board. However, a dedicated observation unit is considered a "Clinical Service Area."

Criterion 1110.270(c)(2), Service Modernization (Necessary Expansion)

The Observation Unit will occupy 8,146 feet of space and is replacing 8,146 feet of administrative/office space that was originally included on the Applicants' Certificate of Need Application to establish an open heart surgery program and to expand the Hospital's foot print by 32,020 feet ("Project No. 18-020"). Project No. 18-020 is still under construction, with a projected completion date of June 30, 2021.

The Observation Unit project (the "Project") will cost \$6,895,573 to complete with a projected completion date of December 31, 2022. The square footage on Project 18-020 will be reduced by 8,146 feet and the costs on Project 18-020 will be reduced by \$1,073,250 as a result of this Project.

As set forth herein, the Applicants have filed this Application to address the increasing demand for observation beds at the Hospital. Since the Hospital moved from Joliet to New Lenox, the Hospital's observation days have increased by 69 percent from 5,924 in 2013 to 10,011 in 2019. During this same time period, the Hospital's inpatient med/surg admissions have also increased by nearly 17 percent (from 12,293 in 2013 to 14,364 in 2019) and the Hospital's inpatient med/surg days have increased by 10 percent (from 48,865 in 2013 to 53,792 in 2019). In order to meet the rising demand for inpatient med/surg beds and observation beds, the Hospital has added 22 inpatient med/surg beds to its inventory since 2013. But the Hospital has still hit 100% census levels on its med/surg floors, which then requires the Hospital to temporarily board patients in the Hospital's Emergency Department and the Hospital's Procedural Care Unit until a med/surg bed opens on a floor. This, in turn, has led to more hours of bypass for the Emergency Department and significant use of overflow areas in the Emergency Department and the Procedural Care Unit. The creation of the dedicated 16 bed observation unit (located between the Hospital's Emergency Department and the Hospital's Cardiac Testing Department) set forth in this Application will relieve that burden. The Project will also decompress the Hospital's inpatient med/surg units by adding observation beds.

Section VI
Attachment 33
Availability of Funds
Criterion 1120.120

Silver Cross will be funding this Project with cash and cash equivalents. An Affidavit of Available Funds from Vincent Pryor, the Senior Vice President and Chief Financial Officer of Silver Cross ("Mr. Pryor"), in support of this Criterion is attached at ATTACHMENT 33. Silver Cross' most recent audited financial statements are also attached at ATTACHMENT 33 and show that Silver Cross was holding more than \$27,441,000 in cash, cash equivalents, available invested funds, and funds specifically directed for capital improvements, as of its last audited financial statement (September 30, 2019). Thus, Silver Cross has sufficient cash available to fund this Project.



1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020

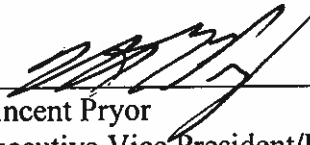
Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1120.120(a) Available Funds Certification (Observation Unit CON)

Dear Mr. Constantino:


I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.120(a), that Silver Cross Hospital and Medical Centers ("Silver Cross") has sufficient and readily accessible cash and cash equivalents to fund the obligations of Silver Cross set forth in the Certificate of Need Application for the "Silver Cross Observation Unit" Project.

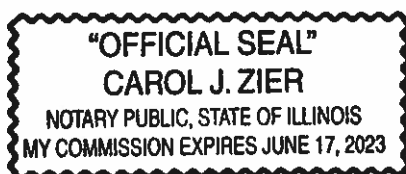
Sincerely,



Vincent Pryor
Executive Vice President/Finance
Chief Financial Officer

SUBSCRIBED AND SWORN
to before me this 8th day
of March, 2020.



Notary Public



SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements and Schedules

September 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Financial Statements	7
Supplemental Schedules	
Consolidating Balance Sheet Information	32
Consolidating Statement of Operations and Changes in Net Assets without Donor Restrictions Information	34
Consolidating Statement of Changes in Net Assets Information	35
Consolidating Balance Sheet Information (Obligated Group)	36
Consolidating Statement of Operations and Changes in Net Assets without Donor Restrictions Information (Obligated Group)	38
Consolidating Statement of Changes in Net Assets Information (Obligated Group)	39

Independent Auditors' Report



Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, Silver Cross Health System and its affiliates adopted new accounting guidance for Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*, and ASU No. 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*. Our opinion is not modified with respect to these matters.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
January 31, 2020

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Balance Sheets

September 30, 2019 and 2018

(Amounts in thousands)

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 27,441	22,944
Short-term investments	3,603	3,397
Assets whose use is limited or restricted, required for current liabilities	33,009	24,775
Patient accounts receivable, net of estimated uncollectibles of \$18,867 in 2018	47,454	39,926
Other receivables	1,339	1,513
Prepaid expenses and other	7,143	6,616
Total current assets	119,989	99,171
Assets whose use is limited or restricted, excluding assets required for current liabilities:		
By board for capital improvements and other	221,666	196,089
By board for self-insurance	26,333	25,302
Under bond indenture agreements – held by trustee	318	310
Pledges receivable	770	522
Donor-restricted investments	1,904	1,794
Beneficial interest in perpetual trusts	7,940	7,856
	258,931	231,873
	422,489	422,354
Land, buildings, and equipment, net		
Other assets:		
Land held for sale	23,035	25,201
Estimated excess insurance recovery receivables	4,905	4,153
Other long-term assets	13,400	11,012
Total assets	\$ 842,749	793,764
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 7,715	7,505
Accounts payable	40,860	25,256
Accrued salaries and wages	23,864	20,251
Accrued expenses	5,639	5,707
Estimated payables under third-party reimbursement programs	41,395	40,422
Total current liabilities	119,473	99,141
Estimated self-insured professional and general liability claims	41,734	38,798
Long-term debt, excluding current installments	375,207	383,333
Capital lease and other long-term liabilities, net of current portion	7,059	5,305
Total liabilities	543,473	526,577
Net assets:		
Net assets without donor restrictions	287,607	257,045
Noncontrolling Interest in consolidated joint venture	1,071	—
Total net assets without donor restrictions	288,678	257,045
Net assets with donor restrictions	10,598	10,142
Total net assets	299,276	267,187
Total liabilities and net assets	\$ 842,749	793,764

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions

Years ended September 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Revenue:		
Net patient service revenue	\$	402,221
Provision for bad debts		(15,855)
Net patient service revenue	409,606	386,366
Other revenue	8,826	9,927
Total revenue	<u>418,432</u>	<u>396,293</u>
Expenses:		
Salaries and wages	146,826	139,366
Payroll taxes and fringe benefits	35,378	34,591
General and administrative	86,684	78,632
Supplies	83,792	77,804
Depreciation and amortization	30,859	31,307
Interest	15,942	18,642
Total expenses	<u>399,481</u>	<u>380,342</u>
Income from operations before demolition	18,951	15,951
Demolition expenses	—	2,668
Income from operations	<u>18,951</u>	<u>13,283</u>
Nonoperating gains (losses):		
Investment return, net	11,534	10,984
Other, net	(695)	70
Total nonoperating gains, net	<u>10,839</u>	<u>11,054</u>
Revenue and gains in excess of expenses and losses	29,790	24,337
Other changes in net assets without donor restrictions:		
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	618	326
Other	1,225	—
Increase in net assets without donor restrictions	<u>\$ 31,633</u>	<u>24,663</u>

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Revenue and gains in excess of expenses	\$ 29,790	24,337
Other changes in net assets without donor restriction:		
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	618	326
Other	<u>1,225</u>	<u>—</u>
Increase in net assets without donor restrictions	<u>31,633</u>	<u>24,663</u>
Net assets with donor restrictions:		
Contributions for specific purposes	1,145	638
Net realized and unrealized gains and losses on net assets with donor restrictions	84	208
Net assets released from restriction for operating purposes	(155)	(234)
Net assets released from restriction for land, building, and equipment acquisitions	<u>(618)</u>	<u>(326)</u>
Increase in net assets with donor restrictions	<u>456</u>	<u>286</u>
Change in net assets	32,089	24,949
Net assets at beginning of year	<u>267,187</u>	<u>242,238</u>
Net assets at end of year	<u>\$ 299,276</u>	<u>267,187</u>

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Cash Flows
 Years ended September 30, 2019 and 2018
 (Amounts in thousands)

	2019	2018
Cash flows from operating activities:	\$ 32,089	24,949
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	30,859	31,307
Amortization of bond issue costs, discounts, and premiums included in interest expense	(410)	(410)
Provision for bad debts	—	15,855
Net gain on investment in unconsolidated joint ventures	(4,776)	—
Contributed capital from minority partners in consolidated joint ventures	(1,225)	—
Loss (income) from equity method investments	238	(1,324)
Distributions received from equity method investments	3,000	42
Net loss on sale of land, building, and equipment	970	215
Net long-term contributions	(990)	(403)
Net realized and unrealized gains and losses on investments	1,479	(4,094)
Changes in assets and liabilities:		
Patient accounts receivable	(7,528)	(8,675)
Estimated excess insurance recovery receivables	(752)	(249)
Other assets	21	(1,304)
Estimated payables under third-party reimbursement programs	973	221
Accounts payable, accrued expenses, and other liabilities	24,022	(583)
Net cash provided by operating activities	77,970	55,547
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment	(30,974)	(15,065)
Proceeds from sale of land, buildings, and equipment	1,176	650
Net change in assets whose use is limited or restricted	(36,771)	(36,334)
Net change in short-term investments	(206)	(242)
Net cash used in investing activities	(66,775)	(50,991)
Cash flows from financing activities:		
Repayment of capital leases	(183)	(163)
Additional repayment of long-term debt	—	(8,665)
Scheduled repayments of long-term debt	(7,505)	(7,305)
Net long-term contributions	990	403
Net cash used in financing activities	(6,698)	(15,730)
Net increase (decrease) in cash and cash equivalents	4,497	(11,174)
Cash and cash equivalents at beginning of year	22,944	34,118
Cash and cash equivalents at end of year	\$ 27,441	22,944
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 16,411	19,186

