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: **Advocate Lutheran General Hospital - Surgery Modernization Project**
Street Address:1775 Dempster Street
City and Zip Code: Park Ridge, IL 60068
County: Cook Health Service Area: 7 Health Planning Area: A-07

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

Exact Legal Name: **Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital**
Street Address: 3075 Highland Parkway, Suite 600
City and Zip Code: Downers Grove, IL, 60515
Name of Registered Agent: Michael Kerns
Registered Agent Street Address: 3075 Highland Parkway Suite 600
Registered Agent City and Zip Code: Downers Grove, IL 60515
Name of President: James H Skogsbergh
President Street Address: 3075 Highland Parkway, Suite 600
President City and Zip Code: Downers Grove, IL 60515
President Telephone Number: 630-572-9393

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Terika Richardson
Title: Hospital President - Advocate Lutheran General Hospital
Hospital Name: Advocate Lutheran General Hospital
Address: 1775 Dempster Street, Park Ridge, IL 60068
Telephone Number: 847-723-8446
E-mail Address: terika.richardson@aah.org
Fax Number: 847-723-2285

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

Name: Myndee Gomberg Balkan
Title: Manager, Business Development Planning
Company Name: Advocate Aurora Health, Inc.
Address:
Telephone Number: 847-721-0376
E-mail Address: myndee.balkan@aah.org
Fax Number:

Additional Contact [Person to receive ALL correspondence or inquiries]

Name: Roberto Orozco
Title: Interim Director, Central Chicagoland & North Illinois Regions, Design & Construction
Company Name: Advocate Aurora Health, Inc.
Address:
Telephone Number: 773-308-4474
E-mail Address: roberto.orozco@aah.org
Fax Number:

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: **Advocate Lutheran General Hospital - Surgery Modernization Project**
Street Address:1775 Dempster Street
City and Zip Code: Park Ridge, IL 60068
County: Cook Health Service Area: 7 Health Planning Area: A-07

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

Exact Legal Name: **Advocate Health Care Network**
Street Address: 3075 Highland Parkway, Suite 600
City and Zip Code: Downers Grove, IL 60515
Name of Registered Agent: Michael Kerns
Registered Agent Street Address: 3075 Highland Parkway Suite 600
Registered Agent City and Zip Code: Downers Grove, IL 60515
Name of President and Chief Executive Officer: James H Skogsbergh
President and CEO Street Address: 3075 Highland Parkway, Suite 600
President and CEO City and Zip Code: Downers Grove, IL 60515
President and CEO Telephone Number: 630-572-9393

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Terika Richardson
Title: Hospital President - Advocate Lutheran General Hospital
Hospital Name: Advocate Lutheran General Hospital
Address: 1775 Dempster Street, Park Ridge, IL 60068
Telephone Number: 847-723-8446
E-mail Address: terika.richardson@aah.org
Fax Number: 847-723-2285

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

Name: Myndee Gomberg Balkan
Title: Manager, Business Development Planning
Company Name: Advocate Aurora Health Care, Inc.
Address:
Telephone Number: 847-721-0376
E-mail Address: myndee.balkan@aah.org
Fax Number:

Additional Contact [Person to receive ALL correspondence or inquiries]

Name: Roberto Orozco
Title: Interim Director, Central Chicagoland & North Illinois Regions, Design & Construction
Company Name: Advocate Aurora Health Inc.
Address:
Telephone Number: 773-308-4474
E-mail Address: roberto.orozco@aah.org
Fax Number:

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: **Advocate Lutheran General Hospital - Surgery Modernization Project**
Street Address:1775 Dempster Street
City and Zip Code: Park Ridge ,IL 60068
County: Cook Health Service Area: 7 Health Planning Area: A-07

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

Exact Legal Name: **Advocate Aurora Health, Inc.**
Street Address: 3075 Highland Parkway, Suite 600
City and Zip Code: Downers Grove, IL 60515
Name of Registered Agent: Michael Kerns
Registered Agent Street Address: 3075 Highland Parkway Suite 600
Registered Agent City and Zip Code: Downers Grove 60515
Name of Chief Executive Officer: James H Skogsbergh
CEO Street Address: 3075 Highland Parkway, Suite 600
CEO City and Zip Code: Downers Grove, IL 60515
CEO Telephone Number: 630-572-9393

Type of Ownership of Applicants

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

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

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

Primary Contact

Name: Terika Richardson
Title: Hospital President - Advocate Lutheran General Hospital
Hospital Name: Advocate Lutheran General Hospital
Address: 1775 Dempster Street, Park Ridge, IL 60068
Telephone Number: 847-723-8446
E-mail Address: terika.richardson@aah.org
Fax Number: 847-723-2285

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

Name: Myndee Gomberg Balkan
Title: Manager, Business Development Planning
Company Name: Advocate Aurora Health Care, Inc.
Address:
Telephone Number: 847-721-0376
E-mail Address: myndee.balkan@aah.org
Fax Number:

Additional Contact [Person to receive ALL correspondence or inquiries]

Name: Roberto Orozco
Title: Interim Director, Central Chicagoland & North Illinois Regions, Design & Construction
Company Name: Advocate Aurora Health, Inc.
Address:
Telephone Number: 773-308-4474
E-mail Address: roberto.orozco@aah.org
Fax Number:

Post Permit Contact

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

Name: Scott Nelson
Title: Vice President, Planning, Design and Construction
Hospital Name: Advocate Aurora Health, Inc.
Address: 3075 Highland Parkway, Suite 400, Downers Grove, IL 60515
Telephone Number: 630-929-5575
E-mail Address: scott.nelson@aah.org
Fax Number: 630-990-4798

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation
Address of Site Owner: 2025 Windsor Drive, Oak Brook, IL 60523
Street Address or Legal Description of the Site: 1775 Dempster Street, Park Ridge, IL 60068 **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: Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital
Address: 1775 Dempster Street, Park Ridge, IL 60068
☒ Non-profit Corporation ☐ Partnership ☐ For-profit Corporation ☐ Governmental ☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. o **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

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

Part 1110 Classification :

☐ Substantive

☒ Non-substantive

2. Narrative Description

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

Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital, Advocate Health Care Network and Advocate Aurora Health, Inc. the applicants, propose a Surgery Department Modernization project at Advocate Lutheran General Hospital, with the address 1775 Dempster Street, Park Ridge, IL 60068

The project will include modernization of two areas within the Surgical department located on the first floor.

The Core A Project

- Includes modernization of 7 of the hospital's 26 Operating Rooms in the main surgical suite.
- Six of these ORs (ORs 1-6) will be developed and expanded within the current footprint for the 7 ORs.
- OR 20 will be designed in the current staff lounge in the Surgery department. The Staff lounge will be relocated to an adjacent area currently occupied by business operation functions.
- The number of total Surgery operating rooms will not change.

The Pre-Op/Phase II Recovery Bay Project

- Includes modernization of the (Stage II Recovery bays) pre-operative and post-operative area for Outpatient surgical patients.
- The renovation will include the development of 22 recovery stations/private rooms replacing the existing 26 current recovery bays.

The project is expected to cost $18,047,616 with 16,560 square feet of modernization (12,410 of clinical and 4,150 of non clinical space). The project will be designed for high efficiency patient care as well as energy efficiency and long-term durability of infrastructure through the use of Healthy Roadmap Space Certification (similar to LEED). The anticipated completion date is May 1st, 2023.

The project is classified as a non-substantive project, as there is not a change in bed capacity or offer a new category of service.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

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

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

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

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

Estimated start-up costs and operating deficit cost is $ NA.

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

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

Anticipated project completion date (refer to Part 1130.140): May 1st, 2023

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

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

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

State Agency Submittals [Section 1130.620(c)]

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

Cost Space Requirements

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

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

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Advocate Lutheran General Hospital		**CITY: Park Ridge, Illinois**			
REPORTING PERIOD DATES:		**From: January 1, 2019 to December 31, 2019**			
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	313	17,205	94,490	-	313
Obstetrics	62	3,555	11,524	-	62
Pediatrics	48	1,694	8,667	-	48
Intensive Care	74	4,114	18,169	-	74
Comprehensive Physical Rehabilitation	45	849	12,415	-	45
Acute/Chronic Mental Illness	55	1,031	7,660	-	55
Neonatal Intensive Care	54	455	13,152	-	54
General Long-Term Care	0	0	0	-	0
Specialized Long-Term Care	0	0	0	-	0
Long Term Acute Care	0	0	0	-	0
Other ((identify)					
TOTALS:	651	29,056	166,498	-	651

CERTIFICATION

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

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

This Application is filed on the behalf of Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital 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.

Jim Skogsbergh	William P. Santulli
SIGNATURE	SIGNATURE
James H. Skogsbergh	William P. Santulli
PRINTED NAME	PRINTED NAME
President	Chief Operating Officer
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me This ____ day of _____	Notarization: Subscribed and sworn to before me This ____ day of _____
Signature of Notary	Signature of Notary
Seal	Seal

*Insert the EXACT legal name of the applicant

CERTIFICATION

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

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

This Application is filed on the behalf of Advocate Health and Hospitals Corporation 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.

Jim Skogsbergh

SIGNATURE

James H. Skogsbergh

PRINTED NAME

President

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
This ____ day of _____

Signature of Notary

Seal

William P. Santulli

SIGNATURE

William P. Santulli

PRINTED NAME

Chief Operating Officer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
This ____ day of _____

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

CERTIFICATION

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

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

This Application is filed on the behalf of Advocate Aurora Health, Inc. 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.

Jim Skogsbergh

SIGNATURE

James H. Skogsbergh

PRINTED NAME

CEO

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
This ____ day of _____

Signature of Notary

Seal

William P. Santulli

SIGNATURE

William P. Santulli

PRINTED NAME

Chief Operating Officer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
This ____ day of _____

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

CERTIFICATION

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

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

This Application is filed on the behalf of Advocate Health Care Network 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.

Jim Skogsbergh

SIGNATURE

James H. Skogsbergh

PRINTED NAME

President & CEO

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
This ____ day of _____

Signature of Notary

Seal

William P. Santulli

SIGNATURE

William P. Santulli

PRINTED NAME

Chief Operating Officer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
This ____ day of _____

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

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

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

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

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

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

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

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

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

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

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

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

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

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

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

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

There is no shell space in the proposed project.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

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

N/A

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

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
☐		
☐		
☐		

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

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
APPEND DOCUMENTATION AS ATTACHMENT 30, 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]:**

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

_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
		TOTAL FUNDS AVAILABLE

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

SECTION VII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

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

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

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

   B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION IX. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE 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)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

SECTION X. CHARITY CARE INFORMATION

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

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

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

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

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

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

CHARITY CARE			
	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.

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

INDEX OF ATTACHMENTS

Type of Ownership of Applicants

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

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

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

See Attachment #1, Exhibits 1, 2, 3 & 4.

File Number 1004-695-5

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

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, 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.

Authentication #: 2031702474 verifiable until 11/12/2021
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

SECRETARY OF STATE

File Number 1707-692-2

STATE OF ILLINOIS
OFFICE OF
THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

Authentication #: 2031702288 verifiable until 11/12/2021

File Number 7155-851-7

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE AURORA HEALTH, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 03, 2018, 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 A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 2031702160 verifiable until 11/12/2021
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

SECRETARY OF STATE

State Of Delaware

Entity Details

11/12/2020 4:26:38PM

File Number: 6645600
Incorporation Date / Formation Date: 12/4/2017
Entity Name: ADVOCATE AURORA HEALTH, INC.
Entity Kind: Corporation
Entity Type: Exempt
Residency: Domestic
State: DELAWARE
Status: Good Standing
Status Date: 3/4/2019

Registered Agent Information

Name: THE CORPORATION TRUST COMPANY
Address: CORPORATION TRUST CENTER 1209 ORANGE ST
City: WILMINGTON
Country:
State: DE
Postal Code: 19801
Phone: 302-658-7581

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

APRIL 3, 2018 7155-851-7

CT CORPORATION SYSTEM
118 W EDWARDS #200
SPRINGFIELD IL 62704

RE ADVOCATE AURORA HEALTH, INC.

DEAR SIR OR MADAM:

ENCLOSED YOU WILL FIND THE AUTHORITY OF THE ABOVE NAMED CORPORATION TO CONDUCT AFFAIRS IN THIS STATE.

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

CERTAIN NOT FOR PROFIT CORPORATIONS ORGANIZED AS A CHARITABLE CORPORATION ARE REQUIRED TO REGISTER WITH THE OFFICE OF THE ATTORNEY GENERAL. UPON RECEIPT OF THE ENCLOSED AUTHORITY, YOU MUST CONTACT THE CHARITABLE TRUST DIVISION, OFFICE OF THE ATTORNEY GENERAL, 100 W. RANDOLPH, 3RD FLOOR, CHICAGO, ILLINOIS 60601, TELEPHONE (312) 814-2595.

SINCERELY,

JESSE WHITE
SECRETARY OF STATE
DEPARTMENT OF BUSINESS SERVICES
CORPORATION DIVISION
TELEPHONE (217) 782-6961

FORM NFP 113.15 (rev. Dec. 2003)
APPLICATION FOR AUTHORITY
TO CONDUCT AFFAIRS IN
ILLINOIS (Foreign Corporations)
General Not For Profit Corporation Act

Secretary of State
Department of Business Services
501 S. Second St., Rm. 350
Springfield, IL 62756
217-782-1834
www.cyberdrivelllinois.com

Remit payment in the form of a cashier's check, certified check, money order or an Illinois attorney's or CPA's check payable to Secretary of State.

FILED

APR 03 2018

JESSE WHITE
SECRETARY OF STATE

File # 7155-8517 Filing Fee: $50 Approved: BC

----- Submit in duplicate ----- Type or Print clearly in black ink ----- Do not write above this line -----

1. a. Corporate Name: Advocate Aurora Health, Inc.

   b. Assumed Corporate Name (Complete only if the new corporate name is not available in this state.):

   By electing this assumed name, the Corporation hereby agrees NOT to use its corporate name in the transaction of business in Illinois. Form NFP 104.15 is attached.

2. a. State or Country of Incorporation: Delaware

   b. Date of Incorporation: December 4, 2017

   c. Period of Duration: Permanent

3. a. Address of Principal Office, wherever located: 3075 Highland Pkwy.,
   Downers Grove, IL 60515-1206

   b. Address of Principal Office in Illinois: 3075 Highland Pkwy.,
   Downers Grove, IL 60515-1206

4. Name and Address of Registered Agent and Registered Office in Illinois:

   Registered Agent: Earl J. Barnes II
   (First Name / Middle Name / Last Name)

   Registered Office: 3075 Highland Pkwy Suite 600
   (Number / Street / Suite # (P.O. Box alone is unacceptable))

   Downers Grove 60515 DuPage County
   (City / ZIP Code / County)

5. States and Countries in which Corporation is admitted or qualified to conduct affairs: Wisconsin (application pending)

6. Names and respective addresses of Corporation's officers and directors:

	Street Address	City	State	ZIP
President See attached				
Secretary				
Director				
Director				
Director				

If there are additional officers or more than three directors, please attach list.

Printed by authority of the State of Illinois. January 2015 - 1 - C 180.15

7. Purpose(s) for which the Corporation is organized and proposes to pursue in the conduct of affairs in this State:
For more space, attach additional sheets of this size.

See attached.

8. This application must be accompanied by an originally certified copy of the Articles of Incorporation and any amendments or mergers, duly authenticated within the last 90 days by the proper officer of the state or country wherein the corporation is incorporated.

9. The undersigned Corporation has caused this statement to be signed by a duly authorized officer who affirms, under penalties of perjury, that the facts stated herein are true and correct. All signatures must be in BLACK INK.

Dated April 1, 2018 . 2018
Month Day Year

Advocate Aurora Health, Inc.
Exact Name of Corporation

Any Authorized Officer's Signature

Michael Lappin, Secretary
Name and Title (type or print)

A Corporation that is to function as a club, as defined in Section 1-3.24 of the Liquor Control Act of 1934, must insert in its purpose clause a statement that it will comply with the State and local laws and ordinances relating to alcoholic liquors.

7155-8517

ATTACHMENT TO APPLICATION FOR AUTHORITY TO CONDUCT BUSINESS IN ILLINOIS (FORM NFP 113.15) FOR ADVOCATE AURORA HEALTH, INC.

Section 6: NAMES AND ADDRESSES OF DIRECTORS AND OFFICERS

Officers:

Office/Name	Address
Co-CEO - James H. Skogsbergh	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Co-CEO - Nick W. Turkal, M.D.	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Treasurer – Dominic Nakis	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Secretary – Michael Lappin	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Chair – Joanna Disch	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Chair Elect – Michele Baker Richardson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515

4835-2868-4084.2

7155 8517

Directors:

Name	Address
Michele Baker Richardson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John F. Timmer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Lynn Y. Crump-Caine	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
K. Richard Jakle	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Mark M. Harris	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
David B. Anderson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
James H. Skogsbergh	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Joanne Disch	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John W. Daniels, Jr.	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Joanne B. Bauer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Charles Harvey	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Rick Weiss	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Thomas Bolger	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Nick W. Turkal	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515

7155-8517

Section 7: PURPOSE(S) FOR WHICH THE CORPORATION IS ORGANIZED AND PROPOSES TO PURSUE IN THE CONDUCT OF AFFAIRS IN THIS STATE:

The Corporation is organized and shall be operated exclusively for charitable, scientific, religious and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provisions of any future United States Internal Revenue Law) (hereinafter the "Code"); and limited as further provided in its Certificate of Incorporation. Specifically, the Corporation is organized and shall be operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of its supported organizations, as listed below (the "Supported Organizations"). The Corporation is organized and operated as a Type III functionally integrated supporting organization as defined in section 509(a)(3) of the Code and Treas. Reg. Section 1.509(a)-4(i). The Corporation is organized for the purpose of serving as the parent organization of the Supported Organizations and shall exercise direction over the policies, programs and activities of the Supported Organizations. The Corporation shall engage in activities relating to the purposes described above, and invest in, receive, hold, use, and dispose of all property, real or personal, as may be necessary or desirable to carry into effect such purposes. The Corporation is formed as a result of the affiliation of Advocate Health Care Network, an Illinois nonprofit corporation ("Advocate") and Aurora Health Care, Inc., a Wisconsin nonstock corporation ("Aurora"), in accordance with the terms and conditions of that certain Affiliation Agreement between Advocate and Aurora dated December 4, 2017 (the "Affiliation Agreement").

The Corporation's Supported Organizations, which are described in Section 509(a)(1) or Section 509(a)(2) of the Code, are as follows:

- Advocate Health and Hospitals Corporation
- EHS Home Health Care Services, Inc.
- Advocate Charitable Foundation
- Advocate North Side Health Network
- Meridian Hospice
- Advocate Condell Medical Center
- Advocate Sherman Hospital
- Sherman West Court
- Visiting Nurse Association of Wisconsin, Inc.
- Aurora UW Academic Medical Group
- Aurora Health Care Central, Inc.
- Aurora Psychiatric Hospital, Inc.
- Aurora Medical Center of Washington County, Inc.
- Aurora Health Care North, Inc.
- West Allis Memorial Hospital, Inc.
- Aurora Family Service, Inc.
- Aurora Medical Center of Oshkosh, Inc.
- Aurora Medical Group, Inc.
- Kradwell School, Inc.
- Aurora Advanced Healthcare, Inc.

7155_8517

- Aurora Health Care Metro, Inc.
- Aurora Health Care Southern Lakes, Inc.
- AMG Illinois, Ltd.
- Aurora Medical Center Grafton

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation
Address of Site Owner: 2025 Windsor Drive, Oak Brook, IL 60523
Street Address or Legal Description of the Site: 1775 Dempster Street, Park Ridge, IL 60068 **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.

The proposed site is 1775 Dempster Street, Park Ridge, IL 60068.
Please see Attachment #2 Exhibit 1.

AdvocateAuroraHealth

2075 Highland Parkway
Suite 600
Downers Grove, Illinois 60515

T (630) 572-9191
advocateaurorahealth.org

January 5, 2021

Ms. Courtney Avery
Administrator
Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

RE: Advocate Lutheran General Hospital Surgery Modernization Project

Dear Ms. Avery:

This attestation letter is submitted to indicate that Advocate Lutheran General Hospital owns the site.

We trust this attestation complies with the State Agency Proof of Ownership requirement indicated in the Permit application – October 2019 edition.

Respectfully,

William P. Santulli

William P. Santulli
Chief Operating Officer
Advocate Aurora Health

Operating Identity/Licensee

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital

Address: 1775 Dempster Street, Park Ridge, IL 60068

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

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

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

Certificates of Good Standing for Advocate Health and Hospitals Corporation, Advocate Health Care Network, and Advocate Aurora Health, Inc. are included as Attachment #3 Exhibits 1, 2, 3, and 4.

File Number 1004-695-5

STATE OF ILLINOIS
OFFICE OF
THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, 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* 12TH *day of* NOVEMBER *A.D.* 2020 .

Authentication #: 2031702474 verifiable until 11/12/2021
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

File Number 1707-692-2

STATE OF ILLINOIS
OFFICE OF
THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

Authentication #: 2031702286 verifiable until 11/12/2021

File Number 7155-851-7

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE AURORA HEALTH, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 03, 2018, 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 A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 2031702160 verifiable until 11/12/2021
Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

SECRETARY OF STATE

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

APRIL 3, 2018 7155-851-7

CT CORPORATION SYSTEM
118 W EDWARDS #200
SPRINGFIELD IL 62704

RE ADVOCATE AURORA HEALTH, INC.

DEAR SIR OR MADAM:

ENCLOSED YOU WILL FIND THE AUTHORITY OF THE ABOVE NAMED CORPORATION TO CONDUCT AFFAIRS IN THIS STATE.

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

CERTAIN NOT FOR PROFIT CORPORATIONS ORGANIZED AS A CHARITABLE CORPORATION ARE REQUIRED TO REGISTER WITH THE OFFICE OF THE ATTORNEY GENERAL. UPON RECEIPT OF THE ENCLOSED AUTHORITY, YOU MUST CONTACT THE CHARITABLE TRUST DIVISION, OFFICE OF THE ATTORNEY GENERAL, 100 W. RANDOLPH, 3RD FLOOR, CHICAGO, ILLINOIS 60601, TELEPHONE (312) 814-2595.

SINCERELY,

JESSE WHITE
SECRETARY OF STATE
DEPARTMENT OF BUSINESS SERVICES
CORPORATION DIVISION
TELEPHONE (217) 782-6961

FORM NFP 113.15 (rev. Dec. 2003)
APPLICATION FOR AUTHORITY
TO CONDUCT AFFAIRS IN
ILLINOIS (Foreign Corporations)
General Not For Profit Corporation Act

Secretary of State
Department of Business Services
501 S. Second St., Rm. 350
Springfield, IL 62756
217-782-1834
www.cyberdrivelllinois.com

Remit payment in the form of a cashier's check, certified check, money order or an Illinois attorney's or CPA's check payable to Secretary of State.

FILED

APR 03 2018

JESSE WHITE
SECRETARY OF STATE

File # 7155-8517 Filing Fee: $50 Approved: BC

---- Submit in duplicate ---- Type or Print clearly in black ink ---- Do not write above this line ----

1. a. Corporate Name: Advocate Aurora Health, Inc.

   b. Assumed Corporate Name (Complete only if the new corporate name is not available in this state.):

   By electing this assumed name, the Corporation hereby agrees NOT to use its corporate name in the transaction of business in Illinois. Form NFP 104.15 is attached.

2. a. State or Country of Incorporation: Delaware

   b. Date of Incorporation: December 4, 2017

   c. Period of Duration: Permanent

3. a. Address of Principal Office, wherever located: 3075 Highland Pkwy.,
   Downers Grove, IL 60515-1206

   b. Address of Principal Office in Illinois: 3075 Highland Pkwy.,
   Downers Grove, IL 60515-1206

4. Name and Address of Registered Agent and Registered Office in Illinois:

   Registered Agent: Earl J. Barnes II
   (First Name / Middle Name / Last Name)

   Registered Office: 3075 Highland Pkwy Suite 600
   (Number / Street / Suite # (P.O. Box alone is unacceptable))

   Downers Grove 60515 DuPage County
   (City / ZIP Code / County)

5. States and Countries in which Corporation is admitted or qualified to conduct affairs: Wisconsin (application pending)

6. Names and respective addresses of Corporation's officers and directors:

	Street Address	City State ZIP
President See attached		
Secretary		
Director		
Director		
Director		

If there are additional officers or more than three directors, please attach list.

Printed by authority of the State of Illinois. January 2015 - 1 - C 160.15

7155 8517

Directors:

Name	Address
Michele Baker Richardson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John F. Timmer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Lynn Y. Crump-Caine	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
K. Richard Jakle	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Mark M. Harris	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
David B. Anderson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
James H. Skogsbergh	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Joanne Disch	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John W. Daniels, Jr.	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Joanne B. Bauer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Charles Harvey	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Rick Weiss	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Thomas Bolger	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Nick W. Turkal	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515

7155-8517

Section 7: PURPOSE(S) FOR WHICH THE CORPORATION IS ORGANIZED AND PROPOSES TO PURSUE IN THE CONDUCT OF AFFAIRS IN THIS STATE:

The Corporation is organized and shall be operated exclusively for charitable, scientific, religious and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provisions of any future United States Internal Revenue Law) (hereinafter the "Code"); and limited as further provided in its Certificate of Incorporation. Specifically, the Corporation is organized and shall be operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of its supported organizations, as listed below (the "Supported Organizations"). The Corporation is organized and operated as a Type III functionally integrated supporting organization as defined in section 509(a)(3) of the Code and Treas. Reg. Section 1.509(a)-4(i). The Corporation is organized for the purpose of serving as the parent organization of the Supported Organizations and shall exercise direction over the policies, programs and activities of the Supported Organizations. The Corporation shall engage in activities relating to the purposes described above, and invest in, receive, hold, use, and dispose of all property, real or personal, as may be necessary or desirable to carry into effect such purposes. The Corporation is formed as a result of the affiliation of Advocate Health Care Network, an Illinois nonprofit corporation ("Advocate") and Aurora Health Care, Inc., a Wisconsin nonstock corporation ("Aurora"), in accordance with the terms and conditions of that certain Affiliation Agreement between Advocate and Aurora dated December 4, 2017 (the "Affiliation Agreement").

The Corporation's Supported Organizations, which are described in Section 509(a)(1) or Section 509(a)(2) of the Code, are as follows:

- Advocate Health and Hospitals Corporation
- EHS Home Health Care Services, Inc.
- Advocate Charitable Foundation
- Advocate North Side Health Network
- Meridian Hospice
- Advocate Condell Medical Center
- Advocate Sherman Hospital
- Sherman West Court
- Visiting Nurse Association of Wisconsin, Inc.
- Aurora UW Academic Medical Group
- Aurora Health Care Central, Inc.
- Aurora Psychiatric Hospital, Inc.
- Aurora Medical Center of Washington County, Inc.
- Aurora Health Care North, Inc.
- West Allis Memorial Hospital, Inc.
- Aurora Family Service, Inc.
- Aurora Medical Center of Oshkosh, Inc.
- Aurora Medical Group, Inc.
- Kradwell School, Inc.
- Aurora Advanced Healthcare, Inc.

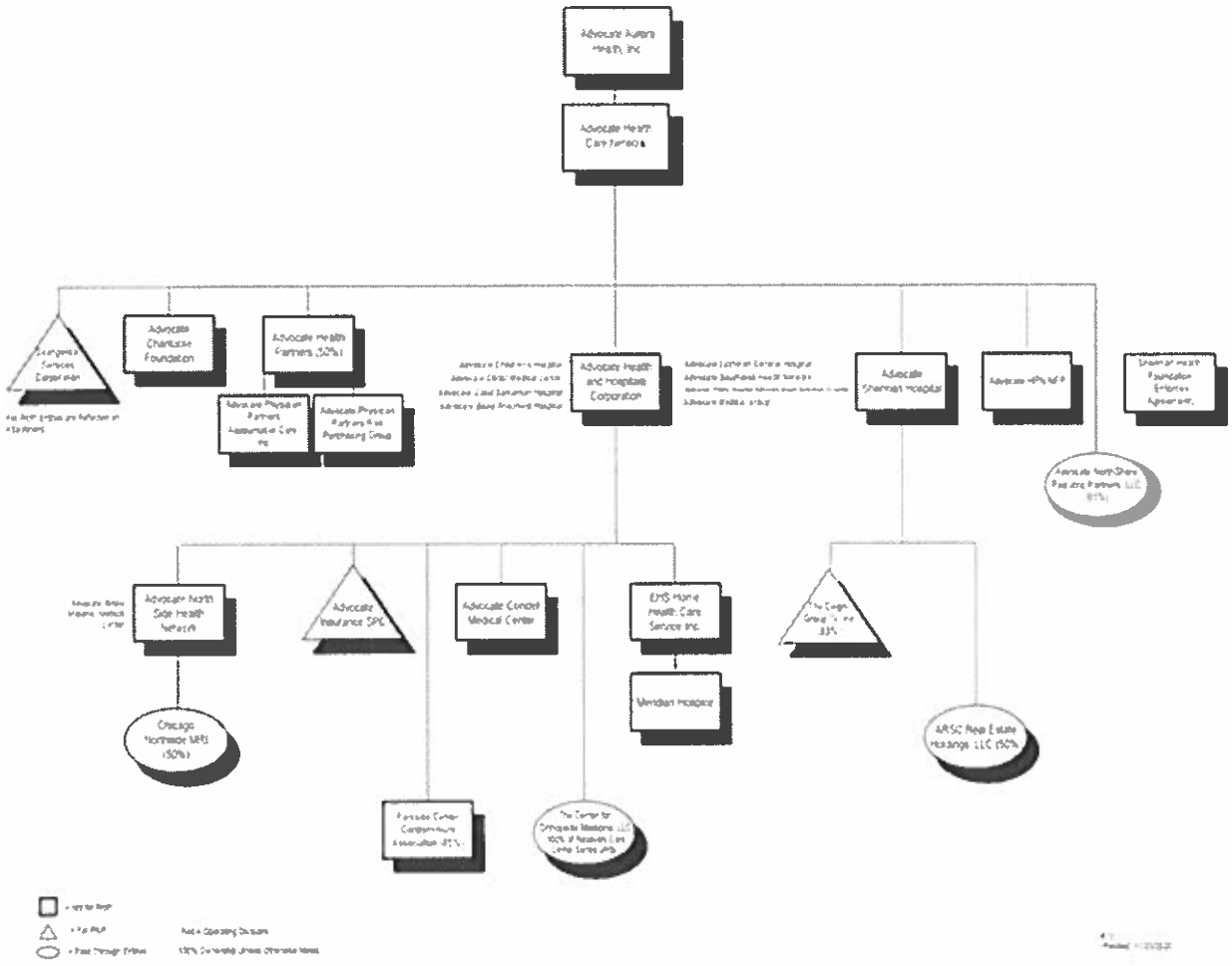
7155-8517

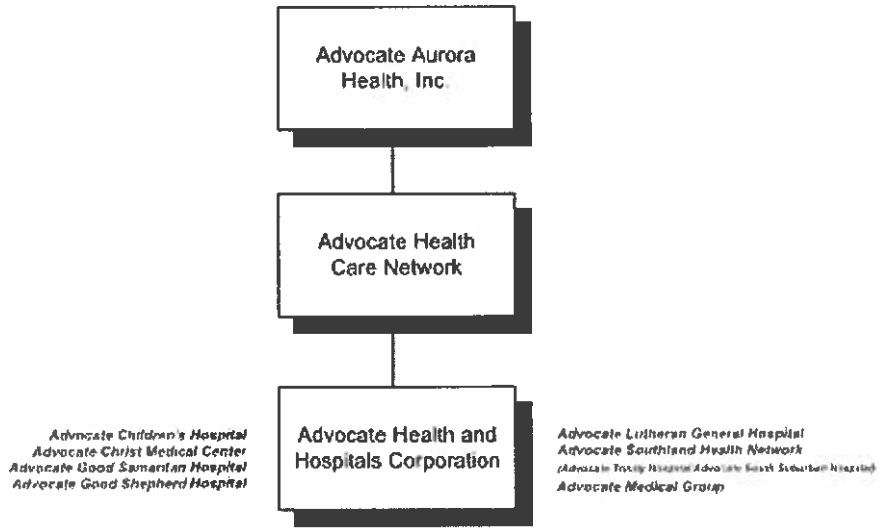
- Aurora Health Care Metro, Inc.
- Aurora Health Care Southern Lakes, Inc.
- AMG Illinois, Ltd.
- Aurora Medical Center Grafton

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.
APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Attachment #4 Exhibits 1 and 2 show the legacy organizations Advocate Health Care Network and Aurora Health Care, Inc. that came together as Advocate Aurora Health, Inc.


Advocate Health Care Network
Advocate Charitable Foundation
Advocate Health Partners
Advocate Health and Hospitals Corporation
Advocate Health Side Health Network
Advocate Condell Medical Center
EMS Home Health Care Service Inc.
Meridian Hospice


Advocate Aurora Health, Inc.
Advocate Health Care Network
Advocate Health and Hospitals Corporation
Advocate Children's Hospital
Advocate Christ Medical Center
Advocate Good Samaritan Hospital
Advocate Good Shepherd Hospital
Advocate Lutheran General Hospital
Advocate Southland Health Network
Advocate Medical Group

Flood Plain Requirements

[Refer to application instructions.]

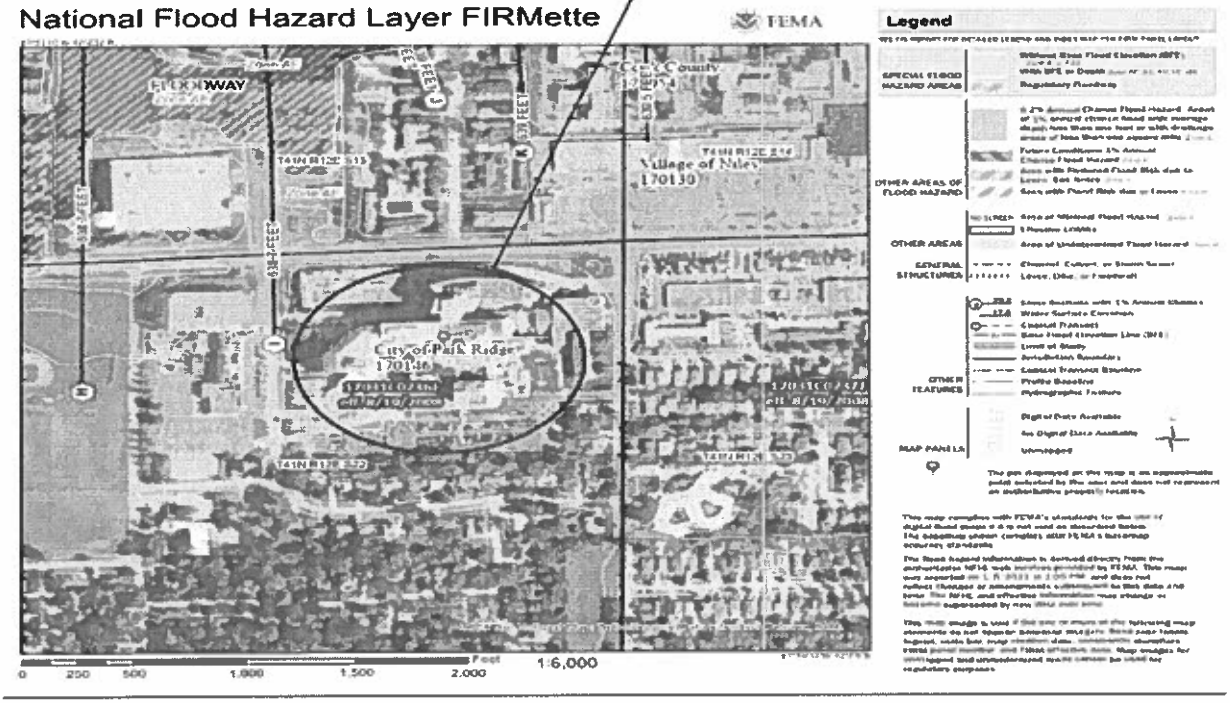
Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain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

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

By their signatures on the Certification, the applicants certify that the site for the proposed project is not in a flood plain, as identified by the most recent FEMA flood plain hazard map for this area. This project is not in a special flood hazard area, and therefore complies with Illinois Executive Order #2006-5. Please see Attachment 5, Exhibit 1 and 2.

Advocate Lutheran General Hospital
1775 Dempster St. Park Ridge, IL 60068

National Flood Hazard Layer FIRMette



Advocate Lutheran
General Hospital
1775 Dempster St.
Park Ridge, IL 60068

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.

Please see Attachment 6. The Historic Preservation Letter is provided as Exhibit 1.

Historical Preservation letter has been requested, to be provided upon receipt.

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**	**NON-CLINICAL**	**TOTAL**
Preplanning Costs	$170,347	$54,739	$225,086
Site Survey and Soil Investigation	-	-	-
Site Preparation	$206,760	$66,440	$273,200
Off Site Work	-	-	-
New Construction Contracts	-	-	-
Modernization Contracts	$6,042,250	$1,941,600	$7,983,850
Contingencies	$535,659	$622,127	$1,157,786
Architectural/Engineering Fees	$466,576	$172,894	$639,470
Consulting and Other Fees	$332,000	$383,000	$715,000
Movable or Other Equipment (not in construction contracts)	$4,839,091	$299,242	$5,138,333
Bond Issuance Expense (project related)	$104,919	$35,086	$140,005
Net Interest Expense During Construction (project related)	$243,094	$81,292	$324,386
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs to Be Capitalized	$440,500	$1,010,000	$1,450,500
Acquisition of Building or Other Property (excluding land)	-	-	-
TOTAL USES OF FUNDS	$13,381,196	$4,666,420	$18,047,616
SOURCE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Cash and Securities	$4,944,752	$1,902,461	$6,847,213
Pledges	-	-	-
Gifts and Bequests	-	-	-
Bond Issues (project related)	$8,088,431	$3,111,972	$11,200,403
Mortgages	-	-	-
Leases (fair market value)	-	-	-
Governmental Appropriations	-	-	-
Grants	-	-	-
Other Funds and Sources	-	-	-
TOTAL SOURCES OF FUNDS	$13,033,183	$5,014,433	$18,047,616

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Itemization of Costs

Items	Cost
Pre-Planning	$ 225,086
Concept and Programming	25,000
Pre-Construction Services	200,086
Site survey (zoning, site survey)	$ -
Site Preparation	$ 273,200
Prep Work (Demo, and Staging)	273,200
New Construction Contracts	$ -
Modernization Contracts	$ 7,983,850
Contingencies	$ 1,157,786
Architect/Eng. Fees	$ 639,470
Consulting and Other Fees	$ 715,000
Const. Admin & Misc. Consultants	150,000
Reimbursables/ Renderings / Misc. support	125,800
MEP /Envelope, LEED Commissioning	275,000
Miscellaneous	164,200
Movable / Equipment	$ 5,138,333
Surgical Tables	434,000
OR Integration Equipment	940,000
OR Lights and Booms	691,117
OR Anesthesia Booms	245,000
Surgical Instruments	798,400
Neurosurgery	486,000
PACS Hardware / Server / Station Equipment	611,396
General Equip.	932,420
Bond Issuance / Finance Expense	$ 140,005
Net Interest	$ 324,386
Other Costs to be Capitalized	$ 1,450,500
FF&E	250,750
Utilities / Taps	89,000
Data Infrastructure, wireless, telecom, security	530,750
Security Systems	125,600
Signage	78,000
Miscellaneous other costs	376,400
TOTAL	**$ 18,047,616**

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): May 1, 2023

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

☐ Purchase orders, leases or contracts pertaining to the project have been executed.

☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies

☒ Financial Commitment will occur after permit issuance.

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

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.**

Cost Space							
		Department Gross Square Feet		Proposed Total Department Gross Square Feet			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
Reviewable							
Core A: ORs #1-5 (w/ corridors, shafts, and sterile core)	$3,787,670	7,270	7,270	0	7,270	0	0
Core A: OR 20 (w/ Clean Core)	$583,520	1,120	1,120	0	1,120	0	0
Core A: OR 6	$343,860	490	660	0	660	0	0
Pre-Op/Phase II Recovery	$1,327,200	8,340	8,340	0	3,360	0	0
Total Clinical	**$6,042,250**	17,220	17,390	0	12,410	0	0
Non-Reviewable							
Basement	$1,425,000	3,850	3,850	0	1,900	0	0
Ground Floor	$243,000	3,970	3,970	0	1,800	0	0
Level 1 Core A Shafts	$33,750	140	140	0	90	0	0
Penthouse	$180,000	4,870	4,870	0	150	0	0
Clinical Engineering	$59,850	380	210	0	210	0	0
Total Non-Clinical	**$1,941,600**	13,210	13,040	0	4,150	0	0
Total	**$7,983,850**	30,480	30,430	0	16,560	0	0

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

The project does not include any vacated space.

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

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

7. 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.

8. 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.

9. 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.**

10. 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.

1. **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.**

   Attachment 11, Exhibit 1, is the listing of all facilities owned by Advocate Health and Hospitals Corporation. Exhibit 2 is the current state hospital license for Advocate Lutheran General Hospital. The most recent DNV accreditation certificate for Lutheran General Hospital is included as Exhibit 3.

2. **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.**

   By the signatures on the Certification pages, the applicants attest there have been no adverse actions against any facility owned and/or operated by Advocate Lutheran General Hospital, Advocate Health and Hospitals Corporation, Advocate Health Care Network, Advocate Health and Advocate Aurora Health, Inc. as demonstrated by compliance with the CMS Conditions of Participation with Medicare and Medicaid, during the three years prior to the filing of this application.

3. **Authorization permitting HFSRB and DPH access to any documents necessary.**

   By the signatures on the certification pages, the applicants hereby authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access information in order to verify any documentation or information submitted in response to the requirements of this subsection, or to obtain any documentation or information which the State Board or Department of Public Health find pertinent to this subsection

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

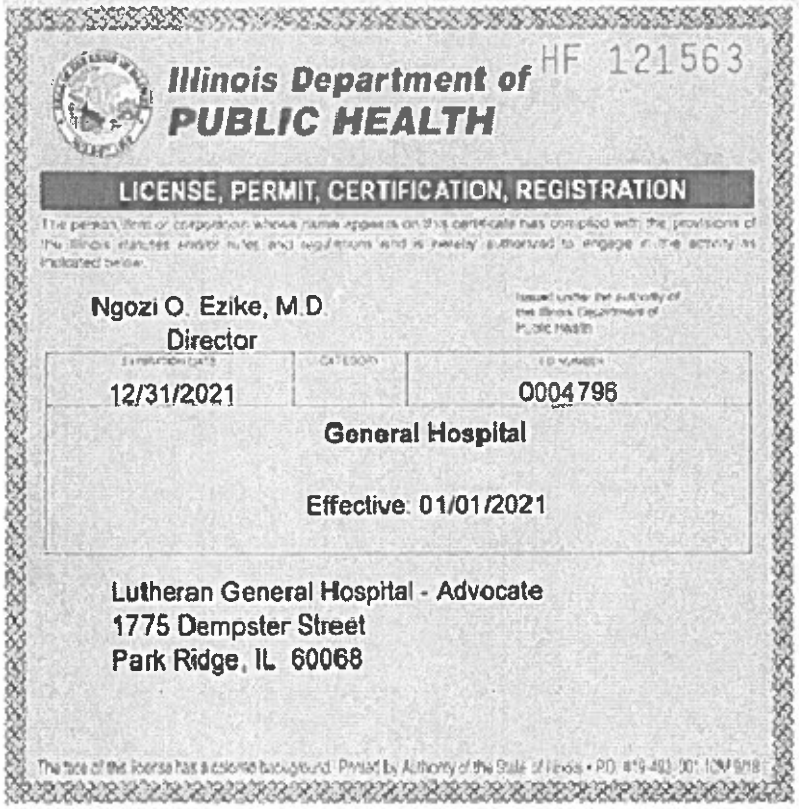
   Not applicable. This is the first Certificate of Need application filed by Advocate Lutheran General Hospital in 2021.

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

Facility	Location	License No.	DNV Accreditation No.
Advocate Lutheran General Hospital	1775 Dempster St Park Ridge, IL 60068	0004796	PRJC-369033-2012-MSL-USA
Additional Hospitals owned and operated as part of Advocate Health Care Network			
Facility	**Location**	**License No.**	**DNV Accreditation No.**
Advocate Christ Medical Center	4440 West 95th St Oak Lawn, IL 60453	0000315	PRJC-435588-2012-MSL-USA
Advocate Good Samaritan Hospital	3815 Highland Ave Downers Grove, IL 60515	0003384	PRJC-369029-2012-MSL-USA
Advocate Good Shepherd Hospital	450 West Highway 22 Barrington, IL 60010	0003475	PRJC-369027-2012-MSL-USA
Advocate Illinois Masonic Medical Center	836 West Wellington Ave Chicago, IL 60657	0005165	PRJC-529782-2015-AST-USA
Advocate Condell Medical Center	801 South Milwaukee Ave Libertyville, IL 60048	0005579	PRJC-492361-2013-AST-USA
Advocate Sherman Hospital	1425 North Randall Rd Elgin, IL 60123	0005884	PRJC-496379-2013-MSL-USA
Advocate South Suburban Hospital	17800 South Kedzie Ave Hazel Crest, IL 60429	0004697	PRJC-409982-2012-MSL-USA
Advocate Trinity Hospital	2320 East 93rd Street Chicago, IL 60617	0004176	PRJC-408213-2012-MSL-USA

Additionally, AHHC has ownership interest of 50% or more in the following licensed health care facilities

Facility	Location	License No.	Joint Commission Accreditation No/ Accreditation Association for Ambulatory Health Care, Inc.
BroMenn Comfort and Care Suites	2502-B East Empire, Bloomington, IL	4000025	AAAHC
Dreyer Ambulatory Surgery Center	1220 N. Highland Ave, Aurora, IL	7001779	AAAHC



Illinois Department of PUBLIC HEALTH

HF 121563

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	LIC NUMBER
12/31/2021		0004796

General Hospital

Effective: 01/01/2021

Lutheran General Hospital - Advocate
1775 Dempster Street
Park Ridge, IL 60068

The face of this license has a colored background. Printed by Authority of the State of Illinois • PO #19-493-001-10M-9/18

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2021

Lic Number 0004796

Date Printed 10/22/2020

Lutheran General Hospital - Advocate

1775 Dempster Street
Park Ridge, IL 60068

FEE RECEIPT NO.

CERTIFICATE OF ACCREDITATION

Certificate No.:	Initial date:	Valid until:
178979-2018-AHC-USA-NIAHO	5/31/2018	5/31/2021

This is to certify that:

Advocate Lutheran General Hospital
1775 Dempster Street, Park Ridge, IL 60068

has been found to comply with the requirements of the:
NIAHO® Hospital Accreditation Program

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

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

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

Patrick Horne
Chief Executive Officer

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

File Number 1004-695-5

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

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, 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* 12TH *day of* NOVEMBER *A.D.* 2020 .

Authentication #: 2031702474 verifiable until 11/12/2021
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

File Number 1707-692-2

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

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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.

Authentication #: 2031702286 verifiable until 11/12/2021

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

File Number 7155-851-7

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE AURORA HEALTH, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 03, 2018, 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 A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 2031702160 verifiable until 11/12/2021
Authenticate at: http://www.cyberdrive.illinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* NOVEMBER *A.D.* 2020 .

Jesse White

SECRETARY OF STATE

State Of Delaware

Entity Details

11/12/2020 4:26:38PM

File Number: 6645600 Incorporation Date / Formation Date: 12/4/2017

Entity Name: ADVOCATE AURORA HEALTH, INC.

Entity Kind: Corporation Entity Type: Exempt

Residency: Domestic State: DELAWARE

Status: Good Standing Status Date: 3/4/2019

Registered Agent Information

Name: THE CORPORATION TRUST COMPANY

Address: CORPORATION TRUST CENTER 1209 ORANGE ST

City: WILMINGTON Country:

State: DE Postal Code: 19801

Phone: 302-658-7581

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

APRIL 3, 2018 7155-851-7

CT CORPORATION SYSTEM
118 W EDWARDS #200
SPRINGFIELD IL 62704

RE ADVOCATE AURORA HEALTH, INC.

DEAR SIR OR MADAM:

ENCLOSED YOU WILL FIND THE AUTHORITY OF THE ABOVE NAMED CORPORATION TO CONDUCT AFFAIRS IN THIS STATE.

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

CERTAIN NOT FOR PROFIT CORPORATIONS ORGANIZED AS A CHARITABLE CORPORATION ARE REQUIRED TO REGISTER WITH THE OFFICE OF THE ATTORNEY GENERAL. UPON RECEIPT OF THE ENCLOSED AUTHORITY, YOU MUST CONTACT THE CHARITABLE TRUST DIVISION, OFFICE OF THE ATTORNEY GENERAL, 100 W. RANDOLPH, 3RD FLOOR, CHICAGO, ILLINOIS 60601, TELEPHONE (312) 814-2595.