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(1) Organization and Purposes

Silver Cross Health System (the Health System) was incorporated during 1981 for charitable, educational, and scientific purposes to support health and human services by providing management assistance and in all other relevant ways. The accompanying consolidated financial statements include the accounts of the Health System and the following affiliates, which it controls (collectively referred to as the Corporations):

- Silver Cross Hospital and Medical Centers (the Hospital), a not-for-profit acute care hospital of which the Health System is the sole member; the Hospital facility is located in New Lenox, Illinois and has 302 licensed beds.
- Silver Cross Foundation (the Foundation), a not-for-profit corporation of which the Health System is the sole member, which is dedicated to the advancement of healthcare in Will, Grundy, South Cook, and DuPage counties in Illinois
- Health Service Systems, Inc. (HSSI), a wholly owned subsidiary of the Health System, which was incorporated to provide administrative and management services to its affiliates and other businesses
- Midwest Community Real Estate Corporation (MCREC), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to establish and maintain healthcare centers and other facilities for the benefit of the Health System and its affiliates
- Prime Medical Imaging LLC, a for-profit joint venture providing radiological healthcare services; Silver Cross Health System owns 51% and controls the joint venture, resulting in consolidation with noncontrolling interest. Outside capital of \$1,225 was received in formation of the joint venture in 2019.

All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

Significant accounting policies of the Corporations that conform to general practice within the healthcare industry are as follows:

- The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as nonoperating gains and losses.
- The consolidated statements of operations and changes in net assets without donor restrictions include revenue and gains in excess of expenses and losses. Changes in net assets without donor restrictions, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

- The Corporations consider demand deposits with banks, cash on hand, and all highly liquid debt instruments (including repurchase agreements) purchased with original maturity dates of three months or less to be cash and cash equivalents, excluding those instruments classified as assets whose use is limited or restricted. Short-term investments consist of money market funds or mutual funds that are held and managed by an external broker. These funds are not intended to be used for operations but have not had a specific limitation placed on them to classify them as assets whose use is limited or restricted.
- Assets whose use is limited required for current liabilities are reported as current assets and are also used at the Corporations' boards of directors' discretion.
- Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses as all investments are considered to be trading securities unless the income or loss is restricted by donors, in which case the investment return is recorded directly to net assets with donor restrictions. Investment return of unrestricted investments is reported as nonoperating gains and losses. Unrealized gains and losses of permanently and investments with donor restrictions are recorded directly to net assets with donor restrictions.
- The Corporations apply the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and liabilities and for fair value measurement of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Except as otherwise disclosed, the carrying value of all financial instruments of the Corporations approximates fair value.
- Land, buildings, and equipment are stated at cost or fair value at date of donation. Depreciation is provided over the estimated useful lives of depreciable assets and is computed on the straight-line method.
- The Corporations evaluate long-lived assets, such as buildings and equipment, for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments have been recorded for the year ended September 30, 2019 or 2018.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restriction. Net assets with donor restriction used

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

for operating purposes are included in other operating revenue to the extent expended during the period. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported directly within the consolidated statements of operations and changes in net assets without donor restrictions.

- Net assets with donor restrictions include the Hospital's interest in a charitable remainder trust, the Foundation's interest in a charitable remainder trust, beneficial interest in perpetual trusts, and donor-restricted contributions, the principal amount of which may not be expended. Investment income of the perpetual trust is distributable within specified limits to an unrelated party. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. All other net assets with donor restrictions are restricted primarily for land, building, and equipment acquisitions at both September 30, 2019 and 2018.
- Provisions for estimated self-insured professional, general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates. All liabilities are presented as long term.
- Net patient service revenue is reported at the amounts that reflect the consideration to which the Hospital, Prime Medical, HSSI (collectively referred to as the Providers) expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. The Providers have agreements with third-party payors, which provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other third-party payors; the difference between billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

Performance obligations are determined based on the nature of the services provided by the Providers. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Providers believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients and receiving outpatient services. The Providers measure the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (e.g., pharmaceuticals and medical equipment), and the Providers do not believe it is required to provide additional goods or services related to that sale.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

The Providers determine the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients. The Providers determine their estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Providers determine their estimate of implicit price concessions based on its historical collection experience with this class of patients.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (i.e., new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Providers also provide services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Providers estimate the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. In evaluating the collectibility of patients' accounts receivable, the Providers analyze their past history and identify trends for each of their major payor sources of revenue to estimate the variable consideration. Management regularly reviews data about these major payor sources of revenue in evaluating the variable consideration. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The Providers use a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes for outpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends and other analyses, the Providers believe that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

As a result of adopting Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Providers continue to maintain an allowance for bad debts related to performance obligations satisfied prior to October 1, 2018. The Providers provided for an allowance against patient accounts receivable for amounts that could become uncollectible. The Providers estimate this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. These various factors can impact collection and trends, such as

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of co-payments to be made by patients with insurance coverage, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends the estimation process used by the Providers. The Providers records a provision for bad debts in the period of services on the basis of past experience, which has historically indicated that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which they are financially responsible.

- The Health System, the Hospital, MCREC, and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. A provision for income taxes has not been recorded for HSSI as there are net operating losses of approximately \$28,298 available for carryforward, which expire at various future dates through 2037. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred tax assets have been offset in their entirety by valuation allowances at both September 30, 2019 and 2018.
- The Corporations account for tax positions in accordance with ASC Topic 740, Income Taxes. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's consolidated financial statements and how the values of these positions are determined. The Corporations do not have any liabilities recognized for uncertain tax positions.
- In May 2014, Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU replaces most existing revenue recognition guidance in Generally Accepted Accounting Principles. ASU No. 2014-09 Topic 606 was adopted October 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Health System selected the cumulative effect transition method. The Health System has applied the standard to contracts that are not completed at the date of adoption. The adoption of the ASU did not have a significant impact on the results of operations. The adoption of ASU No. 2014-09 resulted in changes to the presentation and disclosure of revenue related to uninsured or underinsured patients as well as items within the operating section of the statement of cash flow for 2019. Prior to the adoption of ASU No. 2014-09, the Health System presented a separate provision for bad debts related to self-pay patients, as well as co-pays and deductibles owed by patients with insurance. Under ASU No. 2014-09, the estimated uncollectible amounts due from these patients are generally considered a direct reduction to net patient revenue and, correspondingly, results in a material reduction in the amounts presented separately as provision for bad debts. There would not have been a material impact to any financial statement line item in the current period as compared with the guidance that was in effect prior to the change. Disclosures in the *Summary of Significant Accounting Policies* note have been updated as required by the standard.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

- In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 represents phase 1 of FASB's not-for-profit financial reporting project and results reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information in liquidity, retains the option to present the cash flow statement on a direct or indirect method, as well as includes various other additional disclosure requirements. ASU No. 2016-14 was effective for the Corporations for the year ended September 30, 2019, with retrospective application. The impact on financial statement presentation and disclosure includes that previous classifications of \$7,003 of permanently restricted net assets, and \$3,139 of temporarily restricted net assets were combined and now presented as \$10,142 of net assets with donor restrictions in concurrence with the standard. Additional disclosures were modified to reflect this classification change along with disclosure of liquidity and to disclose functional expenses.
- In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 requires entities to recognize all leased assets as assets on the consolidated balance sheet with a corresponding liability resulting in a gross up of the consolidated balance sheet. Entities will also be required to present additional disclosures as the nature and extent of leasing activities. The Corporations implemented the new standard effective October 1, 2019, which is expected to result in the establishment of a right of use asset and lease liability of approximately \$47,000 to \$60,000 in the consolidated balance sheet.
- In November 2016, FASB issued ASU No. 2016-18, *Restricted Cash*, a consensus of the FASB Emerging Issues Task Force. ASU No. 2016-18 requires an entity to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents when reconciling beginning and ending balances on the statement of cash flows. ASU No. 2016-18 will be effective for the Corporations for the year ending September 30, 2020. Early adoption of ASU No. 2016-18 is permitted. The Corporations have not evaluated the impact of ASU No. 2016-18.

Other significant accounting policies are set forth in the following notes.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(3) Financial Assets and Liquidity Resources

As of September 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets:	
Cash and cash equivalents	\$ 27,441
Short-term investments	3,603
Assets whose use is limited or restricted	254,675
Patient accounts receivable and other receivables	<u>48,793</u>
Total financial assets and liquidity resources available within one year	<u>334,512</u>
Current liabilities:	
Current installments of long-term debt	7,715
Accounts payable	40,860
Accrued salaries and wages	23,864
Accrued expense	5,639
Estimated payables under third-party reimbursement programs	<u>41,395</u>
Total current liabilities	<u>119,473</u>
Net resources available	<u>\$ 215,039</u>

Assets whose use is limited or restricted exclude assets restricted for self-insurance liabilities and those restricted under bond indenture agreements. All other noncurrent investments, although intended to satisfy long-term obligations, could be utilized within the next year, if necessary.