SINCERELY,

JESSE WHITE
SECRETARY OF STATE
DEPARTMENT OF BUSINESS SERVICES
CORPORATION DIVISION
TELEPHONE (217) 782-6961

FORM NFP 113.15 (rev. Dec. 2003)
APPLICATION FOR AUTHORITY
TO CONDUCT AFFAIRS IN
ILLINOIS (Foreign Corporations)
General Not For Profit Corporation Act

Secretary of State
Department of Business Services
501 S. Second St., Rm. 350
Springfield, IL 62756
217-782-1834
www.cyberdrivelllinois.com

Remit payment in the form of a cashier's check, certified check, money order or an Illinois attorney's or CPA's check payable to Secretary of State.

FILED

APR 0 3 2018

JESSE WHITE
SECRETARY OF STATE

File # 7155-8517 Filing Fee: $50 Approved: BC

----- Submit in duplicate ----- Type or Print clearly in black ink ----- Do not write above this line -----

1. a. Corporate Name: Advocate Aurora Health, Inc.

   b. Assumed Corporate Name (Complete only if the new corporate name is not available in this state.):

   By electing this assumed name, the Corporation hereby agrees NOT to use its corporate name in the transaction of business in Illinois. Form NFP 104.15 is attached.

2. a. State or Country of Incorporation: Delaware

   b. Date of Incorporation: December 4, 2017

   c. Period of Duration: Permanent

3. a. Address of Principal Office, wherever located: 3075 Highland Pkwy.,
   Downers Grove, IL 60515-1206

   b. Address of Principal Office in Illinois: 3075 Highland Pkwy.,
   Downers Grove, IL 60515-1206

4. Name and Address of Registered Agent and Registered Office in Illinois:

   Registered Agent: Earl J. Barnes II
   (First Name / Middle Name / Last Name)

   Registered Office: 3075 Highland Pkwy Suite 600
   (Number / Street / Suite # (P.O. Box alone is unacceptable))

   Downers Grove 60515 DuPage County
   (City / ZIP Code / County)

5. States and Countries in which Corporation is admitted or qualified to conduct affairs: Wisconsin (application pending)

6. Names and respective addresses of Corporation's officers and directors:

	Street Address	City	State	ZIP
President See attached				
Secretary				
Director				
Director				
Director				

If there are additional officers or more than three directors, please attach list.

Printed by authority of the State of Illinois. January 2015 - 1 - C 180.15

7. Purpose(s) for which the Corporation is organized and proposes to pursue in the conduct of affairs in this State:
For more space, attach additional sheets of this size.

See attached.

8. This application must be accompanied by an originally certified copy of the Articles of Incorporation and any amendments or mergers, duly authenticated within the last 90 days by the proper officer of the state or country wherein the corporation is incorporated.

9. The undersigned Corporation has caused this statement to be signed by a duly authorized officer who affirms, under penalties of perjury, that the facts stated herein are true and correct. All signatures must be in BLACK INK.

Dated April 1, 2018 (Month, Day) 2018 (Year) Advocate Aurora Health, Inc. (Exact Name of Corporation)

(Any Authorized Officer's Signature)

Michael Leppin, Secretary
(Name and Title (type or print))

A Corporation that is to function as a club, as defined in Section 1-3.24 of the Liquor Control Act of 1934, must insert in its purpose clause a statement that it will comply with the State and local laws and ordinances relating to alcoholic liquors.

7155-8517

ATTACHMENT TO APPLICATION FOR AUTHORITY TO CONDUCT BUSINESS IN ILLINOIS (FORM NFP 113.15) FOR ADVOCATE AURORA HEALTH, INC.

Section 6: NAMES AND ADDRESSES OF DIRECTORS AND OFFICERS

Officers:

Office/Name	Address
Co-CEO - James H. Skogsbergh	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Co-CEO - Nick W. Turkal, M.D.	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Treasurer – Dominic Nakis	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Secretary – Michael Lappin	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Chair – Joanna Disch	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Chair Elect – Michele Baker Richardson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515

4835-2868-4084.2

7155 8517

Directors:

Name	Address
Michele Baker Richardson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John F. Timmer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Lynn Y. Crump-Caine	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
K. Richard Jakle	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Mark M. Harris	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
David B. Anderson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
James H. Skogsbergh	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Joanne Disch	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John W. Daniels, Jr.	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Joanne B. Bauer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Charles Harvey	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Rick Weiss	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Thomas Bolger	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Nick W. Turkal	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515

71555517

Section 7: PURPOSE(S) FOR WHICH THE CORPORATION IS ORGANIZED AND PROPOSES TO PURSUE IN THE CONDUCT OF AFFAIRS IN THIS STATE:

The Corporation is organized and shall be operated exclusively for charitable, scientific, religious and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provisions of any future United States Internal Revenue Law) (hereinafter the "Code"); and limited as further provided in its Certificate of Incorporation. Specifically, the Corporation is organized and shall be operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of its supported organizations, as listed below (the "Supported Organizations"). The Corporation is organized and operated as a Type III functionally integrated supporting organization as defined in section 509(a)(3) of the Code and Treas. Reg. Section 1.509(a)-4(i). The Corporation is organized for the purpose of serving as the parent organization of the Supported Organizations and shall exercise direction over the policies, programs and activities of the Supported Organizations. The Corporation shall engage in activities relating to the purposes described above, and invest in, receive, hold, use, and dispose of all property, real or personal, as may be necessary or desirable to carry into effect such purposes. The Corporation is formed as a result of the affiliation of Advocate Health Care Network, an Illinois nonprofit corporation ("Advocate") and Aurora Health Care, Inc., a Wisconsin nonstock corporation ("Aurora"), in accordance with the terms and conditions of that certain Affiliation Agreement between Advocate and Aurora dated December 4, 2017 (the "Affiliation Agreement").

The Corporation's Supported Organizations, which are described in Section 509(a)(1) or Section 509(a)(2) of the Code, are as follows:

- Advocate Health and Hospitals Corporation
- EHS Home Health Care Services, Inc.
- Advocate Charitable Foundation
- Advocate North Side Health Network
- Meridian Hospice
- Advocate Condell Medical Center
- Advocate Sherman Hospital
- Sherman West Court
- Visiting Nurse Association of Wisconsin, Inc.
- Aurora UW Academic Medical Group
- Aurora Health Care Central, Inc.
- Aurora Psychiatric Hospital, Inc.
- Aurora Medical Center of Washington County, Inc.
- Aurora Health Care North, Inc.
- West Allis Memorial Hospital, Inc.
- Aurora Family Service, Inc.
- Aurora Medical Center of Oshkosh, Inc.
- Aurora Medical Group, Inc.
- Kradwell School, Inc.
- Aurora Advanced Healthcare, Inc.

7155-8517

- Aurora Health Care Metro, Inc.
- Aurora Health Care Southern Lakes, Inc.
- AMG Illinois, Ltd.
- Aurora Medical Center Grafton

Criterion 1110.110 – Background, Purpose of the Project, and Alternatives
1110.110(b) – Purpose of Project

READ THE REVIEW CRITERION and provide the following required information:

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, 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 age and condition and 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 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.

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.

Advocate Lutheran General Hospital is proposing a modernization project that focuses on continuing to provide complex state of the art, high quality, surgical care to the communities in the service area. Advocate Lutheran General Hospital serves as a tertiary/quaternary location for neurosurgical services within the market.
In 2018, a master plan was developed with the assistance of ECG Management Consultants. This plan addressed the future of the surgical care services at the hospital and identified space and programming deficiencies.

Two areas within the Surgical platform were identified and this modernization project addresses:

- Upgrading antiquated undersized surgical suites to align surgical care infrastructure with surgical case complexity
- Enhancing surgical operating suites to right size operating rooms to current standards and improve the layout of the suites to be more equipped to current surgical procedures and the future of surgery.
- Providing appropriate preparation/recovery bed capacity and configuration, providing current standards of privacy and infection control.

The project includes the two areas and reflects on the immediate need to right size the current Operating rooms and improve the Phase 2 recovery for space and privacy.

Inpatient Surgery Modernization (Core A) – 1st Floor Surgery Building
The surgical suite is in the sterile semi-restricted zone and is located in the building structure that was constructed in 1977. The existing surgical suite is consisted of four separate cores, Core A, B, C, and D. Each core has operating rooms supported by a dedicated clean supply room.

This project focuses on Core A that requires the demolition of the existing seven operating rooms and redesign of the suite to achieve larger rooms. The design will accommodate new technology and medical equipment to meet current surgical suite best practices and Advocate Aurora Health operating room standards. The Core A area will be upgraded with new flooring, ceiling and wall structure. A clean supply room will be dedicated to serve the new operating rooms in Core A.
In addition, the project will require the replacement of an existing over 43-year-old air-handling unit to support the air-changes and cooling required in a modern surgical suite.

The new air-handling unit will only serve the Core A seven operating rooms. The HVAC and electrical infrastructure are existing and will be modified only within the unit. The existing supply, return, and exhaust ductwork will be modified to serve the new surgical layout and to meet current code requirements. Existing medical gas outlets will be modified to serve the new surgical room layout with dedicated valve box and area alarm panel. The unit will be protected by the existing wet sprinkler fire protection system.

This proposed project will upgrade an existing inpatient surgical suite to align with the current Advocate Aurora Health standards for surgical care infrastructure and technology, in addition provide for the changing surgical case complexity. The current operating rooms are more than 40 years old and do not meet contemporary standards to accommodate more complex cases. These Complex cases require larger suites to accommodate essential equipment and clinical team.

Pre-op/Phase II Recovery Rooms

This project will upgrade the Pre-op/Phase II Recovery unit to support a patient privacy care model and experience that is needed for surgical patients in the main ORs. The Pre-op/recovery room area is more than 25 years old and it is not designed for today's care model.

It is in the original hospital building which was constructed in the 1950's. This project will convert the south portion of the Pre-op/Phase II recovery rooms from undersized curtain bays to private Pre-op/recovery rooms.

The current total number of Pre-op/Phase II recovery rooms in this area is 26. Only 22 are currently utilized for Pre-op/Phase II recovery due to 4 rooms being undersized to provide patient care. Phase I recovery will remain the same and is not included in this project. The unit will be upgraded with new flooring, ceiling and wall structure as well as a state-of-the-art nursing and physician workstations.

The HVAC and electrical infrastructure are existing and will be modified only within the unit. The existing supply, return, and exhaust ductwork will be modified to serve the new architectural layout and to meet current code requirements. Existing medical gas outlets will be modified to serve the new architectural layout with dedicated valve box and area alarm panel. The unit will be protected by the existing wet sprinkler fire protection system.

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

Advocate Lutheran General Hospital is a major provider of health care to the residents of Suburban Cook County and surrounding areas. The hospital was founded in 1897. It is located in the IHFSRB Planning Area A-07 as shown in Attachment 12, Exhibit 1.

The Hospital's service area includes 54 zip codes that comprise 64% of the hospitals IP and OP surgical cases. In addition, 31% of the hospitals' surgical patients live in North and West suburban areas. Attachment 12 Exhibit 2 provides a map of the hospital's service area.

With a population of 1,370,638, the service area is a diverse community with 21% of its residents of Hispanic ethnicity and a racial distribution of 72% White, 14% Asian, 14% Black and Other.

The median age of residents in the service area is 42 years old. Older adults (65 and older) represent 19 percent of the service area population. This geography has a larger number of adults 65 and older compared with 15% for the entire United States.

The demographic population information for the Lutheran General Hospital is provided in the table below. Although the total population in the service area is expected to be flat, the 65+ population is projected to grow by 19%, expecting an increase of over 28,000 additional older residents.

Advocate Lutheran General Total Service Area Demographics				
Age Group	**2020 Population**	**2025 Population**	**2020 % of Total**	**Population Change**
0-17	282,807	277,360	20.6%	-1.9%
18-44	458,342	449,456	33.4%	-1.9%
45-64	368,378	344,575	26.9%	-6.5%
65+	261,111	290,013	19.1%	11.1%
TOTAL	1,370,638	1,361,404	100.0%	-0.7%

Source: Chartis 2019 (Near North PSC)

The population for the entire Planning Area A-07, similar to the Advocate Lutheran General Hospital service area, shows the 65+ population is the age group projected to grow over the next five years.

The hospital has continued to adapt to the changing health care needs and provide the continuum of health care services to families that live in the hospital's defined service area.

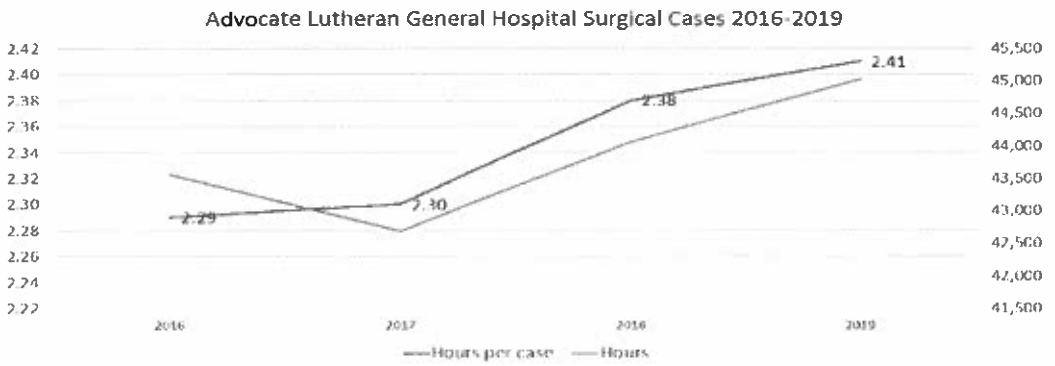
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.] add deficiencies of the existing unit

The project addresses the need to modernize the 7 Operating Rooms to create contemporary sized rooms to accommodate current procedures and technology. The proposed plan will replace the original ORs which are over 40 years old. The current ORs range from 350 to 410 square feet. The current required minimum clear area of an OR is 360 square feet, with the minimum dimension of 18 feet, per Illinois Administrative Code Title 77, Chapter I, Subchapter b, Part 250, Section 250.2440, i).

The existing room sizes and configuration of these 7 ORs is limiting the throughput and access for specific procedures. The smaller room sizes are too small to accommodate the high complexity of cases at Advocate Lutheran General and inhibits the ability to schedule cases that require a larger room such as Robotic/Minimally Invasive cases, Orthopedic, Neuro Surgical, and Spine procedures. Surgical cases may be delayed, waiting for the appropriate room. This delay creates dissatisfaction for the patient and clinical team.

The larger ORs will allow for the increased number of complex Neuro-Spine, Colorectal, Reproductive Endocrinology, Neuro-Brain, and Robotic Minimally Invasive cases. The complexity of cases is demonstrated in the 5% increase in the number of minutes per case from 2016-2019. The state-of-the-art technology within these rooms will enable Advocate Lutheran General to perform more complex cases that are required at a tertiary care hospital.

Surgical Hours/Case increased by 5%



The newly designed ORs will update and improve the design of the operating rooms including modernization to address the deficiencies in the size and functionality. Surgical services will now be equipped with technical capacity to accommodate new procedures. The rooms will be designed to be more flexible to support additional procedures that are now limited to specific rooms. As a Trauma 1 Level hospital, specific ORs need to be held for emergency / trauma neuro and heart cases. The expanded room size would more flexible with timely case placement.

Upgrades to the building systems and design will include Advocate's Healthy Spaces Roadmap Certification and improve efficiency in patient care, energy efficiency and sustainability.

4. Cite the sources of the information provided as documentation.

- Clinical, administrative and financial data from Advocate Health and Hospitals Corporation and Advocate Lutheran General Hospital
- Advocate Lutheran General Hospital Strategic Master Facility Plan
- Illinois Department of Public Health Hospital Licensing Code
- Illinois Health Facilities and Services Review Board (HFSRB) Administrative Rules
- IHA Compdata
- AIA/FGI Guidelines for Design and Construction of Health Care Facilities
- Illinois Administrative Code, Title 77, Chapter I, Subchapter b, Part 250, Section 250.2440 General Hospital Standards
- Claritas and the US Census Bureau demographic reports
- HFSRB Hospital Profiles
- HFSRB Inventories and Data
- Health care literature regarding current surgery trends
- Illinois and Park Ridge building, mechanical, electrical and accessibility codes
- Sg2 Inpatient Surgical Forecast; Sg2 Impact of Change Inpatient Procedure Expert Analysis

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

The primary purpose of the Project is to provide health services that improve healthcare or wellbeing of the population in the market served. The proposed project will provide enhanced patient, physician and team member satisfaction.

The improvements in the physical space will include create larger, state of the art ORs to accommodate the increasing technology and equipment required to care for complex surgical procedures, while standardization of all rooms ensures continual familiarity and intuitive functions for the healthcare team. Reduction in variability in room configuration and supply placement supports optimum function and performance. The rooms will be sized and configured to meet the Advocate and current industry standards.

Sg2, a national Consulting Firm, forecasts that "inpatient growth is poised to change. While IP volume growth is expected to be flat, case mix acuity will rise over the 10-year horizon. Demographic changes, improved survivorship, increase prevalence of chronic conditions will fuel the acuity rise in the inpatient setting. The Medicare population is expected to balloon to a 35% increase over the next 10 years. This will include more Medicare inpatient volumes, critical care volumes and increasingly complex surgical cases. These case mix changes will require careful resource and facility planning to adequately meet future demand."

Growth in complex cases is projected in both IP surgery and OP surgery. Advancements in implant technology and improvements in devices in Cardiology and Orthopedics have improved outcomes. As these patients are living longer, they require higher acuity care. For OP surgery, there are key areas that will need to remain in the Hospital OP surgical area due to complexity of these cases and the age and co-morbidities of patients.

Sg2's Impact of change model for the Advocate Lutheran General Hospital service area forecasts inpatient surgical growth for:

- IP Neurosurgery to increase by 19% over the next five years
- IP Cardiovascular Surgery to increase by 14% over the next five years

The renovation portion of the project in the Phase II recovery area will support the clinical needs of the outpatient surgical patients. The modernization to create private Phase II pre-op and post-op recovery rooms in place of the outdated space will improve patient satisfaction and improve infection control. Currently, there is very little privacy in the bays for confidential discussions around patient care, which has been both a patient and physician dissatisfier.

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

The phasing of this project was well thought out to provide the safest, high quality care and minimized disruption to patients and clinicians. The construction phasing plan was developed to keep the maximum number of operating rooms operational within each phase of the modernization process.

Phase 1

- The new OR 6 and OR 20 will be constructed in the current OR 20 and expanded space.
- The other ORs within project scope (existing ORs 1-6) and all other existing ORs in the Main Surgery Department will remain in operation throughout the duration of Phase 1.
- Concurrent to OR 6 and OR 20 construction, the air handling unit will be replaced in preparation for Phase 2.

Phase 2

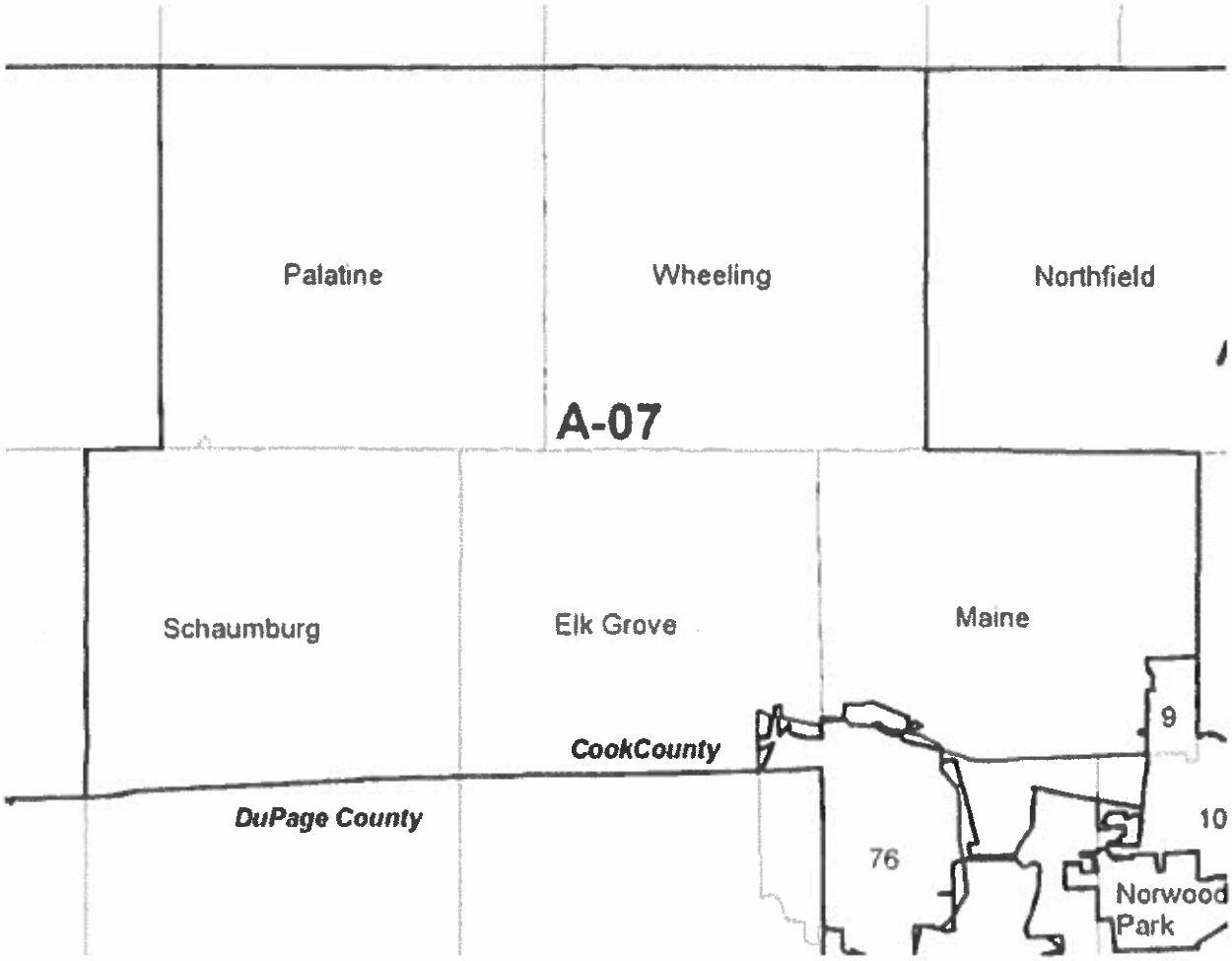
- The new modernized OR6 and OR20 will be completed and operational.
- OR6 and OR20 will have extended surgical hours to provide access during Phase 2.
- During Phase 2, six existing ORs (ORs 1-6) will be modernized to become ORs 1-5.
- The Pre-op/Phase II recovery modernization will be constructed in multiple phases during the modernization of the ORs 1-5. The number of Phase II recovery beds will be balanced during this construction phase to support the ongoing demands of the surgical department and their extended hours.

Below are quantified and measurable goals for the project to obtain during the modernization and construction process.

- OR 6 and OR 20 to be operational by February 1, 2022.
- OR's 1-5 to be operational by May 1, 2023
- Pre-op/Phase II recovery bays to be completed by May 1, 2023

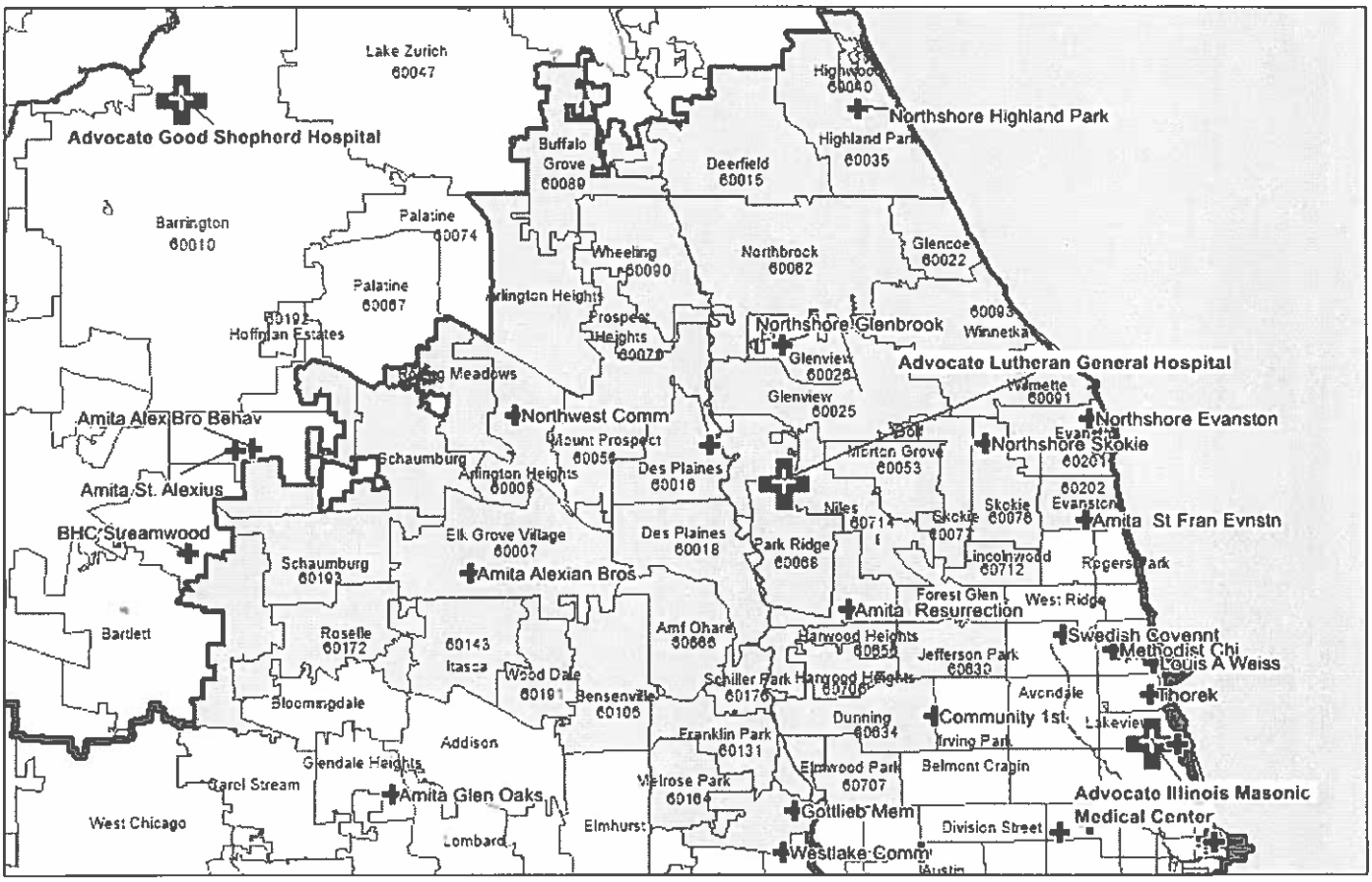
The entire project is expected to be completed and operational by May 1, 2023.

G) **Planning Area A-7**: Cook County Townships of Maine, Elk Grove, Schaumburg, Palatine and Wheeling.



Advocate Lutheran General Hospital

Disclaimer: This map depicts service area information based on inpatient admissions by zip code. Its use in this report should not be understood as a
representation concerning a relevant geographic area of competition or concerning the actual extent of competition between or among providers in
any given zip code or area.



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.

In 2018, Advocate Lutheran General Hospital completed an update of the Strategic Facility Master Plan. This plan outlined current and future space and programming issues in the Department of Surgery and provided recommendations to resolve the limitations of the current facility to enhance patient safety, positive outcomes and operational efficiency. The conclusions of administration were as follows:

- The surgical operating rooms in the Core A section (Operating Rooms 1-6 and OR 20), require modernization and expansion that meets physician and patient needs, in addition to operational efficiencies. The complexity of the procedures in the Vascular, Cardiovascular and Interventional Neurosurgery cases cannot be achieved in the outdated and undersized Operating Rooms.
- There was an immediate need to right size these undersized Operating rooms and to improve functionality.
- Investments in the facility were needed to support the projected changes in surgical operation and incremental growth forecasted.
- The current space for Pre-Op/Phase II Recovery does not address the appropriate configuration for privacy and infection control.
- As a result, Advocate Health Care has approved a capital budget allocated to this project, which is proposed to develop and modernize the two areas within the Surgical Department to include:
  - Expansion and modernization of the 7 ORs in Core A (OR 1-6 and OR 20).
  - Modernization of a portion of the Pre-Op/Phase II Recovery bays to create 22 private rooms replacing the 26 outdated bay areas. (The modernization of 15 to create 11 rooms, 11 rooms in this area will remain as is)
  - Air handling, duct work, mechanicals to support the modernization.

Several alternatives as outlined below were evaluated based on the recommendations of the Consultants and the Hospital's administration.

Alternative One - Pursue 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; develop alternative settings to meet all or a portion of the project's intended purposes

A possible option was to build or purchase surgical clinical space in other locations in a joint venture. The surgical cases included in the project are those that need to remain in the hospital location due the type of surgical procedures, the patient's conditions or co-morbidities. The physicians using the procedural center would not be efficient performing procedures at multiple locations and would find it harder to consult on challenging cases. Overhead costs would increase as staff, support services, equipment, supplies, records, and common public areas would not be shared. They could not maximize use of specialty staff and testing equipment.
An analysis of this option revealed the inefficiencies that would occur if the clinical services were divided among additional locations.
The surgical platform is designed to meet the needs of the current patients and physicians and modernization and expansion can create this.

Cost: The cost was not explored because the option was not viable.

Alternative Two - Utilize other health care resources that are available to serve all or a portion of the population proposed to be served by the Project

The option to refer Orthopedic, Neurosurgery, Neuro-endovascular and Cardiac Surgery cases to another hospital in the service area was not feasible. As the significant provider of tertiary and quaternary surgical services in this service area, other health care facilities refer to Advocate Lutheran General Hospital and would not have the capabilities to provide these surgical procedures at their location.
The physicians seeing these patients are principally located near and on staff at Advocate Lutheran General Hospital. They are significant providers of procedural cases for people that live in this community and would need to send those patients a distance to find comparable service. The patients have a long-established pattern of coming to the Advocate Lutheran General Hospital for their comprehensive care and this would disrupt continuity of care.

Cost: No construction cost but, would experience a significant loss of patients and lack of continuity of care.

Alternative Three - Propose a Project of greater scope and cost
The option to create a new addition to the hospital that building a space to relocate these 7 Operating Rooms and the Pre-op/Phase II post-operative space while vacating the current space within the existing hospital was not a reasonable option.
As good financial stewards, this would be an excessive undertaking and the plan was abandoned for a scaled down project.

Cost: $ 25,197,000

Alternative Four - Propose a Project of lesser scope and cost
This option would involve modernizing only one of the two projects at time and would not address the imperative needs identified to modernize both the size and efficiencies of the 7 Operating Rooms and the privacy of the current Pre-op/Phase II 2 Recovery bays. It would be a challenge to prioritize one over the other as well as be costlier to the hospital and more disruptive to the patients and staff to complete these two projects at separate times.

Cost for OR Project only: $16,604,000
Cost for Pre-Op/Phase II Project only: $4,154,000

Alternative Five - Modernize and Expand the Core A Operating Rooms and Modernize the Pre Op/Phase II Recovery Area (POCU section)

This option was selected as it will allow the organization to focus its resources to address the critical needs to modernize 7 of the Main Operating Rooms (Core A Operating Rooms) and this section of the Pre-Op/Phase II Recovery.

This space will be designed to right size the Operating rooms; achieving contemporary standards and accommodating the needs for surgical patients. Upgrading the undersized original main surgical suite will provide the infrastructure for the surgical complexity of current and future cases.

This project will modernize 11 Pre-Op/Phase II Recovery Bays of the existing 26 in the South area. As a result of this modernization, the number of Pre-Op/Phase II Recovery Bays for the peri-operative area will be reduced to 22. The modernized recovery bays will provide privacy for confidential discussions and patient care that will increase patient and physician satisfaction.

This surgical modernization project will provide the infrastructure needed at Advocate Lutheran General Hospital to continue to provide access to complex surgical services for patients in the hospital's service area, providing the most comprehensive care.

Cost: $ 18,047,616

Alternative	Description	Patient Access	Quality	Cost	Financial Benefit, Short Range	Financial Benefit, Long Range	Conclusion
1	Pursue 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, develop alternative settings to meet all or a portion of the project's intended purposes	This would not increase access for surgical patients, as these types of procedures are those that require the hospital location due to the type of procedure or patient condition.	The quality of care would not be improved for the surgical patients. The hospital operating rooms continue to be undersized and the Phase II Recovery issues would not be addressed.	The facility project cost at this time might be less; the deficiencies in the medical surgical unit would need to ultimately be addressed adding incremental cost. Duplicative staffing and equipment costs potentially indicate this to be a more costly option.	This option would be potentially be more costly and would not address the facility issues identified in the surgical suite.	It would be more costly in total to add surgical capacity in another location and then modernize the hospital's surgical platform in the near future.	Rejected
2	Utilize other health care resources that are available to serve all or a portion of the population proposed to be served by the Project	This would increase access issues for surgical care in the service area. Many of these patients present to the Emergency Room with immediate and critical surgical needs. The physicians admitting these patients are on the staff at Advocate Lutheran General Hospital and this would not allow continuity of care for these patients.	The quality of care would not be improved due to a lack of the continuum of care due to transferring patients to another facility for surgical procedures. As a Level 1 Trauma Center, this would add pressure to clinicians to find alternative locations to care for patients.	There would be no additional facility cost. This option would potentially add cost for the patient and their family to be transferred and cared for in two facilities.	There would be a lower cost short term, although needed capacity would not be available for existing patients.	The need for additional modernization in the surgical suite would not be addressed. The issues caused by this lack of access will continue long term.	Rejected
3	Build a new addition to the hospital to relocate the 7 Operating Rooms	This would improve patient access by creating the appropriate space and design for the Operating Rooms.	Quality of care would be improved due to right sizing of the Operating Rooms.	The cost will be increase exponentially with increased construction. The total project cost needs to be measured against the true needs of the organization and the patients it serves.	As good financial stewards of Advocate Aurora Health Care, the plan to build beyond the scope of this project at this time was determined to be a significant financial investment and create extensive negative impact to ongoing hospital operations.	Advocate Aurora Health Care will continue to evaluate each facility and develop investments based on the needs of the community. The cost for this type of addition is not supported given that modernization can address the needs of the surgical platform.	Rejected
4	Modernize only the Operating Rooms or the Phase II Recovery Bays	This would improve patient access in the portion of the project modernized; leaving access issues in the other.	Quality of care would be improved in the modernized area, but not in the area outside of the project scope. Patients would have to wait for the appropriate Operating Room space or recover in undersized bays, lacking privacy.	While each project cost would be less; the total project cost to complete both individually would cost more. The need is projected to continue to grow and ultimately would require more financial resources to complete.	There would be a lower cost short term, although needed modernization would not be available for existing patients.	Long term, this option would be more costly to complete. The two projects individually would drive higher total project costs and impact the operations in the surgical area twice. The need for additional capacity will continue to grow in the service area and the issues of access with continue long term.	Rejected
5	Modernize and Expand the 7 Core A Operating Rooms and Modernize the Pre-Op/ Phase II Recovery Area	This would improve patient access by creating the appropriate space and design for the Operating Rooms and the Pre-op/Phase II Recovery space.	Quality of care would be improved due to right sizing of both the Operating Rooms and the Pre-op/Phase II recovery rooms.	The cost of this project was designed to provide the necessary facility design to provide the safest quality of care for current and future patients.	The space designed specifically for these two patient care units will provide the appropriate size and number of Operating Rooms and Pre-op/Phase II Recovery bays for the hospital to support current and future surgical patients.	The Operating Rooms and Preop/Phase II Recovery bays will be properly designed and built for immediate and long-term needs. The modernization will enhance more efficient operations, and address the space needed for current surgical procedures and the increasing complexity of surgical services offered at Advocate Lutheran General Hospital that will continue in the future.	Accepted

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:

6. 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.**

7. 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.

See Attachment 14, Exhibit 1

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Surgical Operating Rooms (7 ORs)	9,050	19,250 (7 ORs x 2,750 dgsf/OR)	10,200	Yes
Pre-Operative Care - Phase II Recovery (11 bays)	3,360	4400 (11 bays x 400 dgsf/bay)	1,040	Yes

The Operating Rooms were designed utilizing Advocate standards to improve operational efficiencies and clinical workflow. The proposed 2,750 dgsf for each of the modernized Operating Rooms meet and is below the state standards, as outlined in the IL Administrative Code 1100.

The proposed 400 dgsf for each of the Phase II Recovery bays is within the state standards for Phase II Recovery bays for the recovery of Outpatient surgical patients.

The DGSF includes the modernized operating rooms and support spaces such as scrub sinks, storage room, corridors, and hallways. The DGSF is below the state standards due to the footprint available within the existing building infrastructure. The size of the modernized operating rooms meet the minimum clear floor area required by the Illinois Administrative Code Title 77, Chapter I, subchapter b, Part 250, Section 250.2440, i).

In the process of planning this project, consideration was given to the current age of the structure, configuration, the size of the current ORs, adjacency and technical support. It was determined that an addition or a new building was not feasible. The modernization scope of work requires total demolition of the existing seven operating rooms and redesign of a portion of the surgical suite to achieve larger rooms to accommodate new technology and surgical equipment. The plan was developed to use the adjacent space to expand the modernization of 6 of the ORs in the space of the current 7 ORs (ORs 1-6 and OR 20). Operating Room # 20 will be established in the current Surgery staff lounge location.

Other major factors were the upgrade of non-clinical areas required to support the modernized surgical suite, including the replacement of an existing air-handling unit, located in the basement level of the existing hospital, to support the air-changes and cooling required in a modern surgical suite. The project will also include renovating the clinical engineering workroom to support and service the surgery equipment.

The table above demonstrated the proposed project has met the State Standards for physical space for the departments that are regulated regarding size.

Non-Clinical Department/Areas	PROPOSED DGSF (in project)
Basement	1,900 GSF
Ground Floor	1,800 GSF
Level 1 Core A Shafts	90 GSF
Penthouse	150 GSF
Clinical Engineering	210 GSF

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

See Attachment #15, Exhibit 1.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (2019)	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1 2023*	Medical Surgical (Class C)	45,022 surgical hours	46,456 hrs/1,500 hrs per room = 31.0 rooms rounded to 31 rooms	1,500 hours/room	Yes
YEAR 2 2024	Medical Surgical (Class C)		46,822 hrs/1,500 hrs per room = 31.2 rooms rounded to 32 rooms (project includes 26 rooms)	1,500 hours/room	Yes

*Project to be completed in 2023

The project includes modernization of operating rooms #1-6, and #20 that are located in the Core A area within the surgical suite designed in 1977. These rooms built over 40 years ago are no longer state of the art and are undersized for the complexity and technology required for Cardiovascular, Neurosurgery and Orthopedic surgical procedures currently and in the future.

Surgery Projected Operating Room Need

The projections for the number of Operating Rooms needed is driven by the current number of surgical hours and the pattern of growth of surgical cases and hours projected.

To project future need, the Compound Annual Growth Rate (CAGR) was applied to develop the trend line to 2024 (2 years post completion of the project).

Advocate Lutheran General Hospital	2015	2016	2017	2018	2019	% Change 2015-2019	Compound Annual Growth Rate
OR Hours	43,632	43,560	42,679	44,055	45,022	3.2%	0.8%

Compound Annual Growth Rate	2020	2021	2022	2023	2024
0.8%	45,376	45,734	46,093	46,456	46,822

A surgical platform analysis was completed that evaluated the current volume, the complexity of cases and the pandemic impact providing a more conservative growth projection. The surgical volume used in the hospital's model estimates growth of 262 surgical procedures over the next 5 years, closer to 1% growth replacing the 4% growth modeled in the CAGR analysis.

The hospital determined that the Hospital surgical department would maintain the current number of Operating Rooms at 26 and not increase the number of ORs upon completion of the project. Due to upgraded room sizes' ability to be used for many surgical specialties and the surgical department's efficient operational clinical team, the hospital will be able to perform the projected number of surgical cases within the current number of OR rooms.

The historic and projected surgical hours support the need for the 26 Operating Rooms that will located in the surgical suite at Advocate Lutheran General Hospital.
As a tertiary hospital that provides advanced surgical care to the community and the region, the modernization project is essential to maintain the most up to date surgical services in the area.

UNFINISHED OR SHELL SPACE:

Provide the following information:

4. Total gross square footage (GSF) of the proposed shell space.

5. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.

6. 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:
   c. Historical utilization for the area for the latest five-year period for which data is available; and
   d. 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.

N/A

ASSURANCES:

Submit the following:

7. 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.

8. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

9. 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.

N/A

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
☐ **Surgical Operating Suite, Class C**	**26**	**26**
☐ **Recovery Suite - Phase II Recovery-Prep & Recovery**	**26**	**22**

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 ATTACHMENT 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Clinical Service Area
Surgical Operating Suite, Class C

c) Service Modernization
The applicant shall document that the proposed Project meets one of the following:

1) - Deteriorated Facilities

The proposed project will address several issues in the 40+ year old surgery suite. The size of the Operating Rooms in the Core A suite are undersized, and many complex surgical procedures cannot be performed in the operating rooms. The modernization of this area will right size the seven operating rooms to current standards and improve the layout of the suites to be designed for complex cases and the future surgical design.

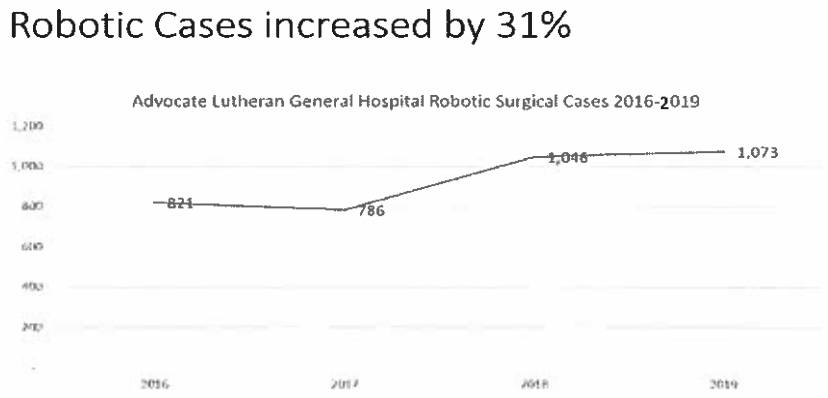
The mechanical areas supporting the modernized surgical suite will be upgraded in the project to address deficiencies in the air handling, HVAC and electrical infrastructure. For example, the air handling unit system is over 40 years old and will not have the capacity to support the modernized OR suite.

2) - Necessary Expansion

The current surgical suite was built in 1977 and no longer meets the needs for a modern department. Larger-sized operating rooms are needed to meet current industry standards, to accommodate the number and types of equipment needed in these procedures. Current operating rooms require the larger space to support the technology and increased number of staff within each operating room to manage the more complex procedures and equipment. The minimum required clear floor area for operating rooms is 360 square feet.

There is a growing demand for larger sized operating rooms in many surgical sub-specialties such as Orthopedics, Neurosurgery, Colorectal, Reproductive Endocrinology, and Robotic Minimally Invasive Surgery, with the increase in complexity, more equipment has increased the need for larger rooms.

Advocate Lutheran General's current Surgery Center for Robotic Surgery has five robots, that support Colorectal, Gyn/Oncology, Reproductive Endocrinology, Thoracic, Hepatobiliary, Spine and Joint procedures. There were 1,073 Robotic cases in 2019, a 31% growth from 2016.



Many robotic systems include the surgeon's console, the robot, and the computer vision cart, requiring a large floor space to accommodate the movement and users' access to the equipment.
The Lutheran General's Destination Center for Neurosurgical Care is the Center for complex Brain Tumor and Spine patients. These procedures require extensive equipment such as the O-arm, Microscopy, Navigation and Neuro monitoring.

3)(B) - Utilization – Service or Facility
The state standard for calculation for the number of Operating Rooms is based on Surgical Hours.
The historic data in the chart below demonstrates a need for 31 Operating Rooms.
As outlined in the table below, in 2019, 45,022 hours divided by 1,500 hours per OR = 31 ORs.

The modernization of these Operating Rooms in this project will correct the deficiencies and space issues and prepare the Hospital for the future of surgical care.

LGH OR Utilization 2015-2019												
Year	Operating Rooms				Surgical Cases			Surgical Hours			State occupancy standard	State occupanc standard (rounded up)
	IP	OP	Combined	TOTAL OR	IP	OP	TOTAL	IP	OP	TOTAL		
2015	2	7	15	24	6,903	12,128	19,031	21,150	22,482	43,632	29.09	30
2016	4	7	15	26	7,180	11,823	19,003	21,396	22,164	43,560	29.04	30
2017	4	7	15	26	6,659	11,860	18,519	19,741	22,938	42,679	28.45	29
2018	4	7	15	26	6,597	11,930	18,527	20,003	24,052	44,055	29.37	30
2019	4	7	15	26	6,650	12,047	18,697	20,316	24,706	45,022	30.01	31

Advocate Lutheran General Hospital has justified the need for the 26 Surgical Operating Rooms (Class C). The hospital meets and exceeds the utilization standards.

Clinical Service Area
Phase II Recovery

c) Service Modernization
The applicant shall document that the proposed Project meets one of the following:

1) Deteriorated Facilities

The Hospital is proposing to modernize the south portion of the Pre-op/Phase II Recovery Bays to create private recovery space for outpatient surgical patients that affords appropriate space and privacy. The new recovery suite areas will provide updated monitoring technology and facilities, critical to care for post-surgical patients. The existing south area Pre-op/Phase II Recovery areas are open bays are undersized and do not provide the privacy necessary for patients and their families.

The HVAC and electrical infrastructure will be part of the modernization. The existing supply, return, and exhaust ductwork and medical gas outlets will be modified to serve the new architectural layout and to meet current code requirements.

2) - Necessary Expansion

The size of each of the existing Pre-op/Phase II Recovery Bays will be increased to improve patient's privacy and satisfaction. The project includes 15 of the 26 stations in the Phase II Recovery area. These 15 are currently open Pre-op/Phase II Recovery bays with cubicle curtains as dividers. These existing recovery bays do not have the adequate number of medical gases and electrical outlets to meet today's standards for Phase II recovery.

With the space required for the renovation of the south area of the Pre-op/Phase II Recovery Bays to private stations, there will be a reduction in the south area number of Pre-op/Phase II Recovery stations from 15 open cubicle stations to 11 private stations. Upon project completion this area will decrease from 26 to 22 Pre-op/Phase II Recovery Bays.

3)(B) -Utilization – Service or Facility
There are no utilization standards for recovery stations.

3)(C) No utilization standards exist– Service or Facility

The project includes the appropriate number of Pre-op/Phase II Recovery beds for the outpatient surgical patients in the Hospital's Operating Rooms.
These Phase II Recovery stations are required by IDPH Licensing Code 250.
Section 250.2440, i) 5) A) defines "A minimum of four recovery stations per operating room shall be provided for each operating room." to be used for the recovery of the OP surgical patients. The number of Phase I and Phase II prep/recovery stations proposed for Outpatient surgical patients is 4 recovery stations for each OP operating room.

Upon project completion, the Pre-op/Phase II Recovery area in the project, will have 22 rooms in place of 26 Pre-Op/Phase II Recovery stations serving the Main Surgery Department. This project will include the modernization and conversion of 15 of the bays to 11 private rooms. (Eleven in this area will remain unchanged).
The completion of these 11 Pre-Op/Phase II recovery bays, will reduce the number of Pre-Op/Phase II Recovery bays from 26 to 22. The decreased number of stations was needed to achieve the goal to size these stations appropriately within the space constraints of the surgical department.

The hospital's 26 Operating Rooms will be supported by:

- 27 Phase I Recovery beds (IP and OP surgical patients) – not in the project; no change
- 22 Pre-Op/Phase II Recovery stations (OP only) – South area/part of the modernization project; decreasing from 26 to 22
- 17 Pre-Op/Phase II Recovery stations (OP only) located in the Ambulatory and Pediatrics Surgery Center adjacent to the Main Surgery Department – not in the project; no change

This will total 66 Total Recovery Stations that will support the hospital's Inpatient Phase I and Outpatient Phase I and Phase II Recovery patients.

Approximately half (54%) of the Outpatient surgical hours are for Outpatient surgical procedures.
Based on the Outpatient surgical cases that will recover in Phase II Recovery Bays, approximately 13-14 ORs are used for Outpatient procedures. This would require 39-42 Phase II Recovery Bays, in addition to the Phase I Recovery used for all surgical patients to support the 4:1 Outpatient ratio.
Upon completion of the modernization project, there will be 39 Phase II Recovery Stations in the hospital's surgical platform to support Outpatient surgical patients.

Advocate Lutheran General Hospital has justified the need for the 22 Pre-Op/Phase II Recovery station located in the scope of the modernization project. The hospital meets the utilization standards.

Advocate Lutheran General Hospital

1775 Dempster Street || Park Ridge, IL 60068 || T 847.723.2210 || advocatehealth.com

January 5, 2021

Ms. Debra Savage
Chairman
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

RE: Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital Surgery Modernization

Dear Ms. Savage

This letter is to provide the Illinois Health Facilities and Services Review Board the assurance required with the Certificate of Need application for a modernization project at Advocate Lutheran General Hospital.