(4) Net Patient Service Revenue

A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

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

For certain services rendered to Medicare beneficiaries, the Providers' reimbursement is based upon cost or other reimbursement methodologies. The Providers are reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Medicare reimbursement reports through September 30, 2014 have been audited and final settled by the Medicare fiscal intermediary.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(b) Medicaid

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

The Hospital continues to participate in the State of Illinois (the State) provider assessment program that assists in the financing of its Medicaid program. Effective July 1, 2018 the State of Illinois implemented a new Hospital Assessment Program pursuant to Public Act 100-581, replacing the previous program, which expired effective June 30, 2018. Under the new program, the Illinois hospital community will have increased revenue related to Medicaid patient claims and lesser revenue related to the supplemental payments through the assessment program. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The Hospital has included its assessment of \$16,128 and \$13,171 for the years ended September 30, 2019 and 2018, respectively, within general and administrative expense. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Hospital has included its additional reimbursement of \$25,869 and \$28,194 for the years ended September 30, 2019 and 2018, respectively, within net patient service revenue.

(c) Blue Cross

The Providers also participate as a provider of healthcare services under a reimbursement agreement with Blue Cross. The provisions of this agreement stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the Hospital and a review by Blue Cross. The Blue Cross reimbursement reports for September 30, 2018 and prior years have been reviewed by Blue Cross.

(d) Other

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

A summary of the Providers' utilization percentages based upon net patient service revenue is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	37.0 %	36.5 %
Medicaid	10.7	11.6
Managed care/commercial	52.5	53.2
Self-pay and other	<u>(0.2)</u>	<u>(1.3)</u>
	<u>100.0 %</u>	<u>100.0 %</u>

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), the Providers have determined they have provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The Providers record this in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Providers expect to collect based on their collection history with those patients.

The Providers recognize net patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Providers recognize revenue on the basis of their standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Providers' uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Providers record a significant provision for implicit price concessions related to uninsured patients in the period the services are provided. Net patient service revenue, net of implicit and explicit price concessions in 2019 and net of the provision for bad debts in 2018, recognized in the period from these major payor sources, is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 151,639	141,078
Medicaid	44,016	44,940
Managed care/commercial	215,152	205,680
Self-pay and other	<u>(1,201)</u>	<u>(5,332)</u>
Net patient service revenue	<u>\$ 409,606</u>	<u>386,366</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES**Notes to Consolidated Financial Statements**

September 30, 2019 and 2018

(In thousands)

(5) Concentration of Credit Risk

The Providers grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	35.2 %	28.8 %
Medicaid	10.6	11.6
Blue Cross	13.5	14.2
Managed care/contract payors	28.3	19.2
Self-pay	5.1	18.4
Commercial and other	7.3	7.8
	<u>100.0 %</u>	<u>100.0 %</u>

(6) Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. In addition, reimbursement for services provided to Medicaid program beneficiaries is substantially less than the cost to the Hospital for providing these services.

The Hospital maintains records of the amount of charges forgone and related cost for services and supplies furnished under its charity care policy, as well as the estimated differences between the cost of services provided to Medicaid patients and the reimbursement under that program estimated based on an overall cost-to-charge ratio. The following information measures the estimated level of charity care provided and unreimbursed cost under the Medicaid program during 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Estimated charity care costs for non-Medicaid patients	\$ 7,606	8,244
Excess of cost over reimbursement for services provided to Medicaid patients (1)	8,050	821

- (1) The net impact of Medicaid assessment program has been allocated to each year based upon the State's fiscal year.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(7) Investments

A summary of the composition of the Corporations' investment portfolio at September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 14,765	6,139
Money market funds	2,220	2,217
Common stock	31,428	13,247
U.S. Treasury securities	17,044	22,378
Mutual funds	204,524	192,232
Corporate bonds and notes	13,100	12,492
U.S. agency securities	3,752	2,962
Beneficial interest in perpetual trusts	7,940	7,856
	<u>\$ 294,773</u>	<u>259,523</u>

Investments are reported in the accompanying consolidated balance sheets at September 30 as follows:

	<u>2019</u>	<u>2018</u>
Short-term investments	\$ 3,603	3,397
Assets whose use is limited or restricted, excluding pledges receivable:		
Required for current liabilities	33,009	24,775
By board for capital improvements and other	221,666	196,089
By board for self-insurance	26,333	25,302
Under bond indenture agreements – held by trustee	318	310
Donor-restricted investments	1,904	1,794
Beneficial interest in perpetual trusts	7,940	7,856
	<u>\$ 294,773</u>	<u>259,523</u>

The composition of investment return on the Corporations' investment portfolio for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income, net of fees, and expenses	\$ 12,853	7,098
Net realized gains on sale of investments	371	210
Net change in unrealized gains and losses during the holding period	(1,606)	3,884
	<u>\$ 11,618</u>	<u>11,192</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

The Corporations have designated all unrestricted investments to be trading securities. Investment return is included in the accompanying consolidated financial statements for the years ended September 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Nonoperating gains – investment income, net	\$ 11,534	10,984
Net realized and unrealized gains and losses on donor-restricted investments	<u>84</u>	<u>208</u>
	<u>\$ 11,618</u>	<u>11,192</u>

(8) Fair Value Measurements**(a) Fair Value of Financial Instruments**

The following methods and assumptions were used by the Corporations in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, short-term investments, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by their investment managers and custodian banks. Common stocks and U.S. Treasury securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds and notes, U.S. agency securities, and asset-backed securities are measured using observable market inputs. Mutual funds are valued using net asset value (NAV). Changes in market conditions and the economic environment may impact the NAV of the funds and consequently the fair value of the Corporations' interest in the funds. The carrying value equals fair value.
- Beneficial interest in perpetual trusts: The assets held by third-party trustees comprise common stock, mutual funds, money market funds, corporate bonds and notes, U.S. agency securities, and U.S. Treasury notes. The Corporations use quoted market prices or other observable market inputs to estimate the fair value of its beneficial interests based on the underlying assets of the trusts, as provided by the trust administrators.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(b) Fair Value Hierarchy

ASC Subtopic 820-10, *Fair Value Measurement*, establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date.
- Level 2 inputs are 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 for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents	\$ 27,441	27,441	—	—
Short-term investments:				
Money market funds	2,220	2,220	—	—
Mutual funds	1,383	1,383	—	—
Assets whose use is limited or restricted:				
Cash and cash equivalents	14,765	14,765	—	—
Common stock	31,428	31,428	—	—
U.S. Treasury securities	17,044	17,044	—	—
Mutual funds	203,141	203,141	—	—
Corporate bonds and notes	13,100	—	13,100	—
U.S. agency securities	3,752	—	3,752	—
Beneficial interest in perpetual trusts	7,940	—	—	7,940
Total	\$ 322,214	297,422	16,852	7,940

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents	\$ 22,944	22,944	—	—
Short-term investments:				
Money market funds	2,217	2,217	—	—
Mutual funds	1,180	1,180	—	—
Assets whose use is limited or restricted:				
Cash and cash equivalents	6,139	6,139	—	—
Common stock	13,247	13,247	—	—
U.S. Treasury securities	22,378	22,378	—	—
Mutual funds	191,052	191,052	—	—
Corporate bonds and notes	12,492	—	12,492	—
U.S. agency securities	2,962	—	2,962	—
Beneficial interest in perpetual trusts	7,856	—	—	7,856
Total	\$ 282,467	259,157	15,454	7,856

The Corporations' policy is to recognize transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1 or Level 2 for the year ended September 30, 2019 or 2018.

The following table presents the activity for the beneficial interest in perpetual trusts for the years ended September 30, 2019 and 2018 for assets measured at fair value using unobservable inputs classified in Level 3:

	<u>Beneficial interest in trusts</u>	
	<u>2019</u>	<u>2018</u>
Beginning fair value	\$ 7,856	7,649
Current year contributions	52	—
Interest and dividends, net of fees and expenses	153	93
Realized gains, net	23	239
Change in unrealized gains and losses, net	41	20
Distributions	(185)	(145)
Ending fair value	<u>\$ 7,940</u>	<u>7,856</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(9) Land, Buildings, and Equipment, Net

A summary of land, buildings, and equipment, net at September 30, 2019 and 2018 is as follows:

	2019		2018	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 31,442	—	30,810	—
Land improvements	16,615	5,168	16,444	4,840
Buildings, building improvements, and fixed equipment	416,146	112,208	421,394	107,452
Major movable equipment	215,550	158,533	230,260	170,041
Construction in progress	18,645	—	5,779	—
	<u>\$ 698,398</u>	<u>275,909</u>	<u>704,687</u>	<u>282,333</u>

The Corporations are currently engaged in various construction and renovation projects. There were no contractual commitments as of September 30, 2019. Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. No interest was capitalized during 2019 or 2018.

(10) Long-Term Debt

A summary of long-term debt at September 30, 2019 and 2018 is as follows:

	2019	2018
Illinois Finance Authority Revenue Refunding Bonds, Series 2008A, principal is due annually at fixed-interest rates of 5.00% to 5.82%; interest is due semiannually depending upon date of maturity through August 15, 2030	\$ 69,225	70,325
Illinois Finance Authority Revenue Refunding Bonds, Series 2010A, at a variable interest rate (effective rates of 2.29% and 2.29% for September 30, 2019 and 2018, respectively), maturing in fiscal year 2041	10,880	11,395
Illinois Finance Authority Revenue Refunding Bonds, Series 2010B, at a variable interest rate (effective rates of 2.36% and 2.36% for September 30, 2019 and 2018, respectively), maturing in fiscal year 2021	7,280	7,620
Illinois Finance Authority Revenue Refunding Bonds, Series 2015A, at a variable interest rate (effective rates of 3.16% and 3.16% for September 30, 2019 and 2018, respectively), maturing in fiscal year 2024	5,390	8,075

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Illinois Finance Authority Revenue Refunding Bonds, Series 2015B, at a variable interest rate (effective rates of 3.01% and 3.01% for September 30, 2019 and 2018, respectively), maturing in fiscal year 2020	\$ 355	1,910
Illinois Finance Authority Revenue Refunding Bonds, Series 2015C, principal due annually at fixed-interest rate of 5.00%; interest is due semiannually depending on date maturity through 2044	<u>277,800</u>	<u>279,110</u>
Total fixed and variable-rate debt	370,930	378,435
Less unamortized net bond premiums	(15,356)	(15,946)
Less unamortized bond issue costs	<u>3,364</u>	<u>3,543</u>
Total debt	382,922	390,838
Less current installments	<u>7,715</u>	<u>7,505</u>
Total long-term debt, excluding current installments	<u>\$ 375,207</u>	<u>383,333</u>

The Hospital and the Health System (collectively known as the Obligated Group) entered into an Amended and Restated Master Trust Indenture (Master Trust Indenture) dated as of June 1, 1996, as subsequently supplemented and amended. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires members of the Obligated Group to make principal and interest payments on notes issued for their benefit as well as other Obligated Group member if the other members are unable to make such payments. The Master Trust Indenture requires the Obligated Group to comply with financial and other covenant requirements, including making deposits with the bond trustees for payment of principal and interest when due on the individual series of bonds. The Obligated Group pledged a security interest in its gross revenue as collateral on borrowings under the Master Trust Indenture.

The Series 2010A and Series 2010B principal is payable annually, with a balloon payment of \$10,365 for 2010A due in fiscal year 2022 and a balloon payment of \$6,600 for 2010B due in fiscal year 2024. Interest on the Series 2010A bonds is variable based on 68% of the sum of one-month LIBOR plus 150 basis points and is payable monthly. Interest on the Series 2010B bonds is variable based on 68% of the sum of one-month LIBOR plus 175 basis points and is payable monthly. If the Obligated Group chooses to extend the debt beyond the date of the balloon payment, the interest rates will be reset by the lenders at a rate not to exceed 12%.

On January 1, 2015, the Illinois Finance Authority issued variable-rate revenue bonds, Series 2015A and Series 2015B, in the aggregate amount of \$26,860 on behalf of the Obligated Group. On April 22, 2015, the Illinois Finance Authority issued fixed-rate revenue refunding bonds, Series 2015C in the amount of

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

\$286,435 on behalf of the Obligated Group. The Obligated Group received a bond premium of \$18,800 and paid bond issue costs of \$3,236 related to these issuances.

Scheduled annual principal payments on long-term debt for the ensuing five years and thereafter are as follows:

Year:	
2020	\$ 7,715
2021	8,305
2022	8,695
2023	9,095
2024	8,430
Thereafter	<u>328,690</u>
	<u>\$ 370,930</u>

(11) Capital Leases

Included within property, plant, and equipment is \$6,000 of assets held under capital leases and \$808 of related accumulated amortization at September 30, 2019 and \$636 at September 30, 2018. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at September 30, 2019 is as follows:

2021	\$ 833
2022	5,239
2023	280
2024	280
Thereafter	<u>464</u>
Total future minimum lease payments	7,096
Less amount representing interest at 5%	<u>1,006</u>
Present value of future minimum lease payments	6,090
Less current portion of obligations under capital leases included in accounts payable	<u>184</u>
Obligation under capital leases, excluding current portion included in capital leases and other long-term liabilities	<u>\$ 5,906</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(12) Pension Plans

The Health System, HSSI, and the Hospital sponsor various voluntary, defined-contribution, and money purchase pension plans for all qualified, full-time employees. Benefits for individual employees are the amounts that can be provided by the sums contributed and accumulated for each individual employee. The Health System, HSSI, and the Hospital recognized expense under the terms of the plans in the amount of \$8,404 and \$5,890 for 2019 and 2018, respectively. The Health System, HSSI, and the Hospital fund the plans on a current basis.

The Health System also sponsors several supplemental retirement plans. Eligibility for these plans is limited to specified employees. The supplemental plans are defined-benefit plans and are not qualified plans under Section 401 of the Code. The Health System has recognized expense under the terms of these supplemental retirement plans in the amount of \$695 and \$613 for 2019 and 2018, respectively. Amounts owed to specified employees under the supplemental retirement plans are included in accrued salaries and wages.

(13) Self-Insured Risks**(a) Professional and General Liability**

The Corporations maintain a self-insurance program for professional and general liability coverage. The self-insurance program includes varying levels of self-insured retention and excess malpractice insurance coverage purchased from commercial insurance carriers. In connection with the self-insurance program, the Corporations have engaged the services of a professional actuarial consultant to assist in the estimation of self-insurance provisions and claim liability reserves.

Provisions for estimated self-insured professional and general liability claims amounted to \$4,275 and \$4,409 in 2019 and 2018, respectively, and are included in general and administrative expenses. It is the opinion of management that the estimated professional and general liabilities accrued at September 30, 2019 and 2018 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The Corporations have also designated attorneys to handle legal matters relating to malpractice and general liability claims. No portion of the accrual for estimated self-insured professional and general liability claims has been reported as a current liability. The liability for estimated self-insured professional and general liability claims has been discounted at 1% at both September 30, 2019 and 2018.

(b) Workers' Compensation

The Health System, HSSI, and the Hospital maintain a self-insurance program for workers' compensation coverage. This program limits the self-insured retention to \$650 per occurrence. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Provisions for workers' compensation claims amounted to \$1,349 and \$1,979 for 2019 and 2018, respectively, and are included in payroll taxes and fringe benefits expense. Management believes the estimated self-insured workers' compensation claims liability, which is included within accrued salaries and wages, of \$4,505 and \$4,872 at September 30, 2019 and 2018, respectively, is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(c) Healthcare

The Health System, HSSI, and the Hospital also have a program of self-insurance for employee healthcare coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Provisions for employee healthcare claims amounted to \$12,442 and \$14,054 for 2019 and 2018, respectively, and are included with payroll taxes and fringe benefits expense. It is the opinion of management that the estimated healthcare costs accrued, which is included within accrued salaries and wages, of \$1,672 and \$1,731 at September 30, 2019 and 2018, respectively, are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

(14) Investment in Joint Ventures**(a) Unconsolidated Affiliates**

The Corporations have investments in organizations that are not majority-owned or controlled by the Corporations. These investments are accounted for using the cost or equity method of accounting. The largest investments are disclosed in further detail below.

(i) UCMC/SCH Oncology JV, LLC

On March 22, 2010, the Hospital, along with the University of Chicago Medical Centers (UCMC), became the founding members of UCMC/SCH Oncology JV, LLC (the Cancer Center), whose purpose was to develop and operate a radiation oncology cancer center on the Hospital's campus. The board is governed equally by the two members, who each has a 50% voting share. Pursuant to the operating agreement, profits and losses are allocated 60% to the Hospital and 40% to UCMC.

The Hospital accounts for its investment in the Cancer Center using the equity method of accounting. As of and for the year ended September 30, 2019, the Cancer Center had unaudited total assets of \$12,884, members' equity of \$12,329, revenue of \$43,482, and net income of \$3,169. As of and for the year ended September 30, 2018, the Cancer Center had unaudited total assets of \$15,638, members' equity of \$14,232, revenue of \$38,744, and net income of \$2,137. The Cancer Center made cash distributions to the Hospital of \$3,000 in 2019 and \$42 in 2018. The carrying value of the Hospital's investment in the Cancer Center is \$6,982 and \$8,477 as of September 30, 2019 and 2018, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets.

(ii) Silver Oaks Behavioral, LLC

On December 2, 2016, the Hospital, along with US Healthvest LLC, became the founding members of Silver Oaks Behavioral Hospital, whose purpose was to operate a 100-bed Behavioral Health Hospital on the Hospital's campus. The Behavioral Hospital opened for business in January of 2019. The Hospital has a 20% ownership in Silver Oaks Behavioral, LLC. Pursuant to the operating agreement, profits and losses are allocated 20% to the Hospital and 80% to US Health Vest, LLC.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES**Notes to Consolidated Financial Statements**

September 30, 2019 and 2018

(In thousands)

The Hospital accounts for its investment in Silver Oaks Behavioral Hospital, LLC using the equity method of accounting. As of and for the year ended September 30, 2019, Silver Oaks Behavioral Hospital, LLC had unaudited total assets of \$17,910, members' equity of \$14,010, revenue of \$6,631, and a net loss of \$(3,754). The carrying value of the Hospital's investment in Silver Oaks Behavioral Hospital, LLC is \$2,810 as of September 30, 2019 and is included in other long-term assets in the accompanying consolidated balance sheets.

(iii) Essential Health Partners, LLC

On February 19, 2019, the Hospital, along with Innovista, LLC, became the founding members of Essential Health Partners, LLC, whose purpose was to develop and operate a clinically and financially integrated healthcare provider network. The healthcare provider network began providing services on July 1, 2019. The Hospital had an initial 60% ownership at inception of Essential Health Partners, LLC but has since added an additional healthcare provider, reallocating their ownership percentage to 33 1/3%.

The Hospital accounts for its investment in Essential Health Partners, LLC using the equity method of accounting. As of and for the year ended September 30, 2019, Essential Health Partners, LLC had unaudited total assets of \$13,333, members' equity of \$8,087, revenue of \$5,921, and a net loss of \$(1,287). The carrying value of the Hospital's investment in Essential Health Partners, LLC is \$2,352 as of September 30, 2019 and is included in other long-term assets in the accompanying consolidated balance sheets.