Based on the information available, it is my understanding that by the second year of operation after project completion, Advocate Lutheran General Hospital reasonably expects to achieve and maintain the utilization standards for the Surgical Operating Suite Class C as specified in Administrative code 1110.

Sincerely,

Terika Richardson
President

N/A - Advocate Aurora Health, Inc. has an AA long-term bond rating from Fitch and Standard and Poor's. Advocate Aurora Health, Inc. has an Aa3 long-term bond rating from Moody's.

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]:**

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

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

FitchRatings

RATING ACTION COMMENTARY

Fitch Rates Advocate Aurora Health's (IL, WI) Series 2020A 'AA'; IDR Affirmed 'AA'; Outlook Stable

Mon 20 Apr, 2020 - 4:22 PM ET

Fitch Ratings - Chicago - 20 Apr 2020: Fitch Ratings has assigned an 'AA' Long-Term Rating to Advocate Aurora Health's (AAH) approximately $700 million of series 2020A taxable fixed-rate revenue bonds (issued under Advocate Health and Hospitals Corporation). The series 2020A bonds are to be issued directly by AAH. In addition, Fitch has affirmed the following:

--AAH's Issuer Default Rating (IDR) at 'AA';

--Outstanding revenue bonds issued by the Wisconsin Health and Educational Facilities Authority, Illinois Finance Authority, and Illinois Health Facilities Authority on behalf of AAH as well as taxable fixed-rate bonds issued directly by AAH at 'AA';

--AAH's 'F1+' Short-Term Rating on variable rate debt and CP debt supported by AAH's self-liquidity.

The Rating Outlook is Stable.

Bond proceeds will be used to: provide $500 million of liquidity to support AAH's capital spending plans; refund $200 million of debt comprised of CP issued to acquire full ownership of Bay Area Medical Center, current debt associated with Advocate BroMenn and Advocate Eureka (which are anticipated to be sold in July 2020), and current debt associated with Advocate Trinity Hospital (due to potential contribution of its assets to an unrelated entity); and pay the costs of issuance. The bonds are not expected to be supported by a debt service reserve fund (DSRF). The series 2020A bonds are scheduled to price the week of April 27.

SECURITY

Bonds are unsecured joint and several obligations of the obligated group, which consists of the vast majority of AAH hospitals, the AAH parent, and the Advocate Health Care Network and Aurora Medical Group physician practices. Aurora Bay Area Medical Center and Aurora West Allis Medical Center are expected to join the credit group following the series 2020A financing.

ANALYTICAL CONCLUSION

AAH's 'AA' IDR and revenue bond ratings are driven by the system's very strong financial profile assessment, leading market position over a broad and diversified service area covering the population centers of two states (albeit with competition in many key markets), and expectations for maintenance of a strong operating profile over the long-term. AAH's forward-looking debt-related ratios remain solidly in the 'AA' category and, therefore, the Stable Rating Outlook reflects that the system can withstand expected considerable pressures from the coronavirus pandemic. If, however, should operating disruptions negatively affect AAH more than Fitch anticipates and the balance sheet weakens significantly, a Negative Outlook or eventual downward rating pressure could be warranted. Fitch believes that AAH's fundamental operating platform remains strong and the operating EBITDA margin should remain consistent with a strong operating risk assessment after the market recovers from the pandemic.

The 'F1+' Short-Term Rating is based on AAH maintaining a Long-Term Rating of at least 'AA-' as well as adequate internal liquidity and written procedures consistent with Fitch's criteria. AAH has "eligible" discounted cash, U.S. Treasuries, municipal bonds, and corporate bonds in excess of 125% of its maximum self-liquidity funding exposure for assignment of the 'F1+' rating.

The recent coronavirus pandemic and related government containment measures worldwide created an uncertain environment for the entire healthcare system in the near term. While AAH's financial performance through the most recently available data has not indicated any impairment related to the pandemic, material changes in revenue and cost profiles will occur across the sector, and will likely worsen in the coming weeks and months as economic activity suffers and as government restrictions are maintained or expanded. Our ratings are forward-looking in nature, and Fitch will monitor developments in the sector as a result of the virus outbreak as it relates to severity and duration, and incorporate revised expectations for future performance and assessment of key risks.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'

Largest Health System in Two States; Competition Present in Key Markets

AAH's revenue defensibility is midrange. The system has a broad market reach operating in multiple markets across the major population centers of Illinois and Wisconsin. AAH is the largest health system in both states. Fitch expects the system's payor mix to remain under the 25% threshold for a midrange assessment.

Operating Risk: 'a'

Track Record of Strong Operating Results; Margins Will be Pressured by Coronavirus

AAH's operating risk profile is strong. The combined system has a track-record of generating an operating EBITDA margin near 10%. Fitch expects long-term margins should be consistent with a strong assessment, despite considerable financial and operating pressures presented by the coronavirus pandemic. Capital spending plans are elevated but manageable.

Financial Profile: 'aa'

Strong Capital-Related Ratios

AAH's financial profile is strong in the context of the system's midrange revenue defensibility and strong operating risk profile assessments. Capital-related ratios should remain strong in Fitch's forward looking analysis, even with the pressures of the coronavirus pandemic.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

There are no asymmetric risk factors identified with AAH's rating.

RATING SENSITIVITIES

The Stable Rating Outlook reflects that the system can withstand expected considerable pressure from the coronavirus pandemic. If, however, should operating disruptions negatively affect AAH more than Fitch anticipates and the balance sheet weakens significantly, a Negative Outlook could be warranted over time.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Sustained improvement in operating EBITDA margin consistently above 10%.

--Considerable growth in unrestricted cash levels leading to stronger liquidity and capital-related ratios.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Fitch anticipates that AAH's margins will decline in the coming months due to the disruption from the coronavirus outbreak, which is affecting both the temporary loss of elective cases as well as elevating expenses. Additionally, the financial market uncertainty is also expected to change AAH's liquidity profile. Should economic conditions decline further than expected from Fitch's current expectations for economic contraction or should a second wave of infections and longer lockdown periods across parts of the country occur, Fitch would expect to see an even larger GDP decline in 2020 and a weaker recovery in 2021, and there would be rating pressure for AAH.

--Greater and longer than expected compression in operating margins beyond what Fitch currently expects, particularly if the operating EBITDA margin is expected to remain below 7% for a sustained period, which would lead to an operating risk profile more consistent with a midrange assessment.

--Weaker balance sheet metrics, leading to thinner capital-related ratios in the long term, more consistent with an 'a' assessment, particularly if compounded with an above mentioned sustained weakening of operating EBITDA margin.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

CREDIT PROFILE

AAH is the result of the April 2018 merger between Advocate Health Care (IL) (Advocate) and Aurora Health Care (WI) (Aurora). The system includes 26 hospitals and one behavioral health hospital (totaling more than 6,600 licensed beds), approximately 3,800 employed physicians, and operates roughly 500 outpatient locations and 100 retail clinics in contiguous markets stretching from Bloomington/Normal in central Illinois in the south, through Chicago and Milwaukee, to Marinette, WI in the north. AAH is the largest healthcare provider in both Illinois and Wisconsin. Combined, AAH recorded roughly $12.8 billion in operating revenue in the audited fiscal 2019 (December 31, 2019).

A system of AAH's size and scope of operations is constantly evaluating its portfolio of assets. To this end, the system is considering two key developments regarding its Illinois hospitals:

(A) The system is in talks to sell AAH's two central Illinois hospitals (Advocate BroMenn Medical Center in Normal, IL and Advocate Eureka) to the Carle Foundation (AA-). The publicly stated tentative sale price is approximately $190 million. A Definitive Agreement between the two health systems was signed in January 2020, and the parties hope to close the transaction by summer 2020.

(B) AAH and Trinity Health (AA-), along with two independent hospitals on Chicago's south side (South Shore Hospital and St. Bernard Hospital and Health Care Center) and the City of Chicago and State of Illinois, are in negations to form a NewCo non-profit health system on the south side. If the transaction is executed, AAH would spin out its Advocate Trinity Hospital (and Trinity Health would spin out its Mercy Hospital & Medical Center) to NewCo. Terms of the possible arrangement are still being negotiated, but it is possible that AAH will be retained in some capacity for its management expertise. Up-front cash and/or property contributions from all involved parties may be included as part of the transaction. A Definitive Agreement has not been signed.

REVENUE DEFENSIBILITY

AAH's payor mix is midrange. Combined Medicaid and self-pay accounted for approximately 16% of gross revenue in fiscal 2019, under the 25% midrange revenue source characteristic threshold. Illinois expanded Medicaid under the Affordable Care Act (ACA). While Wisconsin did not expand Medicaid under the ACA guidelines, the state did expand eligibility in prior years.

AAH's market position is midrange. The system currently operates 26 acute care hospitals and more than 500 outpatient locations in multiple markets covering a contiguous service area stretching from central Illinois and to northern Wisconsin (two hospitals in central Illinois are expected to be sold to the Carle Foundation later in 2020, and the spin-out of another hospital on Chicago's south side is in discussion). AAH is the market share leader in both states. Despite the leading position, the system operates in many competitive service areas, notably Chicago (where AAH is the market share leader in a crowded market) and Milwaukee, the population hubs of the combined service area. AAH's largest competitor is Ascension Health (AA+), which also operates multiple facilities in both the Milwaukee and Chicago markets. AAH also has one of the largest and most sophisticated physician integration models in the industry with broad population health management capabilities, including employing approximately 3,800 physicians, and nearly three million unique lives.

Like most large multi-market health systems, AAH operates in varying service area profiles. The system's service area characteristics are generally stable supporting a midrange assessment. Much of suburban Chicago (e.g., Lake County), suburban Milwaukee, and other markets such as Brown County, WI (Green Bay) demonstrate generally favorable characteristics such as median household income levels in-line with or better than the national average and low poverty rates. While AAH's payor mix may deteriorate in the coming months as the effects of the coronavirus pandemic ripples through the economy, long term Fitch expects the system's payor mix to remain consistent with a midrange assessment, especially considering that combined Medicaid and self-pay (roughly 16% in fiscal 2019) is well below the midrange threshold of 25%.

OPERATING RISK

AAH's overall operating risk profile is strong, driven by strong operating cost flexibility. Combining Advocate's and Aurora's financial statements, over the last four years the operating EBITDA margin averaged 10.1%. Strong results continued in audited fiscal 2019 (December 31 year-end) with an operating EBITDA margin of 9.6%. These results do not include nonrecurring operating expenses (e.g., early

retirement incentive plans, one-time Epic EMR upgrade/installation costs, and other one-time merger costs) of more than $115 million in 2019.

Management notes that AAH is on track to achieve savings through the integration process. In fiscal 2019, while inpatient admissions were down 0.6%, AAH benefited from volume gains in key outpatient areas such as surgeries (up 3.2%), observation stays (up 7.9%; total hospital stays including admissions and observations were up 1.6% in 2019), and total outpatient visits (up 7.2%).

The coronavirus pandemic is pressuring AAH and will continue to stress the broader economy. To this end, AAH's operating margins in the next few months will likely be quite modest, especially as there is a strict limit on elective procedures. Nevertheless, Fitch expects that long term the system has a strong operating platform and margins will return to a level consistent with a strong operating risk profile, with an operating EBITDA margin in the 9% or better range expected after the economy recovers from the pandemic. If, however, operating pressures are greater than Fitch anticipates or for a protracted period, the IDR rating may be pressured, particularly if compounded by a significant compression in liquidity ratios.

AAH management has enacted a number of efforts in response to the coronavirus, including: establishing a coronavirus command center in January; cutting elective surgeries and other elective procedures; downsizing capital spending considerably for the remainder of 2020; repurposing staff and equipment to flex from areas that are currently underused to areas of need; working directly with manufacturers to ensure that the system has access to PPE items such as face shields; brought coronavirus testing in-house; increasing access to lines of credit for liquidity support (up to $1 billion); significant acceleration of AAH's virtual health capacity (management reports that AAH currently is up to several thousand virtual visits per day); and coordinating care with other health systems and public health officials to manage care. Eliminating elective procedures had the effect of reducing top-line revenue by as much 40% during the latter half of March.

AAH will benefit from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including the elimination of the 2% sequestration cut to Medicare reimbursement, AAH's share of the grant included in the Act, and employer portion of FICA cash payment relief between April 2020 and December 2020 (half of which must be repaid by the end of 2021, and the remaining half by the end of 2022).

Fitch expects AAH's capex requirements to be elevated, but manageable within the context of the system's scope of operations and cash flow generation. The capital spending ratio averaged approximately 140% over the last five years and the average age of plant measured a healthy 8.7 years at FYE 2019 (AA median is 10.6 years). Capex over the next five years is budgeted at a robust roughly 200%. Fitch believes capital plans are flexible, and AAH has demonstrated an ability in the past to downsize or defer capex in response to challenges. For example, as noted above, one of the system's many responses to the coronavirus pandemic has been to make significant cuts to capital spending for the rest of 2020.

While AAH management does not have formal new money debt plans beyond the series 2020A financing, Fitch expects that a system of AAH's scope and scale to access the capital markets from time-to-time.

FINANCIAL PROFILE

AAH's financial profile is strong in the context of the system's midrange revenue defensibility and strong operating risk profile assessments. Capital-related ratios should remain strong in Fitch's forward looking analysis, even with the pressures of the coronavirus pandemic.

AAH has nearly $4 billion of pro forma debt outstanding. Total pro forma debt includes operating leases, which AAH started to show on its balance sheet as of the fiscal 2019 audit. Unrestricted cash and investments measured almost $8.8 billion at FYE 2019.

AAH's debt equivalents are manageable. Combined, AAH has three frozen defined benefit (DB) pension plans. The three plans combined were approximately $260 million underfunded compared to a projected benefit obligation (PBO) of roughly $2.9 billion at FYE 2019, translating to a funded status of 91%. Because the pension plan is more than 80% funded, Fitch does not include the underfunded status in calculating adjusted debt, and as a result AAH's adjusted debt is equal to its direct debt (as operating leases are now included in direct debt). AAH's net adjusted debt (adjusted debt minus unrestricted cash and investments) was negative at roughly $5.3 billion and pro forma is negative $4.3 billion (including the series 2020A debt). Moreover, Fitch expects net adjusted debt to remain favorably negative in the

coming years, even when factoring in Fitch's expected economic stress related to the coronavirus pandemic.

Per Fitch's forward-looking scenario analysis, AAH's capital-related ratios should be consistent with the broad 'AA' category, even including the steep negative economic effects of the coronavirus. Based on fiscal 2019 results (December 31 year-end), AAH's net adjusted debt/adjusted EBITDA is favorably negative at nearly negative 3x and cash/adjusted debt exceeds 250%. Pro forma including the series 2020A bond, net adjusted debt/adjusted EBITDA remains negative and cash/adjusted debt still exceeds 200%. Looking forward, net adjusted debt/adjusted EBITDA should be negative by year two (2021) and cash/adjusted debt should continue to well exceed 120%.

The 'F1+' short-term rating is based on AAH maintaining a long-term rating of at least 'AA-'. AAH maintains sufficient discounted internal liquid resources (composed of cash, U.S. Treasuries, municipal bonds, and corporate bonds) and has implemented written procedures to fund any un-remarketed put on the $545 million of maximum potential pro forma debt supported by self-liquidity. AAH's self-liquidity supported demand debt is comprised of $70 million of series 2011B VRDO bonds in Windows mode (due seven months after a put) as well as the $500 million maximum authorized under the taxable CP program. AAH had "eligible" cash, U.S. Treasuries, municipal bonds and corporate bonds in excess of the 125% threshold of its maximum self-liquidity funding exposure for assignment of the 'F1+' rating. Using Fitch's approach, coverage of self-liquidity debt measured 5.6x, based available liquidity at December 31, 2019. While the equity markets have been in distress in recent weeks as a result of the coronavirus pandemic, Fitch expects that AAH will continue to maintain coverage of debt supported by internal liquidity in excess of 1.25x. Management notes further that the CP program is structured that only $50 million of CP can be called within a seven day period. AAH also has bank lines of credit available.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

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

The senior management team is deep and is comprised of members of both the legacy Advocate and Aurora systems. After initially utilizing a co-CEO model, the former CEO of Advocate is now serving as CEO of the combined system. The system

does not have near-term senior management changes planned, although AAH has a robust succession planning process in place.

Including the series 2020A financing, AAH will have roughly $3.9 billion of pro forma debt outstanding (including operating leases, which AAH now includes on the balance sheet). The system has a CP program in place and other variable rate debt supported by internal liquidity. The maximum theoretical self-liquidity supported debt outstanding is $545 million. AAH's variable rate debt is comprised of CP, mandatory tender bonds, floating-rate notes, Windows, direct loans, and VRDO bonds. The VRDO bonds are supported by standby bond purchase agreements (SBPA) that expire in August 2021 and January 2024, respectively. Pro forma maximum annual debt service (MADS) is approximately $227 million, based on smoothing debt service (actual MADS is just over $820 million, based on a bullet payment in 2050). Pro forma MADS coverage based on fiscal 2019 results is quite strong at nearly 8x and does not pose an asymmetric risk. The MTI includes a minimum historical debt service coverage covenant of 1.10x.

AAH had approximately 275 days cash on hand at FYE 2019. Management notes that investments (not including current cash and cash equivalents) were down nearly 13% between December 31, 2019 and March 31, 2020 due to turmoil in the equity markets related to the coronavirus 2019. Nevertheless, liquidity remains strong and days cash does not pose an asymmetric risk.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or the way in which they are being managed by the

entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		
Advocate Aurora Health, Inc. (WI)	LT IDR	AA	Affirmed
• Advocate Aurora Health, Inc. (WI) /General Revenues/1 LT	LT	AA	Affirmed
• Advocate Health Care Network (IL)	LT	AA	Affirmed

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Mark Pascaris
Director
Primary Rating Analyst
+1 312 368 3135
Fitch Ratings, Inc. One North Wacker Drive Chicago 60606

Kevin Holloran
Senior Director
Secondary Rating Analyst
+1 512 813 5700

Olga Beck
Senior Director

Committee Chairperson
+1 212 908 0772

MEDIA CONTACTS

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub. 27 Nov 2019) (including rating assumption sensitivity)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 27 Mar 2020) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Not-For-Profit Hospitals - Fitch Analytical Stress Test Model, v1.4.1 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Advocate Health and Hospitals Corporation	EU Endorsed
Illinois Finance Authority (IL)	EU Endorsed
Illinois Health Facilities Authority (IL)	EU Endorsed
Wisconsin Health & Educational Facilities Authority (WI)	EU Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, THE FOLLOWING HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES. INCLUDING DEFINITIONS RELATING TO DEFAULT, PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

READ LESS

procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable

currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated

entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

US Public Finance Healthcare and Pharma North America United States

S&P Global
Ratings

Research

Advocate Aurora Health Revenue Bonds Assigned 'AA' Rating

April 20, 2020

PRIMARY CREDIT ANALYST

Suzie R Desai
Chicago
(1) 312-233-7046
suzie.desai
@spglobal.com

SECONDARY CONTACT

Allison Bretz
Chicago
(1) 303-721-4119
allison bretz
@spglobal.com

CHICAGO (S&P Global Ratings) April 20, 2020--S&P Global Ratings assigned its 'AA' long-term rating to Advocate Health and Hospitals Corp. (AHHC), Ill.'s $700 million series 2020A taxable fixed-rate revenue bonds. In addition, S&P Global Ratings affirmed its 'AA' long-term rating on the Illinois Finance Authority's (IFA) various series of fixed-rate tax-exempt bonds and the Wisconsin Health and Education Facilities Authority's various series of fixed-rate, tax-exempt revenue bonds (one series as floating rate notes and the other as long-term interest rate bonds that will be remarketed at various dates over the next few years). At the same time, S&P Global Ratings affirmed the 'AA' long-term component of its dual ratings ('AA/A-1+' and 'AA/A-1'), where applicable, on the IFA's various series of variable-rate demand bonds (VRDBs). Finally, S&P Global Ratings affirmed its 'AA' long-term rating on AHHC's taxable fixed-rate revenue bonds and its 'A-1+' short-term rating on the AHHC's commercial paper (CP) program (authorized to $500 million with $132 million outstanding). All bonds were issued for AHHC and the related obligated group (known as Advocate Aurora Health credit group, or AAH). The outlook, where applicable, is stable. Our analysis of AAH reflects the consolidated system.

"The 'AA' long-term rating reflects our view of such factors as AAH's broad and diverse position across two states, leading and stable position in the market as a whole, and healthy balance-sheet measures with light pro forma debt," said S&P Global Ratings credit analyst Suzie Desai.

Approximately $500 million of the $700 million 2020A bond proceeds will go toward corporate purposes, including capital projects; $82 million will refinance a portion of the CP outstanding that was used to acquire the remaining half of the former 50% joint venture Bay Area Medical Center; $60 million will refinance the debt associated with the BroMenn and Eureka Hospitals, which is expected to be divested to The Carle Foundation later this year; and $55 million will refinance the debt associated with Advocate Trinity Health and which also may be divested.

The stable outlook reflects our view of AAH's healthy business position in core markets coupled with a sound financial profile, including healthy unrestricted reserves.

Advocate Aurora Health Revenue Bonds Assigned 'AA' Rating

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 to Advocate Aurora Health's Ser. 2020A; outlook positive

20 Apr 2020

New York, April 20, 2020 -- Moody's Investors Service has assigned a Aa3 rating to up to $700 million of Advocate Aurora Health's proposed Taxable Bonds Series 2020A (Advocate Aurora Health Credit Group). The bonds are expected to be issued as fixed rate obligations. Concurrently, the outstanding ratings of Advocate Aurora Health's obligations, which include legacy borrower Aurora Health Care, Inc., have been affirmed at Aa3, Aa3/VMIG 1 and Aa3/P-1. The outlook is positive. These actions affect approximately $2.8 billion of debt.

RATINGS RATIONALE

Affirmation and assignment of the Aa3 reflect expectation that Advocate Aurora Health's (AAH) significant size, diversified and leading locations across two states, and very strong liquidity will provide resources during COVID-19 challenges. AAH will continue to integrate its two legacy systems without major disruption and will realize further synergies because of its streamlined management structure and common IT platform. The coronavirus (COVID-19) outbreak, a social risk under Moody's ESG framework given the substantial implications for public health and safety, will have a significant impact and likely protract the time period in which AAH will benefit from further synergies and enterprise growth. However, as seen over the last 18 months, the rating and outlook expect that AAH will maintain low leverage, a favorable liquidity position, and healthy long-term margins, despite the near-term impact from COVID-19. Very strong liquidity will partly absorb the impact of COVID-19, including $8.9 billion of investments and $1.7 billion of current availability under bank lines, commercial paper, and liquidity from the investment program within 3 days. AAH is also nearing completion on a syndicated credit facility of approximately $1.0 billion. Offsets include fierce competition in rapidly consolidating markets, pricing pressure and unfavorable payor mix shifts, particularly in the Illinois region. While the system had targeted elevated capital spending over the next two years, it is reconsidering projects in light of the near-term and long-term impact of COVID-19.

The VMIG 1 rating reflects the availability of bank standby bond purchase agreements for unremarketed tenders of variable rate bonds. The P-1 rating for bonds in the Windows mode reflects market access based on the system's ample liquidity and notice to pay unremarketed tenders.

There is a high degree of uncertainty around the extent and length of the impact of the COVID-19 outbreak as well as the magnitude and timing of federal and other relief. The rapid and widening spread of the outbreak, deteriorating global economic outlook, falling oil prices, and financial market declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. If our view of the credit quality of AAH changes, we will update our opinion at that time.

RATING OUTLOOK

The positive outlook reflects expectations that AAH will resume pre COVID-19 operating cash flow margins in the 9% to 10% range, aided by diversification of revenues and achievement of synergy targets. Moody's expects that this successful execution will continue to be supported by a more streamlined management structure. While near-term liquidity may decline due to COVID-19 losses, a strong investment balance and additional external liquidity sources will partly offset this impact.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained improvement in balance sheet measures

- Sustained operating cash flow margins in the 9% to 10% range

- Unenhanced short-term rating: Not applicable

- Enhanced short-term rating: Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Meaningful liquidity decline

- Sustained lower operating cashflow margin

- Increased leverage resulting in notable impairment of debt metrics

- Unexpected high level of operating disruption associated with COVID-19 or prolonged severe downturn in the economy

- Unenhanced short-term rating: downgrade by Moody's of AAH's long-term rating below A2

- Enhanced short-term ratings: a downgrade by Moody's of the short-term Counterparty Risk Assessment of the Bank that provides the SBPA

LEGAL SECURITY

Under an Amended and Restated Master Trust Indenture, issued in 2018, security is a general, unsecured obligation of the obligated group. There are no additional indebtedness tests. The members of the obligated group under the Master Indenture are: Advocate Aurora Health, Inc., Advocate Health Care Network, Advocate Health and Hospitals Corporation, Advocate Sherman Hospital, Advocate North Side Health Network, Advocate Condell Medical Center, Aurora Health Care, Inc., Aurora Health Care Metro, Inc., Aurora Health Care Southern Lakes, Inc., Aurora Health Care Central, Inc. d/b/a Aurora Sheboygan Memorial Medical Center, Aurora Medical Center of Washington County, Inc., Aurora Health Care North, Inc. d/b/a Aurora Medical Center Manitowoc County, Aurora Medical Center of Oshkosh, Inc., Aurora Medical Group, Inc., Aurora Medical Center Grafton LLC. The Amended and Restated MTI contains a substitution of notes provision.