(b) Noncontrolling Interest in Consolidated Joint Ventures

The Corporations apply the guidance under ASC Topic 810, *Consolidation*, for the presentation of noncontrolling interests, reporting it as a separate component of net assets without donor restrictions and including a schedule reconciling beginning and ending balances of controlling and noncontrolling interests of net assets in the notes to the consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

Changes in net assets without donor restrictions attributable to the Corporations and to noncontrolling interest in consolidated joint ventures for the year ended September 30, 2019 are as follows:

	<u>Total</u>	<u>Controlling interest</u>	<u>Noncontrolling interest</u>
Balance, September 30, 2018	\$ 257,045	257,045	—
Revenue and gains in excess of expenses	29,790	29,944	(154)
Other changes in net assets without donor restrictions:			
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	618	618	—
Other	<u>1,225</u>	<u>—</u>	<u>1,225</u>
Balance, September 30, 2019	<u>\$ 288,678</u>	<u>287,607</u>	<u>1,071</u>

(15) Endowments and Beneficial Interest in Trusts

The Corporations have donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income from investment of the Funds is to be used for a variety of purposes consistent with the intent of the donor. The interest and dividend income earned on the Funds are transferred to net assets with donor restrictions until appropriated for expenditure by the Corporations. All other changes in the Funds, including unrealized and realized gains and losses, are recorded directly to the Funds, which are classified as net assets with donor restrictions.

The Corporations also have beneficial interests in trusts (collectively referred to as the Trusts). The Corporations have recorded their share of the principal of the Trusts as net assets with donor restrictions. Distributions from the Trusts are recorded within net assets without donor restrictions if unrestricted; otherwise, they are classified as net assets with donor restrictions until appropriated for expenditure.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

The activity of the Funds and Trusts for the year ended September 30, 2019 is as follows:

	<u>Total</u>	<u>Donor-restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 7,003	852	6,151
Current year contributions	72	20	52
Investment return:			
Interest and dividends	176	—	176
Realized gains, net	13	—	13
Change in unrealized gains, net	24	—	24
Disbursements:			
Fees and expenses	(56)	—	(56)
Assets released from restriction	(163)	—	(163)
Ending fair value	<u>\$ 7,069</u>	<u>872</u>	<u>6,197</u>

The activity of the Funds and Trusts for the year ended September 30, 2018 is as follows:

	<u>Total</u>	<u>Donor-restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 6,796	819	5,977
Current year contributions	33	33	—
Investment return:			
Interest and dividends	119	—	119
Realized gains, net	200	—	200
Change in unrealized gains, net	29	—	29
Disbursements:			
Fees and expenses	(50)	—	(50)
Assets released from restriction	(124)	—	(124)
Ending fair value	<u>\$ 7,003</u>	<u>852</u>	<u>6,151</u>

The historical cost basis of the Funds was approximately \$872 and \$852 for September 30, 2019 and 2018, respectively. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of September 30, 2019 or 2018.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(16) Commitments and Contingencies**(a) Operating Leases**

The Corporations occupy space in certain facilities and lease various pieces of equipment under long-term, noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2019 and 2018 were \$6,914 and \$6,205, respectively.

The following is a schedule by year of future minimum lease payments to be made under operating leases as of September 30, 2019 that have initial or remaining lease terms in excess of one year:

	<u>Amount</u>
Year ending September 30:	
2020	\$ 5,704
2021	5,839
2022	5,851
2023	5,835
2024	5,894
Thereafter	16,734

(b) Medicare Reimbursement

The Hospital recognized \$151,639 of net patient service revenue during 2019 from services provided to Medicare beneficiaries. Federal legislation routinely includes provisions to modify Medicare payments to healthcare providers. Changes in Medicare reimbursement as a result of the CMS implementation of the provisions of Medicare legislation and other healthcare reform initiatives may have an adverse effect on the Hospital's net patient service revenue.

(c) Litigation

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results of operations.

(d) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on the Corporations' financial position or results of operations.

(e) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the governor of Illinois signed into law *Public Act 97-0688*, which creates new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income

SILVER CROSS HEALTH SYSTEM AND AFFILIATES**Notes to Consolidated Financial Statements**

September 30, 2019 and 2018

(In thousands)

and underserved individuals with a value at least equal to the hospital's estimated property tax liability. The Corporations have been certified in 2019 and 2018 and have not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(f) Investment Risk and Uncertainties

The Corporations invest in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

(17) Functional Expenses

The Health System provides healthcare services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations and changes in net assets without donor restrictions as of September 30, 2019 and 2018 corresponding totals are as follows:

	<u>Program activities</u>		<u>Supporting activities</u>		<u>Total</u>
	<u>Healthcare services</u>		<u>Administration</u>	<u>Fundraising</u>	
2019:					
Salaries and wages	\$ 137,815		8,809	202	146,826
Payroll taxes and fringe benefits	33,255		2,123	—	35,378
General and administrative	80,004		6,415	265	86,684
Supplies	83,763		—	29	83,792
Depreciation and amortization	30,396		463	—	30,859
Interest	15,942		—	—	15,942
	<u>\$ 381,175</u>		<u>17,810</u>	<u>496</u>	<u>399,481</u>
2018	\$ 363,164		16,726	452	380,342

Some categories of natural class expenses are attributable to more than one activity and require allocation, applied on a consistent basis. Property costs, including depreciation, are allocated on the basis of square footage. Indirect salaries and benefits are allocated on the basis of budgeted full-time equivalent employees. Purchased services and supplies are assigned directly to specific activities as expenditures are made.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(In thousands)

(18) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of September 30, 2019 through January 31, 2020, which was the date the consolidated financial statements were available to be issued, and other than those noted above, there were no items to disclose.

Schedule 1

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidating Schedule – Balance Sheet Information

September 30, 2019

(Amounts in thousands)

Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Prime Medical	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 2,822	627	22,458	843	54	637	—	27,441
Short-term investments	—	1,383	2,220	—	—	—	—	3,603
Assets whose use is limited or restricted, required for current liabilities	—	—	33,009	—	—	—	—	33,009
Patient accounts receivable	—	1,171	45,795	—	—	488	—	47,454
Due from affiliates	10,406	—	42,421	26	2,053	—	(54,906)	—
Other receivables	251	23	965	—	100	—	—	1,339
Prepaid expenses and other	377	48	6,634	—	10	74	—	7,143
Total current assets	13,856	3,252	153,502	869	2,217	1,199	(54,906)	119,989
Assets whose use is limited or restricted, excluding assets required for current liabilities:								
By board for capital improvements and other	—	—	221,666	—	—	—	—	221,666
By board for self-insurance	26,333	—	—	—	—	—	—	26,333
Under bond indenture agreements – held by trustee	—	—	318	—	—	—	—	318
Pledges receivable	—	—	754	16	—	—	—	770
Donor-restricted investments	—	—	1,904	—	—	—	—	1,904
Beneficial interest in perpetual trusts	—	—	7,940	—	—	—	—	7,940
	26,333	—	232,582	16	—	—	—	258,931
Land, buildings, and equipment, net	471	877	396,620	—	21,461	3,060	—	422,489
Other assets:								
Land held for sale	—	—	23,035	—	—	—	—	23,035
Investments	22,650	—	—	—	—	—	(22,650)	—
Estimated excess insurance recovery receivables	4,905	—	—	—	—	—	—	4,905
Other long-term assets	—	—	14,015	—	468	32	(1,115)	13,400
Total assets	\$ 68,215	4,129	819,754	885	24,146	4,291	(78,671)	842,749

Schedule 1

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidating Schedule – Balance Sheet Information

September 30, 2019

(Amounts in thousands)

Liabilities and Net Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Prime Medical	Eliminations	Consolidated
Current liabilities:								
Current installments of long-term debt	\$ —	—	7,715	—	—	—	—	7,715
Accounts payable	110	56	40,553	—	—	141	—	40,860
Accrued salaries and wages	2,468	2,336	19,052	—	—	8	—	23,864
Accrued expenses	—	94	2,580	—	2,944	21	—	5,639
Estimated payables under third-party reimbursement programs	—	—	41,395	—	—	—	—	41,395
Due to affiliates	5,379	17,922	—	135	31,470	—	(54,906)	—
Total current liabilities	7,957	20,408	111,295	135	34,414	170	(54,906)	119,473
Estimated self-insured professional and general liability claims	41,734	—	—	—	—	—	—	41,734
Long-term debt, excluding current installments	—	—	375,207	—	—	—	—	375,207
Capital lease and other long-term liabilities, net of current portion	—	—	5,124	—	—	1,935	—	7,059
Total liabilities	49,691	20,408	491,626	135	34,414	2,105	(54,906)	543,473
Net assets (deficit):								
Net assets without donor restrictions	18,524	(16,279)	317,530	750	(10,268)	1,115	(23,765)	287,607
Noncontrolling interest in consolidated joint venture	—	—	—	—	—	1,071	—	1,071
Total net assets without donor restrictions	18,524	(16,279)	317,530	750	(10,268)	2,186	(23,765)	288,678
Net assets with donor restrictions	—	—	10,598	—	—	—	—	10,598
Total net assets	18,524	(16,279)	328,128	750	(10,268)	2,186	(23,765)	299,276
Total liabilities and net assets	\$ 68,215	4,129	819,754	885	24,146	4,291	(78,671)	842,749

See accompanying independent auditors' report.

Schedule 2

SILVER CROSS HEALTH SYSTEM AND AFFILIATES
Consolidating Schedule – Statement of Operations and Change in Net Assets without Donor Restriction Information
Year ended September 30, 2019
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Prime Medical	Eliminations	Consolidated
Revenue:								
Net patient service revenue	\$ —	7,953	401,798	—	—	96	(241)	409,806
Other revenue	8,926	745	6,717	—	2,299	—	(9,861)	8,826
Total revenue	8,926	8,698	408,515	—	2,299	96	(10,102)	418,432
Expenses:								
Salaries and wages	5,349	6,910	134,472	—	—	95	—	146,826
Payroll taxes and fringe benefits	1,204	1,181	32,964	—	—	29	—	35,378
General and administrative	1,828	2,558	90,424	—	1,942	194	(10,262)	86,684
Supplies	—	482	83,297	—	—	13	—	83,792
Depreciation and amortization	854	124	28,842	—	975	64	—	30,859
Interest	—	—	15,921	—	—	21	—	15,942
Total expenses	9,235	11,255	385,920	—	2,917	416	(10,262)	399,481
Income from operations	(309)	(2,557)	22,595	—	(618)	(320)	160	18,951
Nonoperating gains (losses):								
Investment income, net	1,028	(8)	10,508	—	—	6	—	11,534
Other, net	—	—	(767)	72	—	—	—	(695)
Total nonoperating gains, net	1,028	(8)	9,741	72	—	6	—	10,839
Revenue and gains in excess (deficient) of expenses and losses	719	(2,565)	32,336	72	(618)	(314)	160	29,790
Other changes in net assets without donor restrictions:								
Acquisitions financed by temporarily restricted net assets	—	—	618	—	—	—	—	618
Other	—	—	—	—	—	2,500	(1,275)	1,225
Increase in net assets without donor restrictions	\$ 719	(2,565)	32,954	72	(618)	2,186	(1,115)	31,633

See accompanying independent auditors' report.

Schedule 3

SILVER CROSS HEALTH SYSTEM AND AFFILIATES
Consolidating Schedule – Changes in Net Assets Information
Year ended September 30, 2019
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Prime Medical	Eliminations	Consolidated
Net assets without donor restrictions:								
Revenue and gains in excess (deficient) of expenses	\$ 719	(2,565)	32,336	72	(618)	(314)	180	29,790
Other changes in net assets without donor restrictions:								
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	—	—	618	—	—	—	—	618
Other	—	—	—	—	—	2,500	(1,275)	1,225
Increase in net assets without donor restrictions	<u>719</u>	<u>(2,565)</u>	<u>32,954</u>	<u>72</u>	<u>(618)</u>	<u>2,186</u>	<u>(1,115)</u>	<u>31,633</u>
Net assets with donor restrictions:								
Contributions for specific purposes	—	—	1,145	—	—	—	—	1,145
Net realized and unrealized gains and losses on net assets with donor restrictions	—	—	84	—	—	—	—	84
Net assets released from restriction for operating purposes	—	—	(155)	—	—	—	—	(155)
Net assets released from restriction for land, building, and equipment acquisitions	—	—	(618)	—	—	—	—	(618)
Increase in net assets with donor restrictions	<u>—</u>	<u>—</u>	<u>456</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>456</u>
Change in net assets	<u>719</u>	<u>(2,565)</u>	<u>33,410</u>	<u>72</u>	<u>(618)</u>	<u>2,186</u>	<u>(1,115)</u>	<u>32,089</u>
Net assets at beginning of year	<u>17,805</u>	<u>(13,714)</u>	<u>294,718</u>	<u>678</u>	<u>(9,650)</u>	<u>—</u>	<u>(22,650)</u>	<u>267,187</u>
Net assets at end of year	<u>\$ 18,524</u>	<u>(16,279)</u>	<u>328,128</u>	<u>750</u>	<u>(10,268)</u>	<u>2,186</u>	<u>(23,765)</u>	<u>299,276</u>

See accompanying independent auditors' report.

Schedule 4

**SILVER CROSS HEALTH SYSTEM AND
SILVER CROSS HOSPITAL AND MEDICAL CENTERS**
Combining Schedule – Special-Purpose Combined Balance Sheet – Obligated Group
September 30, 2019
(Amounts in thousands)

Assets	Silver Cross Health System	Silver Cross Hospital and Medical Centers	Eliminations	Obligated Group Combined
Current assets:				
Cash and cash equivalents	\$ 2,822	22,458	—	25,280
Short-term investments	—	2,220	—	2,220
Assets whose use is limited or restricted, required for current liabilities	—	33,009	—	33,009
Patient accounts receivable	—	45,795	—	45,795
Due from affiliates	10,406	42,421	(5,353)	47,474
Other receivables	251	965	—	1,216
Prepaid expenses and other	377	6,634	—	7,011
Total current assets	13,856	153,502	(5,353)	162,005
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements and other	—	221,666	—	221,666
By board for self-insurance	26,333	—	—	26,333
Under bond indenture agreements – held by trustee	—	318	—	318
Pledges receivable	—	754	—	754
Donor-restricted investments	—	1,904	—	1,904
Beneficial interest in perpetual trusts	—	7,940	—	7,940
	26,333	232,582	—	258,915
Land, buildings, and equipment, net	471	396,620	—	397,091
Other assets:				
Land held for sale	—	23,035	—	23,035
Investment in unconsolidated subsidiary	22,650	—	(22,650)	—
Estimated excess insurance recovery receivables	4,905	—	—	4,905
Other long-term assets	—	14,015	—	14,015
Total assets	\$ 68,215	819,754	(28,003)	859,966

Schedule 4

SILVER CROSS HEALTH SYSTEM AND
SILVER CROSS HOSPITAL AND MEDICAL CENTERS
Combining Schedule – Special-Purpose Combined Balance Sheet – Obligated Group
September 30, 2019
(Amounts in thousands)

Liabilities and Net Assets	Silver Cross Health System	Silver Cross Hospital and Medical Centers	Eliminations	Obligated Group Combined
Current liabilities:				
Current installments of long-term debt	\$ —	7,715	—	7,715
Accounts payable	110	40,553	—	40,663
Accrued salaries and wages	2,468	19,052	—	21,520
Accrued expenses	—	2,580	—	2,580
Estimated payables under third-party reimbursement	—	41,395	—	41,395
Due to affiliates	21,658	—	(5,353)	16,305
Total current liabilities	24,236	111,295	(5,353)	130,178
Estimated self-insured professional and general liability claims	41,734	—	—	41,734
Long-term debt, excluding current installments and unamortized bond discounts and premiums	—	375,207	—	375,207
Capital lease and other long-term liabilities, net of current portion	—	5,124	—	5,124
Total liabilities	65,970	491,626	(5,353)	552,243
Net assets:				
Net assets without donor restrictions	2,245	317,530	(22,650)	297,125
Net assets with donor restrictions	—	10,598	—	10,598
Total net assets	2,245	328,128	(22,650)	307,723
Total liabilities and net assets	\$ 68,215	819,754	(28,003)	859,966

See accompanying independent auditors' report.

Schedule 5

**SILVER CROSS HEALTH SYSTEM AND
SILVER CROSS HOSPITAL AND MEDICAL CENTERS**

Combining Schedule – Special-Purpose Combined Statement of Operations and Change in Net Assets without Donor Restrictions Information – Obligated Group

Year ended September 30, 2019

(Amounts in thousands)

	Silver Cross Health System	Silver Cross Hospital and Medical Centers	Eliminations	Obligated Group Combined
Revenue:				
Net patient service revenue	\$ —	401,798	—	401,798
Other revenue	8,926	6,717	(8,532)	7,111
Total revenue	8,926	408,515	(8,532)	408,909
Expenses:				
Salaries and wages	5,349	134,472	—	139,821
Payroll taxes and fringe benefits	1,204	32,964	—	34,168
General and administrative	1,828	90,424	(8,532)	83,720
Supplies	—	83,297	—	83,297
Depreciation and amortization	854	28,842	—	29,696
Interest	—	15,921	—	15,921
Total expenses	9,235	385,920	(8,532)	386,623
Income from operations before demolition expense	(309)	22,595	—	22,286
Demolition expense	—	—	—	—
Income from operations after demolition	(309)	22,595	—	22,286
Nonoperating gains (losses):				
Investment income, net	1,028	10,508	—	11,536
Loss on investment in unconsolidated subsidiary	(2,565)	—	—	(2,565)
Other, net	—	(767)	—	(767)
Total nonoperating gains, net	(1,537)	9,741	—	8,204
Revenue and gains in excess (deficient) of expenses and losses	(1,846)	32,336	—	30,490
Other changes in net assets without donor restrictions:				
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	—	618	—	618
Increase in net assets without donor restrictions	\$ (1,846)	32,954	—	31,108

See accompanying independent auditors' report.

Schedule 6

**SILVER CROSS HEALTH SYSTEM AND
SILVER CROSS HOSPITAL AND MEDICAL CENTERS**

Combining Schedule – Special-Purpose Combined Changes in Net Assets Information – Obligated Group

Year ended September 30, 2019

(Amounts in thousands)

	<u>Silver Cross Health System</u>	<u>Silver Cross Hospital and Medical Centers</u>	<u>Eliminations</u>	<u>Obligated Group Combined</u>
Net assets without donor restrictions:				
Revenue and gains in excess (deficient) of expenses and losses	\$ (1,846)	32,336	—	30,490
Other changes in net assets without donor restrictions:				
Net asset transfer	—	—	—	—
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	—	618	—	618
Increase in net assets without donor restrictions	<u>(1,846)</u>	<u>32,954</u>	<u>—</u>	<u>31,108</u>
Net assets with donor restrictions:				
Contributions for specific purposes	—	1,145	—	1,145
Net realized and unrealized gains and losses on investments with donor restrictions	—	84	—	84
Net assets released from restriction for operating purposes	—	(155)	—	(155)
Net assets released from restriction for land, building, and equipment acquisitions	—	(618)	—	(618)
Increase in net assets with donor restrictions	<u>—</u>	<u>456</u>	<u>—</u>	<u>456</u>
Change in net assets	<u>(1,846)</u>	<u>33,410</u>	<u>—</u>	<u>31,564</u>
Net assets at beginning of year	<u>4,091</u>	<u>294,718</u>	<u>(22,650)</u>	<u>276,159</u>
Net assets at end of year	<u>\$ 2,245</u>	<u>328,128</u>	<u>(22,650)</u>	<u>307,723</u>

See accompanying independent auditors' report.