USE OF PROCEEDS

Bond proceeds will be used for general corporate purposes ($500 million) and to refinance certain outstanding obligations (up to $200 million).

PROFILE

Advocate Aurora Health, Inc. (AAH; $12.8 billion revenue), provides a continuum of care through its 26 acute care hospitals, an integrated children's hospital and a psychiatric hospital, which in total have over 6,600 licensed beds, primary and specialty physician services with approximately 3,800 employed physicians, outpatient centers, physician office buildings, pharmacies, behavioral health care, rehabilitation, home health and hospice care in northern and central Illinois, eastern Wisconsin and the upper peninsula of Michigan.

METHODOLOGY

The principal methodology used in the long-term ratings was Not-For-Profit Healthcare published in December 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1154632 . The principal methodology used in the short-term underlying rating was US Bond Anticipation Notes and Related Instruments Methodology published in October 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1146782 . The principal methodology used in the short-term enhanced ratings was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1057134 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from

existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Beth Wexler
Lead Analyst
PF Healthcare
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Lisa Martin
Additional Contact
PF Healthcare
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

MOODY'S
INVESTORS SERVICE

incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from $1,000 to approximately $2,700,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

N/A

Advocate Aurora Health, Inc. has an AA long-term bond rating from Fitch and Standard and Poor's.
Advocate Aurora Health, Inc. has an Aa3 long-term bond rating from Moody's.

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:

5. "A" Bond rating or better
6. All of the project's capital expenditures are completely funded through internal sources
7. 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
8. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements - N/A

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:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

F. 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.

AdvocateAuroraHealth

3075 Highland Parkway
Suite 600
Downers Grove, Illinois 60515

T (630) 572-9393
advocateaurorahealth.org

January 5, 2021

Ms. Courtney Avery
Administrator
Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

RE: Advocate Lutheran General Hospital Surgery Modernization Project

Dear Ms. Avery:

This letter is to attest to the fact that the selected form of debt financing for the proposed Advocate Lutheran General Hospital Surgery Modernization Project will be at the lowest net cost available, or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term financing costs, and other factors.

Respectfully,

William P. Santulli

William P. Santulli
Chief Operating Officer
Advocate Aurora Health

Notarization

(Seal of Notary)

Subscribed and sworn to before me
This __ day of _____, 2021.

_____
Signature of Notary

Cost & Gross Square Feet by Department									
Dept. / Area	A	B	C	D	E	F	G	H	
	Cost / Sq. Ft.		Gross Sq. Ft.		Gross Sq. Ft.		Const. $	Mod. $	Total Cost (G+H)
	New	Mod.	New	Circ.*	Mod.	Circ.*	A x C	B x E	(G+H)
REVIEWABLE									
Core A: ORs 1-5 (w/ corridors, shafts, and sterile core)		$521.00			7270	15%		$3,787,670	$3,787,670
Core A: OR 20 (w/ Clean Core)		$521.00			1120	15%		$583,520	$583,520
Core A: OR 6		$521.00			660	15%		$343,860	$343,860
Pre-Op/Phase II Recovery		$395.00			3360	15%		$1,327,200	$1,327,200
Total Clinical								$6,042,250	$6,042,250
Clinical Contingency									$535,659
Total Clinical Reviewable + Contingency									$6,577,909
NON-REVIEWABLE									
Basement		$750.00			1900	15%		$1,425,000	$1,425,000
Ground Floor		$135.00			1800	15%		$243,000	$243,000
Level 1 Core A Shafts		$375.00			90	15%		$33,750	$33,750
Penthouse		$1,200.00			150	15%		$180,000	$180,000
Clinical Engineering		$285.00			210	15%		$59,850	$59,850
Total Non-Clinical								$1,941,600	$ 1,941,600
Non-Reviewable Contingency									$ 622,127
Total Clinical Non-Reviewable + Contingency									$ 2,563,727
Total									$ 7,983,850
Contingency									$1,157,786
Total + Contingency									$9,141,636

D. Projected Operating Cost per Equivalent Pay Day in 2023

E. Impact of Project on Capital Costs in Year of Completion 2023

	Projected FY 2023					
	Amount			Per EPD		
	Hospital	Project	Total	Hospital	Project	Total
D. Operating Expenses	$ 795,447,244	$ 7,284,882	$ 802,732,126	$ 2,932.29	$ 26.85	$ 2,959.15
E. Capital Costs	36,197,882	1,508,233	37,706,115	133.44	5.56	139.00
	$ 831,645,126	$ 8,793,115	$ 840,438,241	$ 3,065.73	$ 32.41	$ 3,098.14

SECTION IX. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE 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)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2017**	**2018**	**2019**
Inpatient	578	569	549
Outpatient	2,403	2,559	2,880
Total	**2,981**	**3,128**	**3,429**
Charity (cost in dollars)			
Inpatient	$7,625,000	$9,575,000	$9,034,000
Outpatient	$3,287,000	$4,904,000	$5,192,000
Total	**$10,912,000**	**$14,479,000**	**$14,226,000**
MEDICAID			
Medicaid (# of patients)	**2017**	**2018**	**2019**
Inpatient	4,287	3,843	4,913
Outpatient	58,578	56,418	59,002
Total	**62,865**	**60,261**	**63,915**
Medicaid (revenue)			
Inpatient	$64,168,745	$85,088,400	$93,830,756
Outpatient	$10,957,364	$11,933,516	$15,495,898
Total	**$75,126,109**	**$97,021,916**	**$109,326,654**

Advocate Lutheran General Hospital has a long history of serving the Northwest suburbs of Chicago and has continued to provide high quality acute care to residents. The hospital is part of Advocate Aurora Health, a Top 10 not-for-profit health system. The hospital was founded in 1897 with just 25 beds and was originally known as Norwegian Lutheran Deaconess Home and Hospital. Lutheran General Hospital opened in its current location in Park Ridge in 1959. The hospital takes great pride in its relationships with the neighborhood, communities, organizations, and the agencies it serves. The following illustrates some of the ways that Lutheran General addresses the needs of the residents in their service area.

Advocate Lutheran General Hospital is a teaching, research and tertiary care hospital that offers the most advanced care as a Level I Trauma Center and through Clinical Institutes in Cardiovascular, Orthopedics, Advanced Surgery, Oncology and Neurosciences. The hospital is a Comprehensive Stroke Center, reflecting the highest level of competence for the treatment of serious stroke events. Advocate Lutheran General's campus is also home to Advocate Children's Hospital, one of the largest network providers of pediatric services in Illinois and the nation.

U.S. News & World Report's 'Best Hospitals' list ranked Lutheran General's Gynecology program as 37th in the nation and also recognized the hospital as high performing in six specialties. The hospital also received a Best Regional Hospital recognition and State recognition.

The hospital has been a Magnet designated hospital for nursing excellence every year since 2005. The American College of Surgeons National Surgical Quality Improvement Program has recognized Advocate Lutheran General Hospital as one of 52 of the over 600 ACS NSQIP participating hospitals that achieved meritorious outcomes for surgical patient care. The Hospital has received recognition from ACS each year for the past six years.

Diverse and Culturally Competent Care

Lutheran General Hospital has been on a journey to identify the unique needs of the diverse populations in the hospital's service area and to provide culturally competent care and programs to support these communities. Culturally specific programs, including a health navigator, have been developed for Korean, Polish and South Asian population groups. Additional programs include the South Asian Cardiovascular Center (SACC) to raise awareness, provide prevention education, appropriately screen and provide treatment to this unique population. This population was identified to have higher prevalence rates for cardiovascular disease and has a significant presence in the Chicago metropolitan communities surrounding the hospital. The SACC provides a unique combination of community outreach, culturally sensitive advanced clinical services and research.

Lutheran General Hospital continues to partner with faith communities, Hanul Family Alliance, the Polish American Association, the South Asian and Hispanic communities on its journey to reduce health disparities and achieve health equity.

Advocate Aurora Health's Faith leadership partnered with Mental Health Program Specialists to coordinate the following trainings: Bridges of Hope and Mental Health First Aid training; virtual training for faith leaders on Mental Health Awareness.

Lutheran General Hospital's Older Adult Services is a distinctive program offering a safe, secure and stimulating environment for older adults with physical or cognitive concerns assistance throughout the day including activities, therapies, support services and meals. This was created as an intergenerational program with the onsite children's day care program.

Advocate Lutheran General Hospital offers interpretation services and translation services in almost every language through one of several methods including in person for Spanish, Polish, Vietnamese, Cantonese and Mandarin; translation service through registry agencies and video teleconferencing and dedicated lines.

Advocate Lutheran General's multi-disciplinary experts have served the health and psychosocial needs of thousands of teens and adults with Down syndrome since our nationally recognized Lutheran General Adult Down Syndrome Center opened in 1992. The mission is to enhance their lives by providing comprehensive, holistic, community-based care and services using a team approach. As a comprehensive medical resource for teens and adults with Down syndrome, the team provides patients everything from holistic care and support to education and resources in a compassionate, welcoming environment. The center holds events, participates in community outreach and conducts research.

The Advocate Lutheran General Cancer Survivorship Center is the first stand-alone, hospital-affiliated survivorship center in Illinois. It provides comprehensive, holistic support for patients, family members and caregivers throughout their care.

- Providing assistance to achieve a healthier lifestyle
- Empowering and helping to navigate the healthcare system
- Supporting the relationship between the patient and the healthcare provider
- Offering care for long-term recovery of physical and mental well-being
- Giving tools needed to live life beyond cancer

The Survivorship Center offers virtual classes and programs designed to focus on the physical, social, psychological and spiritual needs of patients, family members and caregivers. These programs are for adults in or out of cancer treatment, and their caregivers ages 18 and older.

Community Needs Assessment

Advocate Lutheran General conducts a Community Health Needs Assessment (CHNA) every three years to identify health needs for the hospital's primary service area (PSA) including low income, and underserved communities. The CHNA also supports the creation of effective community programming that meets the needs of the community with measurable impact. The 2019 CHNA Report identified diabetes, cardiovascular disease, access to health care, cancer, mental health, substance abuse, infectious disease, respiratory disease and social determinants of health as the top nine health needs for the hospital's service area.

In 2019, Advocate Lutheran General selected key zip codes in the hospital's high-risk communities to implement the Empowered to Serve program, partnering with the American Heart Association (AHA) and other health care organizations. The six-week series included free screenings and free heart-healthy produce boxes provided at various organizations in community, including schools, health centers and food pantries. Other partnerships in 2020 include working with the Irving Park Food Pantry to create non-perishable food bags for patients in need and donated boxed lunches for families in need to the NWSHC. The Community Health Department also implemented mobile COVID testing and distributed thousands of masks in communities that have the highest rates of COVID and experience significant health disparities.

Advocate Children's Hospital, located on the Advocate Lutheran General Hospital campus, provided access to care for underserved communities through the hospital's Ronald McDonald Care Mobile®, a mobile clinic that provides free physicals and immunizations to low income, uninsured and underinsured children. In 2018, 2,398 children received over 2,000 physicals and over 4,300 vaccines. During year three of the previous CHNA cycle, the team began screening patients for food insecurity. Approximately 30% of patients received assistance.

Education, Training and Research

Advocate Lutheran General Hospital and Advocate Children's Hospital-Park Ridge offer a well-structured, comprehensive selection of postgraduate training programs. This institution is a teaching, research and tertiary care hospital that is recognized as being one of the top teaching hospitals in the country. Lutheran General Hospital is designated as a Resource Hospital within its Emergency Medical Services regional area in the state, providing education and training to emergency medical providers.

Lutheran General also has a robust medical residency program that spans numerous specialties, including emergency medicine, family medicine, internal medicine, obstetrics/gynecology and sports medicine. The various programs are some of the oldest and most highly regarded residencies in the Chicago area and aim to educate medical students on providing safe, high-quality specialized care to help patients live well while achieving their career goals.

In 2012, the James R. and Helen D. Russell Center for Research and Innovation was established at the hospital thanks to an endowment to support research. The purpose of the Russell Center's research is to enhance the quality of care and improve health outcomes for individuals and the community. The Center provides coordination and regulatory support for clinical trials and comprehensive resources for investigator-initiated, patient-centered outcomes research that ranges from study design and statistical support through medical writing.

Advocate Health Care partners with education institutions to provide a high-quality clinical learning experience for our next generation of nurses. In this shared learning environment, nursing students and their preceptors participate in a dynamic collaboration which fosters the professional growth of each student. Nursing students have the opportunity to work side by side with expert clinicians who share their time, expertise, and knowledge. This relationship fosters both the growth of the student as a nurse, as well as the clinician as a teacher.

Lutheran General hosted students from 11 nursing schools in 2020 including Loyola University, Marquette University, North Park University, Northern Illinois University, Purdue University Global, Rush University, and University of Illinois.

The physicians and staff of Advocate Lutheran General offer many free educational events throughout the year to educate the community and corporate partners. Programs developed to include the surrounding Villages and businesses in the service area.

In summary, the impact of the Medical Center is far reaching and is a critical organization supporting the communities within Northern Illinois. The communities have come to rely on many of these programs designed to focus on improving access to care, addressing special needs and improving overall community health in the service area. Advocate Lutheran General Hospital's team members are aware of changes in health care and in the community and have been developing new partnerships and services to support the health and wellbeing of all that they serv

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.

ADVOCATE LUTHERAN GENERAL HOSPITAL CHARITY CARE			
	2017	2018	2019
Net Patient Revenue	$ 790,469,500	$ 863,311,145	$ 900,058,496
Amount of Charity Care (charges)	$ 43,537,485	$ 59,398,217	$ 57,499,186
Cost of Charity Care	$ 10,911,941	$ 14,479,715	$ 14,226,553

APPENDICES

Advocate Aurora Health, Inc.

Consolidated Financial Statements and Supplementary Information
As of and for the Year Ended December 31, 2019 and as of and for the Nine Months Ended December 31, 2018

Document Dated as of March 26, 2020

ADVOCATE AURORA HEALTH, INC.
TABLE OF CONTENTS

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

Building a better working world

Report of Independent Auditors

The Board of Directors Advocate
Aurora Health, Inc.

We have audited the accompanying consolidated financial statements of Advocate Aurora Health Care, Inc., which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the year ended December 31, 2019, and the period from April 1, 2018, through December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advocate Aurora Health Care, Inc. at December 31, 2019 and 2018, and the consolidated results of their operations and their cash flows for the year ended December 31, 2019, and the period from April 1, 2018, through December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 26, 2020

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 449,712	$ 584,887
Assets limited as to use	106,529	106,244
Patient accounts receivable	1,605,607	1,486,260
Other current assets	619,542	512,556
Third-party payors receivables	15,331	17,793
Collateral proceeds under securities lending program	18,284	18,869
Total current assets	2,815,005	2,726,609
Assets limited as to use	9,140,565	7,712,087
Property and equipment, net	5,901,923	5,626,475
Other assets		
Intangible assets and goodwill, net	76,830	89,329
Investments in unconsolidated entities	212,415	202,331
Reinsurance receivable	52,312	60,741
Operating lease right-of-use assets	352,295	—
Other noncurrent assets	382,024	315,217
Total other assets	1,075,876	667,618
Total assets	$ 18,933,369	$ 16,732,789

ADVOCATE AURORA HEALTH, INC. CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2019	December 31, 2018
Current liabilities		
Current portion of long-term debt and commercial paper	$ 184,098	$ 49,927
Long-term debt subject to short-term financing arrangements	147,535	162,025
Current portion of operating lease liabilities	77,957	—
Accounts payable and accrued liabilities	1,863,035	1,671,124
Third-party payors payables	303,300	303,633
Current portion of accrued insurance and claim costs	114,741	122,361
Collateral under securities lending program	18,284	18,869
Total current liabilities	2,708,950	2,327,939
Noncurrent liabilities		
Long-term debt, less current portion	2,729,366	2,796,906
Operating lease liabilities	314,106	—
Accrued insurance and claims cost, less current portion	544,839	593,296
Accrued losses subject to insurance recovery	52,312	60,741
Obligations under swap agreements	91,340	65,376
Other noncurrent liabilities	793,792	645,554
Total noncurrent liabilities	4,525,755	4,161,873
Total liabilities	7,234,705	6,489,812
Net assets		
Without donor restrictions		
Controlling interest	11,309,819	9,900,718
Noncontrolling interest in subsidiaries	146,740	118,468
Total net assets without donor restrictions	11,456,559	10,019,186
With donor restrictions	242,105	223,791
Total net assets	11,698,664	10,242,977
Total liabilities and net assets	$ 18,933,369	$ 16,732,789

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Revenue		
Patient service revenue	$ 10,660,969	$ 7,533,468
Capitation revenue	1,264,162	1,035,995
Other revenue	880,292	643,943
Total revenue	12,805,423	9,213,406
Expenses		
Salaries, wages and benefits	6,988,562	4,993,014
Supplies, purchased services and other	3,999,005	2,835,775
Contracted medical services	543,716	478,393
Depreciation and amortization	569,956	410,790
Interest	106,314	81,385
Total expenses	12,207,553	8,799,357
Operating income before nonrecurring expenses	597,870	414,049
Nonrecurring expenses	116,800	55,182
Operating income	481,070	358,867
Nonoperating income (loss)		
Investment income (loss), net	1,053,898	(258,118)
Loss on debt refinancing	(21,665)	(29,859)
Change in fair value of interest rate swaps	(21,079)	993
Other nonoperating income, net	54,473	646
Total nonoperating income (loss), net	1,065,627	(286,338)
Revenue in excess of expenses	1,546,697	72,529
Less noncontrolling interest	(60,749)	(34,383)
Revenue in excess of expenses - attributable to controlling interest	$ 1,485,948	$ 38,146

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Net assets without donor restrictions, controlling interest		
Revenue in excess of expenses - attributable to controlling interest	$ 1,485,948	$ 38,146
Pension-related changes other than net periodic pension costs	(106,221)	(86,283)
Net assets released from restrictions for purchase of property and equipment	4,839	5,460
Other, net	1,108	(414)
Increase (decrease) in net assets without donor restrictions, controlling interest	1,385,674	(43,091)
Net assets without donor restrictions, noncontrolling interest		
Revenues in excess of expenses	60,749	34,383
Distributions to noncontrolling interest	(32,488)	(20,572)
Other, net	11	(81)
Increase in net assets without donor restrictions, noncontrolling interest	28,272	13,730
Net assets with donor restrictions		
Contributions	27,627	16,614
Investment income (loss), net	14,400	(2,347)
Net assets released from restrictions for operations	(18,596)	(17,720)
Net assets released from restrictions for purchase of property and equipment	(4,839)	(5,460)
Other, net	(278)	858
Increase (decrease) in net assets with donor restrictions	18,314	(8,055)
Increase (decrease) in net assets	1,432,260	(37,416)
Net assets at beginning of period	10,242,977	10,280,393
Adoption of ASC 2016-02 (Leases)	23,427	—
Net assets at end of period	$ 11,698,664	$ 10,242,977

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Cash flows from operating activities		
Increase (decrease) in net assets	$ 1,432,260	$
Adjustments to reconcile change in net assets to net cash provided by operating activities:	(37,416)	
Depreciation, amortization and accretion	564,270	404,012
Amortization of operating lease right-of-use assets	64,801	—
Loss on debt refinancing	21,665	29,859
Loss (gain) on sale of property and equipment	2,618	(3,853)
Change in fair value of swap agreements	21,079	(993)
Pension-related changes other than net periodic pension cost	106,221	86,283
Net assets released from restrictions for operations	(18,596)	(17,720)
Distribution to noncontrolling interest	29,446	33,101
Distributions from unconsolidated entities	23,707	—
Gain on Bay Area Medical Center acquisition	(81,736)	—
Changes in operating assets and liabilities		
Trading securities, net	(1,433,305)	350,682
Accounts receivable, net	(103,625)	(15,547)
Accounts payable and accrued liabilities	203,877	141,680
Third-party payors receivables and payables, net	1,640	(14,993)
Other assets and liabilities, net	(280,549)	(79,962)
Net cash provided by operating activities	553,773	875,133
Cash flows from investing activities		
Capital expenditures	(653,207)	(552,933)
Proceeds from sale of property and equipment	4,102	7,626
Sales of investments designated as non-trading, net	69	10,093
Investments in unconsolidated entities, net	(31,005)	(3,100)
Investments acquired in Bay Area Medical Center acquisition	34,018	—
Other	(7,534)	3,118
Net cash used in investing activities	(653,557)	(535,196)
Cash flows from financing activities		
Proceeds from issuance of debt	496,074	1,226,853
Repayments of long-term debt	(544,046)	(1,371,174)
Distribution to noncontrolling interest	(29,446)	(33,101)
Proceeds from restricted contributions and income (loss) on investments	42,027	14,267
Net cash used in financing activities	(35,391)	(163,155)
Net (decrease) increase in cash and cash equivalents	(135,175)	176,782
Cash and cash equivalents at beginning of period	584,887	408,105
Cash and cash equivalents at end of period	$ 449,712	$ 584,887
Supplemental disclosures of noncash information		
Operating lease right-of-use assets in exchange for new operating lease liabilities	$ 425,142	$ —

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019
(in thousands)

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

Advocate Aurora Health, Inc., is a Delaware nonprofit corporation ("the Parent Corporation"). On April 1, 2018, the Parent Corporation became the sole corporate member of Advocate Health Care Network, an Illinois not-for-profit corporation ("Advocate") and Aurora Health Care, Inc., a Wisconsin nonstock not-for-profit corporation ("Aurora"). The Parent Corporation, Advocate, Aurora and their controlled subsidiaries are collectively referred to herein as the "System." The System was formed in furtherance of the parties' common and unifying charitable health care mission to promote and improve the quality and expand the scope and accessibility of affordable health care and health care-related services for the communities they serve.

The System is comprised of various not-for-profit and for-profit entities, the primary activities are the delivery of health care services and the provision of goods and services ancillary thereto.

The System provides a continuum of care through its 26 acute care hospitals, an integrated children's hospital and a psychiatric hospital, primary and specialty physician services, outpatient centers, physician office buildings, pharmacies, rehabilitation and home health and hospice care in northern and central Illinois and eastern Wisconsin.

On April 1, 2019, the System became the sole corporate member of Bay Area Medical Center ("BAMC") through the acquisition of the remaining 51% interest in BAMC and its results have been fully consolidated into the consolidated financial statements of the System as of this date. The acquisition will improve the availability, scope and access to health care in the communities served by BAMC.

Principles of Consolidation

Included in the System's consolidated financial statements are all of its wholly owned or controlled subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased, other than those included in the investment portfolio, to be cash equivalents.

Investments

The System has designated substantially all of its investments as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or otherwise observable inputs. Investments in private equity limited partnerships and derivative products (hedge funds) are reported at fair value using net asset value as a practical expedient. Commingled funds are carried at fair value based on other observable inputs. Investment income or loss (including realized gains and losses, interest, dividends and unrealized gains and losses) is included in the nonoperating section of the consolidated statements of operations and changes in net assets unless the income or loss is restricted by donor or law or is related to assets designated for self-insurance programs. Investment income on self-insurance trust funds is reported in other revenue in the accompanying consolidated statements of operations and changes in net assets. Investment income that is restricted by donor or law is reported as a change in net assets with donor restrictions.

Assets Limited as to Use

Assets limited as to use consist of investments set aside by the System for future capital improvements and certain medical education and other health care programs. The System retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees or in trust under debt agreements, self-insurance trusts, assets held in reinsurance trust accounts and donor-restricted funds.

Patient Service Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs and excludes revenues for services provided to patients under capitated arrangements) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, patients and third-party payors are billed within days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined.

As the System's performance obligations relate to contracts with a duration of less than one year, the System has applied the optional exemption provided in the guidance and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The System has entered into payment arrangements with patients that allow for payments over a term in excess of one year. The System has evaluated historical collections in excess of one year and current market

interest rates to determine whether a significant financing component exists that would require an adjustment to the promised amount of consideration from patients and third-party payors. The System has determined that the impact of implicit financing arrangements for payment agreements in excess of one year is insignificant to the consolidated statements of operations and changes in net assets.

The System does not incur significant incremental costs in obtaining contracts with patients. Any costs incurred are expensed in the period of occurrence, as the amortization period of any asset that the System would have recognized is one year or less in duration.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount.

Inventories

Inventories, consisting primarily of medical supplies, pharmaceuticals and durable medical equipment, are stated at the lower of cost (first-in, first-out) or market. Retail pharmaceutical inventories are stated at replacement cost.

Reinsurance Receivables

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts.

Intangible Assets and Goodwill, Net

Goodwill of $62,172 and $65,862 is included in intangible assets and goodwill, net in the accompanying consolidated balance sheets as of December 31, 2019 and 2018, respectively. In 2019, the System elected to amortize goodwill prospectively using the straight-line method over a 10-year period in accordance with Accounting Standards Update ("ASU") 2014-02. Goodwill amortization of $6,982 is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2019. Intangible assets with expected useful lives are amortized over that period.

Asset Impairment

The System considers whether indicators of impairment are present and, if indicators are present, performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in the accompanying consolidated statements of operations and changes in net assets as a component of operating expense at the time the impairment is identified.

Property and Equipment, Net

Property and equipment are reported at cost or, if donated, at fair value at the date of the gift. Costs of computer software developed or obtained for internal use, including external and internal direct costs of materials and labor directly associated with internal-use software development projects, are capitalized and included in property and equipment. Internal labor and interest expense incurred during the period of construction of significant capital projects are capitalized as a component of the costs of the asset.

Property and equipment capitalized under direct financing leases are recorded at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Property and equipment capitalized under direct financing leases are amortized using the straight-line method over the related lease term. Amortization of property and equipment under financing leases is included in the accompanying consolidated statements of operations and changes in net assets in depreciation and amortization expense.

Property and equipment assets are depreciated on the straight-line method over a period ranging from 3 years to 80 years.

Operating Lease Right-of-use Assets

The System records an operating lease right-of-use asset (an asset that represents the System's right to use the leased asset for the lease term) for leases that do not meet the criteria as a sales-type lease or a direct financing lease.

The System records operating lease right-of-use assets at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Operating lease right-of-use assets are amortized using the straight-line method over the related lease term. Amortization of operating lease right-of-use assets is included in the accompanying consolidated statements of operations and changes in net assets in supplies, purchased services and other expense.

Included within operating lease right-of-use assets are assets that the System previously sold and then leased back. Those sale/leaseback transactions, which related to various administrative and medical support buildings, did not meet the accounting criteria as a sales-type lease or a direct financing lease. The buyer-lessors for such transactions are generally unrelated special-purpose entities.

Investments in Unconsolidated Entities

Investments in unconsolidated entities are accounted for using the cost or equity method. The System applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and the System has the ability to exercise significant influence over the operating and financial policies of the investee. All other unconsolidated entities are accounted for using the cost method. The income (loss) on health-related unconsolidated entities is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. The income or loss on non-health-related unconsolidated entities is included within other nonoperating income, net.

Derivative Financial Instruments

The System has entered into transactions to manage its interest rate, credit and market risks. Derivative instruments, including exchange-traded and over-the-counter derivative contracts and interest rate swaps, are recorded as either assets or liabilities at fair value. Subsequent changes in a derivatives fair value are recognized in nonoperating income (loss), net.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are amortized over the term of the bonds using the effective interest method and are included in long-term debt in the accompanying consolidated balance sheets.

General and Professional Liability Risks

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The System measures the cost of its unfunded obligations under such programs based upon actuarial calculations and records a liability on a discounted basis.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those assets whose use by the System has been limited by donors to a specific time period or purpose or consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Net assets with donor restrictions are used in accordance with the donor's

wishes primarily to purchase property and equipment, to fund medical education or to fund health programs.

Assets released from restrictions to fund purchases of property and equipment are reported in the accompanying consolidated statements of operations and changes in net assets as increases to net assets without donor restrictions. Those assets released from restriction for operating purposes are reported in the accompanying consolidated statements of operations and changes in net assets as other revenue. When restricted, earnings are recorded as net assets with donor restrictions until amounts are expended in accordance with the donor's specifications.

Other Nonoperating Income, Net

Revenues and expenses from delivering health care services and the provision of goods and services ancillary thereto are reported in operations. Income and losses that arise from transactions that are peripheral or incidental to the System's main purpose are included in other nonoperating income, net. Other nonoperating income, net primarily consists of a gain on the acquisition of BAMC, fund-raising expenses, contributions to charitable organizations, income taxes and the net non-service components of the periodic benefit expense on the System's pension plans.

Nonrecurring Expenses

The System has incurred salaries, purchased services and other expenses in connection with the formation of the System, the implementation of an electronic medical records and billing system, the implementation of an enterprise resource planning system and, as part of the initiative to reduce operating expenses, an early retirement incentive program and position restructuring. Due to the nature of these expenses, the costs were recorded as nonrecurring in the accompanying consolidated statements of operations and changes in net assets.

Revenue in Excess of Expenses and Changes in Net Assets

The accompanying consolidated statements of operations and changes in net assets include the revenue in excess of expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from revenue in excess of expenses, primarily 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), pension-related changes other than net periodic pension costs and distributions to noncontrolling interests.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases* (Topic 842). This guidance introduced a lessee model that brings most leases on to the balance sheet. The standard also aligns certain of the underlying principles of the new lessor model with those in ASU 2014-09, the revenue recognition standard. This standard was adopted by the System effective January 1, 2019, using the modified retrospective approach. The System elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the System to carry forward the historical lease classification.

The System recorded a right-of-use asset of $388,097, which is net of tenant improvements previously recorded prior to adoption of $38,697, and right-of-use liabilities of $426,794 due to the adoption of this standard. Additionally, the System recognized a cumulative-effect adjustment of $23,427 to net assets without donor restrictions on January 1, 2019, related to the deferred gains on various sale-leaseback transactions.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This guidance requires an entity in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset and which costs to expense as incurred. Also, this guidance requires the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. Further, the guidance requires the entity to present the expense related to the capitalized implementation costs in the same line item in the consolidated statements of operations and changes in net assets as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the consolidated statements of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the consolidated balance sheets in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. This guidance is effective for the fiscal years beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted. The System early adopted this guidance effective January 1, 2019, on a prospective basis. This guidance did not have a material impact on the System's accompanying consolidated balance sheets.

In June 2018, the FASB issued ASU 2018-08, Not-for-profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies whether a transfer of assets is a contribution or an exchange transaction and further clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. This standard was effective for the System beginning January 1, 2019, on a modified prospective basis. This guidance did not have a material impact on the System's accompanying consolidated statements of operations and changes in net assets.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*. This guidance requires total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the consolidated statements of cash flows. This guidance is effective for the fiscal years beginning after December 15, 2018 and interim periods after December 15, 2019. The System adopted this standard effective January 1, 2019, on a prospective basis. Management has updated the presentation of the accompanying consolidated statements of cash flows to reflect the inclusion of total cash and cash equivalents.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which amends guidance in Accounting Standards Codification (ASC) 230 on the classification of certain cash receipts and payments in the statements of cash flows. This standard is effective for the System beginning January 1, 2019, for annual reporting on a prospective basis. This guidance did not have a material impact on the System's consolidated statements of cash flows, with the primary change being the movement of certain distributions from equity method investees from cash used in investing activities to cash flows from operations.

In May 2019, the FASB issued ASU 2019-06, *Intangibles- Goodwill and Other (Topic 350), Business Combinations (Topic 805) and Not-for-Profit Entities (Topic 958)*. This guidance allows not-for-profits to apply accounting alternatives in Topic 350 and Topic 805. A not-for-profit entity can amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the not-for-profit entity demonstrates that a shorter useful life is more appropriate. A not-for-profit entity that elects this accounting alternative is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. This guidance is effective immediately and should be applied prospectively for goodwill recognized after the alternative is adopted. The guidance will be applied to existing goodwill as of the beginning of the annual period of adoption. The System adopted this guidance in 2019. Goodwill is being amortized straight-line over a 10-year period, which increased amortization expense by $6,982 in

the accompanying consolidated statements of operation and changes in net assets for the year ended December 31, 2019.

Reclassifications in the Consolidated Financial Statements

Certain reclassifications were made to the 2018 consolidated financial statements to conform to the classifications used in 2019. There was no impact on previously reported 2018 net assets or revenues in excess of expenses.

3. COMMUNITY BENEFIT

Community Benefit

The System provides health care services without charge to patients who meet the criteria of its charity care policies. Charity care services are not reported as patient service revenue because payment is not anticipated while the related costs to provide the health care are included in operating expenses. Charity care is provided to patients who meet the criteria established under the applicable financial assistance policy. Qualifying patients can receive up to 100% discounts from charges and extended payment plans. The System's cost of providing charity care was $153,307 for the year ended December 31, 2019 and $101,192 for the nine months ended December 31, 2018, as determined using total cost to charge ratios.

In addition to the provision of charity care, the System provides significant financial support to its communities to sustain and improve health care services.

These activities include:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.
- The cost of providing services that are not self-sustaining, for which patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-income patients, as well as the broader community, but are not expected to be financially self-supporting.
- Other community benefits include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

4. REVENUE AND RECEIVABLES

Patient service revenue

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs and excludes revenues for services provided to patients under capitated arrangements) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, patients and third-party payors are billed shortly after discharge. Revenue is recognized as performance obligations are satisfied. Patient service revenue does not include revenue for services provided to patients covered under capitated arrangements.

Performance obligations are identified based on the nature of the services provided. Revenue associated with performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case

of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

The System uses 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 and types of services provided for outpatient revenue. Based on the historical collection trends and other analyses, the System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy and/or implicit price concessions based on the historical collection experience of patient accounts. The System determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies and historical experience. For uninsured patients who do not qualify for charity care, the System determines the transaction price associated with services based on charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the System's criteria for charity care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. 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 using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, 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 new information becomes available or as years are settled or are no longer subject to such audits, reviews and investigations.

For the year ended December 31, 2019 and nine months ended December 31, 2018, changes in the System's estimates of implicit price concessions, discounts and contractual adjustments or other reductions to expected payments for performance obligations related to prior years were not significant.

In certain instances, the System does receive payment in advance of the services provided and would consider these amounts to represent contract liabilities. Contract liabilities at December 31, 2019 and 2018 were not significant.

Currently, the State of Illinois utilizes supplemental reimbursement programs to increase reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the Centers for Medicare and Medicaid Services and are funded with a combination of state and federal resources, including assessments levied on the providers. Under these supplemental programs, the System recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured. Reimbursement and the assessment under

these programs are reflected in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Classification	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Reimbursement	Patient service revenue	$ 271,260	$ 197,614
Assessment	Supplies, purchased services and other	165,222	124,898

The State of Wisconsin assesses a fee or tax on gross patient service revenue. The revenues from this assessment are used to increase payments made to hospitals for services provided to Medicaid and other medically indigent patients. The System's patient service revenue reflects this increase in payment for services to Medicaid and other medically indigent patients and hospital tax assessment expense reflects the fees assessed by the State. Reimbursement and the assessment under these programs are reflected in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Classification	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Reimbursement	Patient service revenue	$ 117,150	$ 79,600
Assessment	Supplies, purchased services and other	100,777	73,800

Management has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payor's geographical location, the line of business that renders services to patients and the timing of when revenue is recognized and billed.

The composition of patient service revenue by payor is as follows:

	Year Ended December 31, 2019		Nine Months Ended December 31, 2018	
Managed care	$ 5,829,566	55%	$ 4,232,627	56%
Medicare	3,380,458	31%	2,269,578	30%
Medicaid - Wisconsin	457,583	4%	299,951	4%
Medicaid - Illinois	694,406	7%	529,780	7%
Self-pay and other	298,956	3%	201,532	3%
	$ 10,660,969	100%	$ 7,533,468	100%

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the table above.

Capitation Revenue

The System has agreements with various managed care organizations under which the System provides or arranges for medical care to members of the organizations in return for a monthly payment per member. Revenue is earned each month as a result of the System agreeing to provide or arrange for their medical care.

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which the System expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors and others. Primary categories of other revenue include income

from joint ventures, retail pharmacy revenue, grant revenue, cafeteria revenue, rent revenue and other miscellaneous revenue.

Revenue disaggregation by state and business line are as follows:

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Illinois	$ 6,086,737	$ 4,543,533
Wisconsin	5,838,394	4,025,930
Total patient service revenue and capitation	11,925,131	8,569,463
Other revenue	880,292	643,943
Total revenue	$ 12,805,423	$ 9,213,406

Hospital	$ 7,859,715	$ 5,606,918
Clinic	2,450,681	1,669,138
Home Care	241,151	167,839
Other	109,422	89,573
Total patient service revenue	10,660,969	7,533,468
Capitated revenue	1,264,162	1,035,995
Other revenue	880,292	643,943
Total revenue	$ 12,805,423	$ 9,213,406

Patient accounts receivable

The System's patient accounts receivable is reported at the amount that reflects the consideration to which it expects to be entitled, in exchange for providing patient care. Patient accounts receivable are reported at net realizable value based on certain assumptions. For third-party payors, including Medicare, Medicaid and Managed Care, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay, the net realizable value is determined using estimates of historical collection experience including an analysis by aging category. These estimates are adjusted for expected recoveries and any anticipated changes in trends, including significant changes in payor mix and economic conditions or trends in federal and state governmental health care coverage.

The composition of patient accounts receivable is summarized as follows:

	December 31, 2019		December 31, 2018	
Managed care	$ 698,731	44%	$ 627,409	42%
Medicare	327,723	20%	285,837	19%
Medicaid - Wisconsin	44,357	3%	39,958	3%
Medicaid - Illinois	216,618	13%	229,139	15%
Self-pay and other	318,178	20%	303,917	21%
	$ 1,605,607	100%	$ 1,486,260	100%

The self-pay patient accounts receivable above includes amounts due from patients for co-insurance, deductibles, installment payment plans and amounts due from patients without insurance.

5. INVESTMENTS

The System invests in a diversified portfolio of investments, including alternative investments, such as real asset funds, hedge funds and private equity limited partnerships, whose fair value was $4,123,306 and

$3,685,071 at December 31, 2019 and 2018, respectively. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods typically ranging from 1 to 90 days. Certain of these investments have redemption restrictions that may restrict redemption for up to 11 years. However, the potential for the System to sell its interest in these funds in a secondary market prior to the end of the fund term does exist for prices at or other than the carrying value.

At December 31, 2019, the System had additional commitments to fund alternative investments, including recallable distributions of $1,268,012 over the next seven years.

In the normal course of operations and within established investment policy guidelines, the System may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the System's strategic asset allocation. These instruments require the System to deposit cash or securities collateral with the broker or custodian. Collateral provided was $6,770 at December 31, 2019. The notional value of the derivatives in long positions was $104,072 at December 31, 2019. The notional value of the derivatives in a short position was $(58,527) at December 31, 2019.

By using derivative financial instruments, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in the underlying reference security. The market risk associated with market changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented with other current assets and accounts payable and accrued liabilities. Unsettled sales resulted in receivables due from brokers of $41,977 and $37,699 at December 31, 2019 and 2018, respectively. Unsettled purchases resulted in payables of $38,355 and $13,494 at December 31, 2019 and 2018, respectively.

Investment returns for assets limited as to use and cash and cash equivalents are composed of the following:

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Interest income and dividends	$ 84,684	$ 55,944
Income from alternative investments	333,212	19,556
Net realized gains	150,422	156,757
Net unrealized gains (losses)	553,287	(474,189)
Total	$ 1,121,605	$ (241,932)

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Other revenue	$ 53,307	$ 18,533
Investment income (loss), net	1,053,898	(258,118)
Net assets with donor restrictions	14,400	(2,347)
Total	$ 1,121,605	$ (241,932)

The cash and cash equivalent and assets limited as to use presented within the accompanying consolidated balance sheets is composed of the following:

	December 31, 2019	December 31, 2018
Internally designated for capital and other	$ 8,345,172	$ 6,941,646
Held for self-insurance	645,697	632,372
Donor restricted	132,024	119,759
Investments under securities lending program	17,672	18,310
Total noncurrent assets limited as to use	9,140,565	7,712,087
Cash and cash equivalents	449,712	584,887
Current assets limited as to use	106,529	106,244
Total cash and cash equivalents and assets limited as to use	$ 9,696,806	$ 8,403,218

As part of the management of the investment portfolio, the System has entered into an arrangement whereby securities owned by the System are loaned primarily to brokers and investment banks. The loans are arranged through a bank. Borrowers are required to post collateral for securities borrowed equal to no less than 102% of the value of the security on a daily basis, at a minimum. The bank is responsible for reviewing the creditworthiness of the borrowers. The System has also entered into an arrangement whereby the bank is responsible for the risk of borrower bankruptcy and default. At December 31, 2019 and 2018, the System loaned $17,672 and $18,310, respectively, in securities and accepted collateral for these loans in the amount $18,284 and $18,869, respectively, which represents cash and governmental securities and are included in current liabilities and current assets, respectively, in the accompanying consolidated balance sheets.

6. FAIR VALUE

The System accounts for certain assets and liabilities at fair value and categorizes assets and liabilities measured at fair value in the accompanying consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of the three categories. Category inputs are defined as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date.

Level 2 — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs that are unobservable for the asset or liability for which there is little or no market data.

The following section describes the valuation methodologies used by the System to measure financial assets and liabilities at fair value. In general, where applicable, the System uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments such as domestic and international equities, exchange-traded funds and agency securities.

If quoted prices in active markets for identical assets and liabilities are not available to determine fair the value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, fixed-income securities, including fixed-income government obligations, commercial paper and certain agency, United States and international equities, which are not traded on an active exchange. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry-standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include adjustments related to the System's credit risk.

Investments owned by the System are exposed to various kinds and levels of risk. Equity securities and equity funds expose the entity to market risk, performance risk and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is that risk associated with a company's operating performance. Fixed-income securities and fixed-income mutual funds expose the System to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value resulting in additional gains and losses in the near term.

The carrying values of cash and cash equivalents, accounts receivable and payable, other current assets and accrued liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

The fair values of financial assets and liabilities that are measured at fair value on a recurring basis are as follows:

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and short-term investments	$ 909,297	$ 872,262	$ 37,035	$ —
Corporate bonds and other debt securities	582,327	—	582,327	—
United States government bonds	583,429	—	583,429	—
Bond and other debt security funds	688,728	102,555	586,173	—
Non-government fixed-income obligations	26,176	—	26,176	—
Equity securities	782,581	782,581	—	—
Equity funds	1,976,779	134,951	1,841,828	—
	5,549,317	$ 1,892,349	$ 3,656,968	$ —
Investments at net asset value				
Alternative investments	4,147,489			
Total investments	$ 9,696,806			
Collateral proceeds received under securities lending program	$ 18,284		$ 18,284	
Liabilities				
Obligations under swap agreements	$ (91,340)		$ (91,340)	
Obligations to return capital under securities lending program	$ (18,284)		$ (18,284)	

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and short-term investments	$ 807,549	$ 430,889	$ 376,660	$ —
Corporate bonds and other debt securities	577,406	—	577,406	—
United States government bonds	609,160	—	609,160	—
Bond and other debt security funds	578,088	102,552	475,536	—
Non-government fixed-income obligations	26,328	—	26,328	—
Equity securities	1,164,533	1,164,533	—	—
Equity funds	933,104	185,247	747,857	—
	4,696,168	$ 1,883,221	$ 2,812,947	—
Investments at net asset value				
Alternative investments	3,707,050			
Total investments	$ 8,403,218			
Collateral proceeds received under securities lending program	$ 18,869		$ 18,869	
Liabilities				
Obligations under swap agreements	$ (65,376)		$ (65,376)	
Obligations to return capital under securities lending program	$ (18,869)		$ (18,869)	

7. PROPERTY AND EQUIPMENT, NET

The components of property and equipment are summarized as follows:

	December 31, 2019	December 31, 2018
Land and improvements	$ 497,363	$ 473,862
Buildings and fixed equipment	7,519,607	7,102,622
Movable equipment and computer software	2,496,988	2,956,722
Construction-in-progress	355,733	306,531
	10,869,691	10,839,737
Accumulated depreciation and amortization	(4,967,768)	(5,213,262)
Property and equipment, net	$ 5,901,923	$ 5,626,475

During 2019, the System wrote off fully depreciated property and equipment totaling $455,363.

Property and equipment include net assets recorded as finance leases and under other financing arrangements. See additional disclosure in Note 8. LEASES.

Depreciation expense was $560,221 for the year ended December 31, 2019 and $409,950 for the nine months ended December 31, 2018.

8. LEASES

The System leases office and clinical space, land and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. For lease agreements entered into after the adoption of ASU 2016-02 on January 1, 2019, the System combines lease and non-lease components except for medical equipment leases.

The depreciable lives of assets are limited by the expected lease terms. Most leases include options to renew. The majority of leases do not provide an implicit rate; therefore, the System has elected to use its incremental borrowing rate, which is the interest rate the System would borrow on a collateralized basis over a similar term, as the discount rate. The System used its incremental borrowing rate on January 1, 2019, for operating leases that commenced prior to that date.

Operating and finance leases are classified as follows within the accompanying consolidated balance sheets at December 31, 2019:

Leases	Classification		
Assets			
Operating	Operating lease right-of-use assets	$	352,295
Finance	Property and equipment, net		161,970
Total lease assets		$	514,265
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	$	77,957
Finance	Current portion of long-term debt and commercial paper		8,445
Noncurrent			
Operating	Operating lease liabilities		314,106
Finance	Long-term debt, less current portion		176,811
Total lease liabilities		$	577,319

Finance lease assets are recorded net of accumulated amortization of $49,743 as of December 31, 2019.

Lease costs are classified as follows within the accompanying consolidated statements of operations and changes in net assets at December 31, 2019:

Lease cost	Classification		
Operating lease cost	Supplies, purchased services and other	$	85,037
Short term lease cost	Supplies, purchased services and other		10,686
Variable lease cost	Supplies, purchased services and other		29,099
Finance lease cost			
Amortization of lease assets	Depreciation and amortization		10,719
Interest on lease liabilities	Interest		10,053
Sublease income	Other revenue		(2,593)
Net lease cost		$	143,001

Lease terms, discount rates and other supplemental information as of and for the year ended December 31, 2019 are as follows:

Weighted average remaining lease term (in years)	
Operating	6.0
Finance	12.9
Weighted average discount rate	
Operating	2.34%
Finance	7.44%

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	86,504
Operating cash flows from finance leases		10,563
Financing cash flows from finance leases		7,605

Future maturities of lease liabilities at December 31, 2019 are as follows:

	Operating Leases	Finance Leases	Total
2020	$ 86,132	$ 19,629	$ 105,761
2021	79,674	20,365	100,039
2022	69,096	20,747	89,843
2023	58,716	20,680	79,396
2024	43,083	21,177	64,260
Thereafter	85,237	196,229	281,466
Future minimum lease payments	421,938	298,827	720,765
Less remaining imputed interest	29,875	113,571	143,446
Total	$ 392,063	$ 185,256	$ 577,319

Future maturities of lease liabilities at December 31, 2018, prior to the adoption of ASU 2016-02, were as follows:

	Long-Term Non-Cancelable Operating Leases	Capital Leases	Total
2019	$ 91,870	$ 7,366	$ 99,236
2020	86,204	8,153	94,357
2021	78,659	8,329	86,988
2022	67,928	9,177	77,105
2023	58,784	9,615	68,399
Thereafter	139,111	128,779	267,890
Total	$ 522,556	$ 171,419	$ 693,975

9. INVESTMENTS IN UNCONSOLIDATED ENTITIES

The System had a 49% interest in Bay Area Medical Center ("BAMC") that was accounted for under the equity method of accounting and was presented within investments in unconsolidated entities in the accompanying consolidated balance sheets until the remaining equity interest was purchased on April 1, 2019. The System's investment in BAMC at December 31, 2018 was $26,547. On April 1, 2019, the System acquired the remaining 51% ownership interest. See the additional discussion of this transaction in Note 20. ACQUISITION OF BAY AREA MEDICAL CENTER. BAMC is a 99-bed general acute care hospital located in Marinette, Wisconsin.

At the time of the acquisition, BAMC and the System owned a 73% and 27% interest, respectively, in Aurora Bay Area Medical Group ("ABAMG"). ABAMG provides inpatient, outpatient and other professional medical services in Marinette, Wisconsin and its surrounding communities. As part of the acquisition of BAMC, the System now owns 100% of ABAMG and its financial results are included in the consolidated financial statements of the System. The System's investment in ABAMG was accounted for under the equity method and was presented within investments in unconsolidated entities in the accompanying consolidated balance sheets. The System's investment in ABAMG at December 31, 2018was $703.