Section VII
Attachment 34
Financial Feasibility
Financial Viability
Criterion 1120.130

Silver Cross will be funding its obligations under the Project from internal sources – specifically cash and cash equivalents. Thus, Silver Cross is entitled to a financial viability waiver pursuant to Criterion 1120.130(a)(1). Mr. Pryor's Financial Viability Waiver Certification in support of this Criterion is attached at ATTACHMENT 34.



SILVER CROSS
HOSPITAL

#20-023

1900 Silver Cross Blvd. • New Lenox, IL 60451
(815) 300-1100 • www.silvercross.org

March 8, 2020

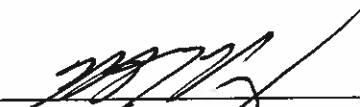
Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1120.130(a) Financial Viability Waiver Certification
(Observation Unit CON)

Dear Mr. Constantino:


I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.130(a), that Silver Cross Hospital and Medical Centers ("Silver Cross") will fund the obligations of Silver Cross set forth in the Certificate of Need Application for the "Silver Cross Observation Unit" Project from internal sources – specifically, cash and cash equivalents.

Sincerely,

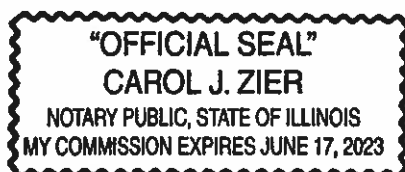


Vincent Pryor
Executive Vice President/Finance
Chief Financial Officer

SUBSCRIBED AND SWORN
to before me this 8th day
of March, 2020.



Notary Public



**Section VIII
Attachment 36
Economic Feasibility
Criterion 1120.140**

Criterion 1120.140(a), Reasonableness of Financing Arrangements

Silver Cross has satisfied this Criterion because Silver Cross will be funding the Project with cash and cash equivalents. Mr. Pryor's Affidavit of Available Funds in support of this Criterion is attached at ATTACHMENT 33.

Criterion 1120.140(c), Reasonableness of Project and Related Costs

1. The construction cost per gross square foot for the clinical portions of the Project is \$505.95. The construction and contingency cost per gross square foot for the clinical portions of the Project is \$556.54. The clinical portions of the Project encompass 6,948 gross square feet. The construction costs for the clinical portions of the Project total \$3,515,308. The construction and contingency costs for the clinical portions of the Project total \$3,866,838.

**COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE
(CLINICAL PORTIONS OF PROJECT PLUS PRORATA SHARE OF CIRCULATION)**

Department (list below)	A Cost/Square Foot	B	C Gross Sq. Ft. (Clinical Portions Only)	D	E Gross Sq. Ft.	F	G Const. \$ (Clinical Portions Only)	H Mod. \$	Total Cost (Clinical Portions Only)
	NEW	MOD	NEW	CIRC	MOD	CIRC	(A x C)	(B x E)	(G + H)
Observation Unit (Clinical Portions)	\$556.54	---	6,948		---	---	\$3,866,838	---	\$3,866,838
Construction Total	\$505.95	---	6,948		---	---	\$3,515,308	---	\$3,515,308
Contingencies	\$50.59	---	6,948		---	---	\$351,531	---	\$351,531
Construction & Contingencies Total	\$556.54	---	6,948		---	---	\$3,866,838		\$3,866,838

2. The Applicants will incur the following costs in completing this Project.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$42,647	\$7,353	\$50,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$3,515,308	\$606,122	\$4,121,430
Modernization Contracts			
Contingencies	\$351,531	\$60,612	\$412,143
Architectural/Engineering Fees	\$330,085	\$56,915	\$387,000
Consulting and Other Fees	\$106,617	\$18,383	\$125,000
Movable or Other Equipment (not in construction contracts)	\$1,618,300	\$181,700	\$1,800,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$5,964,488	\$931,085	\$6,895,573

As set forth below, the Applicants are in compliance with the Section 1120 norms.

Project Item	Project Cost (Clinical Parts Only)	Section 1120 Norm	Project Cost Compared to Section 1120 Norm
Preplanning Costs	\$42,647	1.8% * (Construction Costs + Contingencies + Equipment) = 1.8% * \$5,485,138 = \$98,732	Below Section 1120 Norm.
Site Survey, Soil Investigation and Site Preparation	\$0	5% * (Construction Costs + Contingencies) = 5% * \$3,866,838 = \$193,342	Below Section 1120 Norm.
Construction Contracts and Contingencies The midpoint of construction will occur in 2021	\$3,866,838/6,948 GSF = \$556.54 per GSF	\$540.33 per gross square foot inflated at 3% per year through 2021 = \$556.54 per gross square foot	At Section 1120 Norm.
Contingencies	\$351,531	10% * (Construction Costs) = 10% * \$3,515,308 = \$351,531	At Section 1120 Norm. Contingencies are 10% of Construction Costs.
Architectural and Engineering Fees	\$330,085	9.64% * (Construction Costs + Contingencies) = 9.64% * \$3,866,838 = \$372,763	Below Section 1120 Norm.
Consulting and Other Fees	\$106,617	No Section 1120 Norm	Reasonable as compared to other approved projects.
Equipment	\$1,618,300	No Section 1120 Norm	Reasonable as compared to other approved projects.

Criterion 1120.140(d), Projected Operating Costs

The projected operating costs for the proposed Observation Unit in 2023 (i.e., 1 year after project completion) are as follows:

Total Operating Expenses:	\$3,488,000
Depreciation Expense:	\$488,000
Bad Debt Expense:	\$50,000
Estimated Number of Observation Days for Observation Unit:	5,840 (i.e., 16 observation beds @ 100% census for 365 days)

$$\text{Proj. Operating Costs} = \frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Bad Debt Expense}}{\text{Estimated Number of Observation Days}}$$

Projected Operating Costs:	\$2,950,000
----------------------------	-------------

Proj. Operating Costs per Observation Day for Observation Unit:	\$505.14
---	----------

The remaining parts of this Project are not subject to this Criterion.

Criterion 1120.140(e), Total Effect of the Project On Capital Costs

Total Projected Annual Capital Costs in 2023 = \$0

Total Projected Annual Capital Costs Per Observation Day for the Observation Unit: \$0

Section IX
Attachment 37
Safety Net Impact Statement

Because this Project does **not** involve inpatient services or designated "categories of services," this Project is considered Non-Substantive. Accordingly, this Criterion is not applicable.

Section X
Attachment 38
Charity Care Information

Silver Cross Hospital's charity care for the last four audited fiscal years is set forth below:

Silver Cross Hospital Charity Care				
	FY 2016	FY 2017	FY 2018	FY 2019
Total Net Patient Revenue	\$351,053,000	\$367,152,051	\$378,810,000	\$401,798,000
Amount of Charity Care (Charges)	\$17,715,000	\$17,765,000	\$28,492,000	\$26,316,000
Cost of Charity Care	\$5,024,000	\$5,116,000	\$7,612,000	\$7,606,000
Cost of Charity Care/Total Net Patient Ratio	1.43%	1.39%	2.01%	1.89%

In total, Silver Cross Hospital provided over \$39 million in charity care and other community benefits in FY 2019. Relevant pages from Silver Cross Hospital's Community Benefit Report for FY 2019 are attached at ATTACHMENT 38.

Silver Cross Hospital

Community Benefit Report

FY2019: October 1, 2018 to September 30, 2019



1900 Silver Cross Boulevard
New Lenox, IL 60451

www.silvercross.org



Introduction – Continuing the Tradition of Caring for the Community

History

Founded by the Will County Union of King's Daughters and Sons and created for the community, over the past 125 years, Silver Cross Hospital has evolved into a 302-bed not-for-profit, independent, non-denominational acute-care hospital in New Lenox serving the residents of Will County and the southwest suburbs.

Silver Cross has had a long-standing tradition of caring for the community and meeting the needs of our patients by treating them the way they want to be treated. At Silver Cross, we recognize each of our patients as individuals with their own sets of wants and concerns. And, we have made it our goal to address them all. It's what we call the Silver Cross Experience.

At Silver Cross, we have made a promise that extends not only to the outstanding quality of our personal service, but also our commitment to clinical quality, our attention to patient safety, and even to how we respond to the expanding needs of our community. Silver Cross has been named one of the 100 Top Hospitals in the nation for seven consecutive years by Truven Health Analytics, a leading source of healthcare intelligence; received a 5-Star rating for high quality and patient satisfaction by the Center for Medicare & Medicaid Services (CMS), and has been honored with an "A" Hospital Safety ScoreSM by The Leapfrog Group ten times in a row.

In the following pages, you will see how Silver Cross is living the promise to treat all patients the way they want to be treated while providing added benefit to the communities we serve.

Mission *(see Silver Cross Hospital Values Statement Attachment #1)*

Our mission is to improve the health of those we serve and advance wellness in our community.

Vision

We, the Silver Cross Family, are known for our culture of excellence and will deliver an unrivaled healthcare experience for patients, their families and the communities we serve.

Core Values

We, as members of Silver Cross Hospital team, are dedicated to meeting the needs of the people we serve by living our Core Values of:

Safety — do no harm

Inclusiveness — work collaboratively and transparently

Leadership — take initiative, demonstrate professionalism and be accountable

Virtue — demonstrate integrity and ethical behaviors

Excellence — achieve distinction for high reliability in quality and service

Respect — honor the feelings, traditions, and rights of others.

Standards of Conduct

1. Promote quality health care and ethical behavior
2. Ensure compliance with the law
3. Demonstrate respect, fairness, and courtesy in the workplace
4. Understand, avoid and disclose conflicts of interest

5. Maintain confidentiality of information
6. Ensure safety and security

Seven Behaviors

1. Speak up for patient safety
2. Always introduce yourself
3. Wear your name badge appropriately
4. Always give explanation of processes
5. Escort patients and visitors
6. Keep the environment clean and safe
7. Always greet patients, visitors, physicians and colleagues

SAFETy Habits

1. Support Each Other
2. Ask Questions
3. Focus on the Details
4. Explain Clearly

Defining Who We Serve

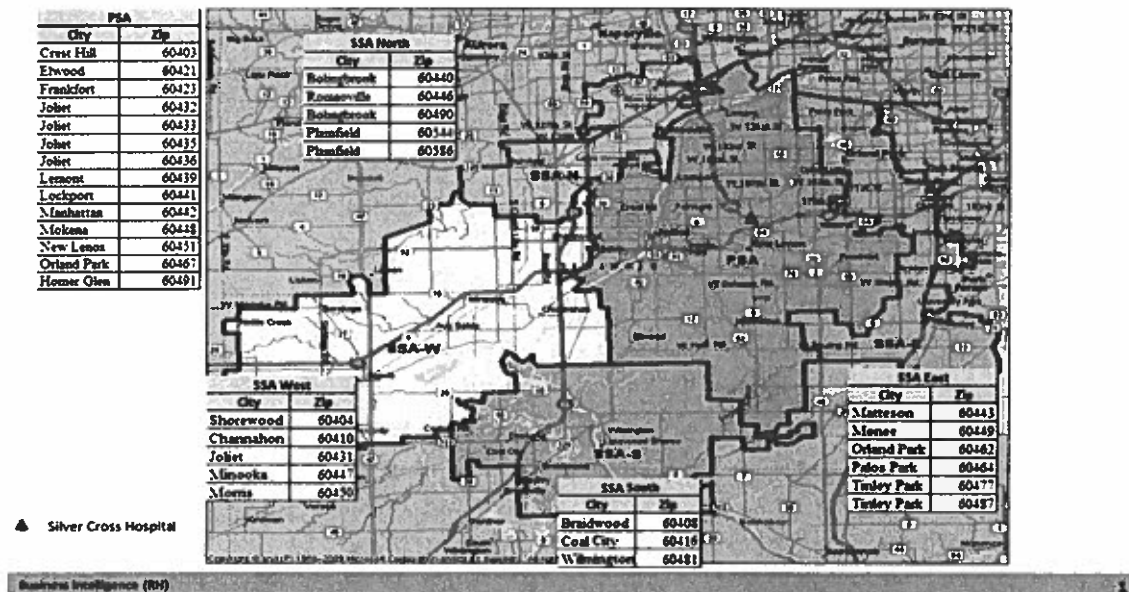
Community Health Needs Assessment (CHNA): Community Definition and Population Served

Silver Cross Hospital's Primary Service Area (PSA), as defined for the purposes of the Community Health Needs Assessment, is defined as the following residential ZIP Codes in portions of Will and southwestern Cook counties, Illinois: 60403; 60421; 60423; 60432; 60433; 60435; 60436; 60439; 60441; 60442; 60448; 60451; 60467; and 60491. Silver Cross' Secondary Service Area (SSA) includes: 60440; 60446; 60490; 60544; 60586; 60404; 60410; 60431; 60447; 60450; 60408; 60416; 60481; 60487, 60443; 60449; 60462; 60464; and 60477.

Our service area is composed of widely diverse cross-sections of the population. Large sections of our community are more established suburban areas and are rapidly growing. There are also segments that are becoming more racially and ethnically diverse and that are more densely populated. Median incomes range broadly throughout the community – with distinct pockets that have very low incomes, with other areas that are significantly more affluent. Other sections of the community could be considered more rural in nature and are much smaller in terms of population size but growing and are less ethnically and racially diverse. A geographic description is illustrated in the following map.



Silver Cross Service Area Definitions



Defining How Much We Provide

Financial Assistance Program

Silver Cross Hospital has a policy and defined guidelines for identifying and assisting low-income, uninsured individuals who reside in our community, who do not have the ability to pay full charges, and for providing financial assistance to patients who have exhausted their insurance benefits.

Silver Cross Hospital provides quality healthcare and services to all individuals, regardless of race, creed, sex, national origin, income level, sexual orientation, handicap or age.

In accordance with our mission, we care for the sick that are medically or financially indigent and assist patients who cannot pay for part or all of the care they receive.

Silver Cross Hospital provides charity care assistance to patients who maintain a household income up to 400% above the federal poverty level (*see Charity Care Policy Attachment #2*). In addition, the hospital provides a 50% discount off of hospital charges to all uninsured patients (*see Self-Pay Discount Program Policy Attachment #3*).

Patient eligibility of assistance is based on completion of the Determination of Eligibility Application Form and proof of family income. Silver Cross accepts all applications for determination. Eligibility is examined on a case-by-case basis. We have bilingual financial counselors available to help patients obtain and apply for government assistance programs, such as Medicare, Medicaid, AllKids, FamilyCare, and Get Covered Illinois.

Notice of the hospital's financial assistance policy is clearly posted and available in the Emergency Department in English and Spanish, at all registration areas, in the Patient Handbook and on the hospital's website (www.silvercross.org).

Defining How Much We Provide

Community Benefits Data Summary

Silver Cross Hospital is dedicated to caring and serving our community that extends beyond our walls.

In 2019, Silver Cross provided over **\$39** million in charity care and other community benefits. The numbers reported below are all reported at cost.

Charity Care (at cost)	\$7,606,000
Government-sponsored Indigent Healthcare (unreimbursed Medicaid at cost)	\$8,050,000
<u>Subtotal Uncompensated Care (Charity Care & Medicaid)</u>	<u>\$15,656,000</u>
Additional Community Benefit:	
Language Assistance	\$68,000
Donations	\$293,000
Volunteer Services	\$3,202,000
Education	\$1,255,000
Government-sponsored program services (unreimbursed Medicare at cost)	\$13,914,000
Subsidized Health Services	\$1,197,000
**Bad Debts (at cost)	\$3,884,000
Other Community Benefits	\$48,000
<u>Total Community Benefit</u>	<u>\$39,517,000</u>

Items to Note:

****42.25%** of bad debt patients are uninsured = **\$1,640,990** (at cost)

Reporting at cost gives a more accurate picture of true community benefit. Therefore, Silver Cross Hospital has chosen to present the data in this fashion.

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

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	25-27
2	Site Ownership	28-29
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	30
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	31-32
5	Flood Plain Requirements	33-37
6	Historic Preservation Act Requirements	38-46
7	Project and Sources of Funds Itemization	47-49
8	Financial Commitment Document if required	N/A
9	Cost Space Requirements	N/A
10	Discontinuation	N/A
11	Background of the Applicant	50-55
12	Purpose of the Project	56-57
13	Alternatives to the Project	58-59
14	Size of the Project	60-61
15	Project Service Utilization	62-65
16	Unfinished or Shell Space	N/A
17	Assurances for Unfinished/Shell Space	N/A
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	N/A
19	Comprehensive Physical Rehabilitation	N/A
20	Acute Mental Illness	N/A
21	Open Heart Surgery	N/A
22	Cardiac Catheterization	N/A
23	In-Center Hemodialysis	N/A
24	Non-Hospital Based Ambulatory Surgery	N/A
25	Selected Organ Transplantation	N/A
26	Kidney Transplantation	N/A
27	Subacute Care Hospital Model	N/A
28	Community-Based Residential Rehabilitation Center	N/A
29	Long Term Acute Care Hospital	N/A
30	Clinical Service Areas Other than Categories of Service	66
31	Freestanding Emergency Center Medical Services	N/A
32	Birth Center	N/A
	Financial and Economic Feasibility:	
33	Availability of Funds	67-110
34	Financial Waiver	111-112
35	Financial Viability	N/A
36	Economic Feasibility	113-117
37	Safety Net Impact Statement	118
38	Charity Care Information	119-125



ATTORNEYS AT LAW
321 NORTH CLARK STREET, SUITE 2800
CHICAGO, IL 60654-5313
312.832.4500 TEL
312.832.4700 FAX
WWW.FOLEY.COM

WRITER'S DIRECT LINE
312.832.4375
egreen@foley.com EMAIL

CLIENT/MATTER NUMBER
026141-0157

May 27, 2020

RECEIVED

MAY 28 2020

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Via FedEx

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761-0001

Re: Certificate of Need
Applicants: Silver Cross Hospital and Medical Centers; Silver Cross Health System
Project: Silver Cross Hospital Observation Unit

Dear Mr. Constantino:

Enclosed please find an original and one copy of the Certificate of Need Application filed on behalf of Silver Cross Hospital and Medical Centers and Silver Cross Health System. Also enclosed is a check in the amount of \$2,500 to cover the application processing fee.

Please feel free to contact me if you have any questions.

Sincerely,


Edward J. Green

EJGR:sc
Encls.

AUSTIN
BOSTON
CHICAGO
DALLAS
DENVER

DETROIT
HOUSTON
JACKSONVILLE
LOS ANGELES
MADISON

MEXICO CITY
MIAMI
MILWAUKEE
NEW YORK
ORLANDO

SACRAMENTO
SAN DIEGO
SAN FRANCISCO
SILICON VALLEY
TALLAHASSEE

TAMPA
WASHINGTON, D.C.
BRUSSELS
TOKYO