In conjunction with the BAMC transaction, the System contributed $25,000 to an independent Foundation. Under the terms of the definitive agreement between the System and BAMC, the use of the $25,000 contribution is designated to support the operations and capital needs of BAMC and/or ABAMG. The interest in the Foundation is reflected in investments in unconsolidated entities in the accompanying consolidated balance sheets, which amounted to $21,186 at December 31, 2019. Cash distributions of

$3,814 were received by BAMC from the Foundation under terms of the agreement during the year ended December 31, 2019.

The System has an interest in the net assets of the Masonic Family Health Foundation ("MFHF"), an independent organization, under the terms of an asset purchase agreement (the "Agreement"). Substantially all of MFHF's net assets are designated to support the operations and/or capital needs of one of the System's medical facilities. Additionally, 90% of MFHF's investment yield, net of expenses, on substantially all of MFHF's investments is designated for the support of one of the System's medical facilities. MFHF must pay the System, annually, 90% of the investment yield or an agreed-upon percentage of the beginning of the year net assets.

The interest in the net assets of MFHF amounted to $99,827 and $81,865 at December 31, 2019 and 2018, respectively, and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheets. The System's interest in the investment income (loss) is reflected in the accompanying consolidated statements of operations and changes in net assets and amounted to $17,433 and $(4,270) for the year ended December 31, 2019 and the nine months ended December 31, 2018, respectively. Cash distributions of $3,680 and $0 were received by the System from MFHF under terms of the Agreement during the year ended December 31, 2019 and the nine months ended December 31, 2018, respectively. In addition, MFHF made $0 and $354 contributions to the System for program support during the year ended December 31, 2019 and the nine months ended December 31, 2018, respectively.

At December 31, 2019, the System had a 49.5% ownership interest in RML Health Providers, L.P. ("RML") that is accounted for on an equity basis. RML is an Illinois, not-for-profit limited partnership that operates a 115-bed licensed long-term acute care hospital in Hinsdale, Illinois, and an 86-bed licensed long-term acute care hospital in Chicago, Illinois. The System's investment in RML was $33,462 and $33,883 at December 31, 2019 and 2018, respectively, and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheets.

RML leases the Chicago, Illinois, facility from the System. The lease has a fixed term through June 30, 2025. The System recorded rental income of $1,157 and $847 for the year ended December 31, 2019 and nine months ended December 31, 2018, respectively.

The summarized financial position and results of operations for significant entities accounted for under the equity method as of and for the periods ended is outlined below:

	RML	MFHF
As of December 31, 2019		
Total assets	$ 123,345	$ 99,827
Total liabilities	55,118	4,192
Partners' equity/net assets	68,227	95,635
Year Ended December 31, 2019		
Total revenue	111,745	19,160
Revenue in excess of expenses	12,170	13,542
As of December 31, 2018		
Total assets	125,087	85,533
Total liabilities	56,994	3,440
Partners' equity/net assets	68,093	82,093

10. LONG-TERM DEBT

Long-term debt, net of unamortized original issue discount or premium and unamortized deferred bond issuance costs, consisted of the following:

	December 31, 2019	December 31, 2018
Revenue bonds and revenue refunding bonds		
Series 2003A (weighted average rate of 1.38% during the year ended December 31, 2019 and nine month period ended December 31, 2018), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	$ 7,700	$ 10,153
Series 2003C (weighted average rate of 1.60% during the year ended December 31, 2019 and nine month period ended December 31, 2018), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	7,708	10,169
Series 2008A (weighted average rate of 5.00% during the year ended December 31, 2019 and nine month period ended December 31, 2018), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	119,569	123,078
Series 2008C (weighted average rate of 1.50% during the year ended December 31, 2019 and 1.43% during the nine month period ended December 31, 2018), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	271,608	320,718
Series 2010D, 5.00%, principal payable in annual installments through April 2019	—	15,014
Series 2011A, 4.00%, principal payable in annual installments through April 2022	652	32,378
Series 2011B (weighted average rate of 1.76% for the year ended December 31, 2019 and 1.78% during the nine month period ended December 31, 2018), principal payable in varying annual installments through April 2051, subject to a put provision that provides for a cumulative seven-month notice and remarketing period; interest tied to a market index plus a spread	69,297	69,274
Series 2011C weighted average rate of 2.52% for the year ended December 31, 2019 and 2.31% during the nine month period ended December 31, 2018), principal payable in varying annual installments through April 2049, subject to a put provision on September 3,2024; interest tied to a market index plusa spread	49,753	49,722
Series 2011D weighted average rate of 2.52% for the year ended December 31, 2019 and 2.31% during the nine month period ended December 31, 2018), principal payable in varying annual installments through April 2049, subject to a put provision on September 3, 2024; interest tied to a market index plus a spread	49,753	49,722
Series 2012, 4.00%, principal payable in varying annual installments through June 2044	40,507	147,826
Series 2013A, 5.00%, principal payable in varying annual installments through June 2027	52,486	93,356
Series 2014, 4.00% to 5.00%, principal payable in varying annual installments through August 2038	160,080	330,682
Series 2015, 4.13% to 5.00%, principal payable in varying annual installments through May 2045	102,590	102,705
Series 2015B, 4.00% to 5.00%, principal payable in varying annual installments through May 2044	72,386	72,428
Series 2018A, 4.00% to 5.00%, principal payable in varying annual installments through August 2044	105,764	106,345
Series 2018B (weighted average rate of 5.00% during the year ended December 31, 2019 and the period August 16, 2018 through December 31, 2018), principal payable in varying annual installments through August 2054; interest based on prevailing market conditions at time of remarketing	206,479	211,196
Series 2018C (weighted average rate of 1.96% for the year ended December 31, 2019 and 2.09% during the period August 16,2018 through December 31, 2018), principal payable in varying annual installments through August 2054, interest tied to a market index plus a spread	198,219	198,182
	1,514,551	1,942,948
Taxable bonds		
Taxable Bond Series 2018, 3.83% to 4.27%, principal payable in varying annual installments through August 2048	709,628	709,392
Taxable Bond Series 2019, 3.39%, principal payable in October 2049	354,703	—
	1,064,331	709,392
Capital lease obligations and financing arrangements	235,249	241,677
Commercial paper, weighted average interest rate of 2.15% for the period March 5, 2019 to December 31, 2019	132,000	—

Taxable Term Loan, (weighted average rate of 2.68% for the year ended December 31, 2019 and 2.61% during the nine month period ended December 31, 2018), principal payable in varying annual installments through September 2024	114,868	114,841
	3,060,999	3,008,858
Less amounts classified as current		
Current portion of long-term debt	(52,098)	(49,927)
Commercial paper	(132,000)	—
Current portion of long-term debt and commercial paper	(184,098)	(49,927)
Long-term debt subject to short-term financing arrangements	(147,535)	(162,025)
	(331,633)	(211,952)
	$ 2,729,366 $	2,796,906

Maturities of long-term debt, capital leases, and sinking fund requirements, assuming remarketing of the variable rate demand revenue refunding bonds, for the five years ending December 31, 2024, are as follows: 2020 - $52,098; 2021 - $51,827; 2022 - $55,009; 2023 - $55,588; and 2024 - $124,502.

The System's outstanding bonds are secured by obligations issued under the Second Amended and Restated Master Trust Indenture dated as of August 1, 2018, as the same may be amended from time to time, between Advocate Aurora Health, Inc., the other affiliates identified therein as the Members of the Obligated Group and U.S. Bank National Association, as master trustee ("the System Master Indenture"). Under the terms of the bond indentures and other arrangements, various amounts are to be on deposit with trustees, and certain specified payments are required for bond redemption and interest payments. The System Master Indenture and other debt agreements, including bank agreements, also place restrictions on the System and require the System to maintain certain financial ratios.

The System's unsecured variable rate revenue bonds, Series 2008A-1 of $42,045, Series 2008A-2 of $35,490 and Series 2011B of $70,000, while subject to a long-term amortization period, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2019, the principal amount of such bonds has been classified as a current obligation as long-term debt subject to short-term financing arrangements in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to the System is remote. However, to address this possibility, the System has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or net assets without donor restrictions as a source of self-liquidity.

The System has standby bond purchase agreements with banks to provide liquidity support for the Series 2008C Bonds. In the event of a failed remarketing of a Series 2008C Bond upon its tender by an existing holder and subject to compliance with the terms of the standby bond purchase agreement, the standby bank would provide the funds for the purchase of such tendered bonds, and the System would be obligated to repay the bank for the funds it provided for such bond purchase (if such bond is not subsequently remarketed), with the first installment of such repayment commencing on the date one year and one day after the bank purchases the bond. As of December 31, 2019, there were no bank-purchased bonds outstanding. To the extent that the standby bond purchase agreement expiration date is within 12 months after December 31, 2019, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. The standby bond purchase agreements expire as follows: $145,919 in August 2021 and $129,456 in January 2024.

In August 2018, the Wisconsin Health and Educational Facilities Authority ("WHEFA"), for the benefit of the System issued its Revenue Bonds, Series 2018ABC, in the amount of $487,895 and the System issued its Series 2018 Taxable Bonds, in the amount of $714,500. The proceeds of the Series 2018ABC Bonds and

the Series 2018 Taxable Bonds were used to refund certain WHEFA Bonds previously issued for the benefit of Aurora, refinance Aurora's taxable bonds, the drawn portion of an Aurora line of credit and to pay certain financing costs. In connection with this transaction, the System recognized a loss on refinancing in the amount of $29,859.

In March 2019, the System issued commercial paper in the amount of $50,000. The proceeds of the commercial paper were used to redeem the Series 2008C-2A bonds of $49,230 plus accrued interest and certain costs related to the issuance of the commercial paper. The remaining proceeds were used for general corporate purposes. The standby bond purchase agreement related to the Series 2008C-2A bonds were canceled effective March 5, 2019.

In connection with the BAMC acquisition, the System assumed $81,465 of outstanding tax-exempt bonds. WHEFA had originally issued Bay Area Series 2015A of $40,000 with a fixed rate and Bay Area Series 2015B of $45,600 with a variable interest rate for the benefit of BAMC (collectively referred to as the "Bay Area Bonds"). The Bay Area Bonds were purchased by a bank in a private placement transaction. Also in connection with the BAMC acquisition, the System acquired an interest rate swap. As the debt related to the swap is no longer outstanding, it is being held as a swap portfolio. These bonds and the swap are secured under the System Master Indenture.

In November 2019, the System issued commercial paper in the amount of $82,000. The proceeds of the commercial paper were used to redeem the Bay Area Bonds in the aggregate principal amount of $81,465 plus accrued interest. The remaining proceeds were used for general corporate purposes.

The commercial paper program permits the issuance of up to $475,000 in aggregate principal outstanding, with maturities limited to 270-day periods. As of December 31, 2019, $132,000 of commercial paper was outstanding with maturities ranging from 27 to 62 days.

In November 2019, the System issued Series 2019 Taxable Bonds in the amount of $357,970. The proceeds of the Series 2019 Taxable Bonds were used to refinance all or a portion of the Series 2011A-2, Series 2012, Series 2013A and Series 2014 Bonds and to pay certain financing costs. In connection with this transaction, The System recognized a loss on refinancing in the amount of $21,103.

The System maintains an interest rate swap program on certain of its variable rate debt as described in Note 11. INTEREST RATE SWAP PROGRAM.

The System's interest paid, net of capitalized interest, amounted to $119,870 for the year ended December 31, 2019 and $80,559 for the nine months ended December 31, 2018. The System capitalized interest of $4,087 for the year ended December 31, 2019 and $1,207 for the nine months ended December 31, 2018.

At December 31, 2019, the System had lines of credit with banks aggregating to $225,000. These lines of credit provide for various interest rates and payment terms and expire as follows: $25,000 in August 2020, $100,000 in August 2021 and $100,000 in December 2022. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures or for general working capital purposes. At December 31, 2019, under a line of credit there are various letters of credit issued totaling $51,734. At December 31, 2019, no amounts were outstanding on these lines or letters of credit.

11. INTEREST RATE SWAP PROGRAM

The System has interest rate-related derivative instruments to manage the exposure of its variable rate debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates,

the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The System also mitigates risk through periodic reviews of its derivative positions in the context of its total blended cost of capital.

At December 31, 2019, the System maintains an interest rate swap program on its Series 2008C variable rate demand revenue bonds. These bonds expose the System to variability in interest payments due to changes in interest rates. The System believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, the System entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps convert the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in the principal outstanding under various bond series. As the Series 2008C-2A bonds were canceled effective March 5, 2019, the portion of the swap related to these bonds is now held as a swap portfolio.

In connection with the BAMC acquisition, the System acquired an interest rate swap. As the debt related to the swap is no longer outstanding, it is being held as a swap portfolio.

The following is a summary of the outstanding positions under these interest rate swap agreements at December 31, 2019:

Bond Series	Notional Amount	Maturity Date	Rate Received	Rate Paid
2008C-1	$ 129,900	November 1, 2038	61.7% of LIBOR + 26bps	3.605%
2008C-2B	58,425	November 1, 2038	61.7% of LIBOR + 26bps	3.605%
2008C-3A	88,000	November 1, 2038	61.7% of LIBOR + 26bps	3.605%
Swap portfolio	50,000	November 1, 2038	61.7% of LIBOR + 26bps	3.605%
Swap portfolio	27,770	February 1, 2038	70.0% of LIBOR	3.314%

The swaps are not designated as hedging instruments, and therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swaps are classified as changes in fair value of interest rate swaps in the accompanying consolidated statements of operations and changes in net assets. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the accompanying consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreements was a liability of $91,340 and $65,376 as of December 31, 2019 and 2018, respectively. No collateral was posted under these swap agreements as of December 31, 2019 and 2018.

Amounts recorded in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Net cash payments on interest rate swap agreements (interest expense)	$ 6,711	$ 4,850
Change in fair value of interest rate swaps	$ (21,079)	$ 993

The interest rate swap instruments contain provisions that require the System to maintain an investment grade credit rating on its tax-exempt bonds from certain major credit rating agencies. If the System's tax-exempt bonds were to fall below investment grade, it would be in violation of these provisions and the counterparties to the swap instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on interest rate swap instruments in net liability positions.

12. RETIREMENT PLANS

The System maintains various employee retirement benefit plans available to qualifying employees and retirees.

In June 2019, the System approved a plan to freeze the Advocate defined benefit pension plan (Advocate Plan) that covered substantially all of Advocate's employees. Effective December 31, 2019, the Advocate Plan closed to new participants and participants ceased accruing additional pension benefits. The Advocate Plan was remeasured as of June 30, 2019 and a curtailment of $72 was recorded in nonoperating income (loss), net in the accompanying consolidated statements of operations and changes in net assets. In addition, $86,396 of previously unrecognized net actuarial loss was recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost. The accompanying consolidated balance sheets contain an other noncurrent liability related to the Advocate Plan totaling $173,939 and $45,570 at December 31, 2019 and 2018, respectively. During the year ended December 31, 2019 and nine months ended December 31,2018, respectively, $22,000 and no contributions were made to the Advocate Plan.

In addition, the accompanying consolidated balance sheets contain an other noncurrent liability and other noncurrent asset related to the Condell Health Network Retirement Plan (Condell Plan) of $1,824 and $1,424 at December 31, 2019 and 2018, respectively. The Condell Plan was frozen effective January 1, 2008 to new participants and participants ceased to accrue additional pension benefits. During the year ended December 31, 2019 and nine months ended December 31, 2018, no contributions were made to the Condell Plan.

The accompanying consolidated balance sheets contain an other noncurrent liability related to the Aurora defined benefit pension plan (Aurora Plan) of $83,321 and $104,979 at December 31, 2019 and 2018, respectively. The Aurora Plan was frozen on December 31, 2012. During the year ended December 31, 2019 and the nine months ended December 31, 2018, respectively, cash contributions of $10,000 and $22,200 were made to the Aurora Plan.

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2019 is as follows:

	Advocate	Condell	Aurora	Total
Change in plan assets:				
Plan assets at fair value at beginning of period	$ 929,365	$ 58,230	$ 1,327,366	$ 2,314,961
Actual return on plan assets	117,288	10,604	308,509	436,401
Employer contributions	22,000	—	10,000	32,000
Benefits paid	(56,853)	(4,623)	(57,371)	(118,847)
Plan assets at fair value at end of period	$ 1,011,800	$ 64,211	$ 1,588,504	$ 2,664,515
Change in projected benefit obligation:				
Projected benefit obligation at beginning of period	$ 974,935	$ 56,806	$ 1,432,345	$ 2,464,086
Service cost	57,645	—	—	57,645
Interest cost	38,384	2,327	62,649	103,360
Actuarial loss	258,024	11,525	234,202	503,751
Gain due to curtailment	(86,396)	—	—	(86,396)
Benefits paid	(56,853)	(4,623)	(57,371)	(118,847)
Projected benefit obligation at end of period	$ 1,185,739	$ 66,035	$ 1,671,825	$ 2,923,599
Plan assets less than projected benefit obligation	$ (173,939)	$ (1,824)	$ (83,321)	$ (259,084)
Accumulated benefit obligation at end of period	$ 1,185,739	$ 66,035	$ 1,671,825	$ 2,923,599

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the nine-months ended December 31, 2018 is as follows:

	Advocate	Condell	Aurora	Total
Change in plan assets:				
Plan assets at fair value at beginning of period	$ 1,008,843	$ 66,731	$ 1,511,225	$ 2,586,799
Actual return on plan assets	(23,256)	(3,956)	(119,447)	(146,659)
Employer contributions	—	—	22,200	22,200
Benefits paid	(56,222)	(4,545)	(86,612)	(147,379)
Plan assets at fair value at end of period	$ 929,365	$ 58,230	$ 1,327,366	$ 2,314,961
Change in projected benefit obligation:				
Projected benefit obligation at beginning of period	$ 960,935	$ 70,993	$ 1,622,605	$ 2,654,533
Service cost	41,279	—	—	41,279
Interest cost	26,332	1,877	45,375	73,584
Actuarial loss (gain)	2,611	(11,520)	(149,023)	(157,932)
Benefits paid	(56,222)	(4,544)	(86,612)	(147,378)
Projected benefit obligation at end of period	$ 974,935	$ 56,806	$ 1,432,345	$ 2,464,086
Plan assets (less) greater than projected benefit obligation	$ (45,570)	$ 1,424	$ (104,979)	$ (149,125)
Accumulated benefit obligation at end of period	$ 907,526	$ 56,806	$ 1,432,345	$ 2,396,677

The Condell Plan paid lump sums totaling $2,989 and $3,854 in 2019 and 2018, respectively. The amount in 2019 and 2018 was greater than the sum of the Condell Plan's service cost and interest cost, resulting in a settlement charge in the amount of $642 and $787, respectively.

Pension plan expense (income) included in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2019:

	Advocate	Condell	Aurora	Total
Service cost	$ 57,645	$ —	$ —	$ 57,645
Interest cost	38,384	2,327	62,649	103,360
Expected return on plan assets	(55,543)	(2,413)	(76,183)	(134,139)
Amortization of:				
Actuarial loss	3,634	108	7,631	11,373
Prior service cost	(72)	—	3	(69)
Settlement/curtailment	(72)	642	—	570
Net pension expense (income)	$ 43,976	$ 664	$ (5,900)	$ 38,740

Pension plan expense (income) included in the accompanying consolidated statements of operations and changes in net assets is as follows for the nine months ended December 31, 2018:

	Advocate	Condell	Aurora	Total
Service cost	$ 41,279	$ —	$ —	$ 41,279
Interest cost	26,332	1,877	45,375	73,584
Expected return on plan assets	(49,884)	(2,124)	(57,426)	(109,434)
Amortization of:				
Actuarial loss	3,974	1,259	8,816	14,049
Prior service cost	(2,987)	—	2	(2,985)
Settlement/curtailment	—	787	—	787
Net pension expense (income)	$ 18,714	$ 1,799	$ (3,233)	$ 17,280

The components of net periodic benefit costs other than the service cost component are included in other nonoperating income, net in the accompanying consolidated statements of operations and changes in net assets.

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows for the year ended December 31, 2019:

	Advocate	Condell	Aurora	Total
Net change recognized	$ 106,393	$ 2,584	$ (5,758)	$ 103,219

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows for the nine months ended December 31, 2018:

	Advocate	Condell	Aurora	Total
Net change recognized	$ 74,763	$ (7,486)	$ 19,033	$ 86,310

Included in net assets without donor restrictions at December 31, 2019 are the following amounts that have not yet been recognized in net pension expense:

	Advocate	Condell	Aurora	Total
Unrecognized prior credit	$ —	$ —	$ 102	$ 102
Unrecognized actuarial loss	305,168	14,193	454,561	773,922
	$ 305,168	$ 14,193	$ 454,663	$ 774,024

The expected amortization amount to be included in the net periodic pension cost in 2020 is as follows:

	Advocate	Condell	Aurora	Total
Net actuarial loss	$ 5,149	$ 355	$ 11,990	$ 17,494
Prior service (credit)/cost	—	—	3	3
	$ 5,149	$ 355	$ 11,993	$ 17,497

Expected employee benefit payments to be paid from the pension plans are as follows:

	Advocate	Condell	Aurora	Total
2020	$ 72,071	$ 4,853	$ 62,740	$ 139,664
2021	67,845	6,174	67,335	141,354
2022	71,054	5,439	71,363	147,856
2023	70,843	4,536	74,794	150,173
2024	69,337	4,789	77,895	152,021
2025-2029	342,568	22,047	424,167	788,782
Total	$ 693,718	$ 47,838	$ 778,294	$ 1,519,850

Expected contributions to the pension plans are as follows:

	Advocate	Condell	Aurora	Total
2020	$ 20,000	$ —	$ 20,000	$ 40,000

Employer contributions were paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Advocate Plan, Condell Plan and Aurora Plan (collectively referred to as the "Plans") were paid from the Plans' assets.

The System's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors and manager style to minimize the risk of loss. The System utilizes investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines.

The System's target and actual pension asset allocations for the Plans are as follows:

	December 31, 2019		December 31, 2018	
Asset Category - Advocate Plan	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	75%	58%	—%	—%
Domestic and international equity securities	21	20	35	34
Alternative investments	2	13	45	46
Cash and fixed-income securities	2	9	20	20
	100%	100%	100%	100%

	December 31, 2019		December 31, 2018	
Asset Category - Condell Plan	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	75%	85%	65%	65%
Domestic and international equity securities	11	6	15	15
Cash and fixed-income securities	14	9	20	20
	100%	100%	100%	100%

	December 31, 2019		December 31, 2018	
Asset Category - Aurora Plan	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	75%	73%	60%	60%
Domestic and international equity securities	21	22	33	33
Real estate	2	2	3	3
Cash and fixed-income securities	2	3	4	4
	100%	100%	100%	100%

The de-risking portfolio is comprised of fixed-income instruments designed to hedge Plan liabilities.

At December 31, 2019, the Advocate Plan had commitments to fund alternative investments, including recallable distributions of $28,853 over the next five years.

In the normal course of operations and within established investment policy guidelines, the Plan may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the Plan's strategic asset allocation. These instruments require the Plan to deposit cash collateral with the broker or custodian.

Derivative contract information at December 31, 2019 are as follows:

	Advocate	Aurora	Total
Cash and security collateral provided	$ 9,608	$ 4,554	$ 14,162
Notional value - long position	—	283,335	283,335
Notional value - short position	(451,430)	(9,006)	(460,436)

By using derivative financial instruments, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in the underlying reference security. The market risk associated with market changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented within Advocate Plan assets. Unsettled sales resulted in receivables due from brokers of $45,871 at December 31, 2019. Unsettled purchases resulted in payables of $45,351 at December 31, 2019.

Receivables and payables for investment trades not settled are presented within Aurora Plan assets. Unsettled sales resulted in receivables due from brokers of $12 at December 31, 2019. Unsettled purchases resulted in payables of $2,987 at December 31, 2019.

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 4. Real estate commingled funds for which an active market exists are included in Level 2. The System opted to use the net asset value per share, or its equivalent, as a practical expedient for the fair value of the Plans' interest in hedge funds, private equity limited partnerships and real estate commingled funds. There is inherent uncertainty in such valuations and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity limited partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Plans' investment assets are exposed to the same kinds and levels of risk as described in Note 6.

The following are the Plans' financial instruments at December 31, 2019, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 6.:

Description		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	$ 137,453	$ 32,415	$ 105,038	$ —
Corporate bonds and other debt securities	1,045,015	—	1,045,015	—
United States government obligations	644,077	—	644,077	—
Bond and other debt security funds	126,516	—	126,516	—
Equity securities	67,724	67,724	—	—
Equity funds	482,682	11,841	470,841	—
Real estate funds	17,604	—	17,604	—
	2,521,071	$ 111,980	$ 2,409,091	$ —
Investments at net asset value				
Alternative investments	143,444			
Total investments	$ 2,664,515			

The following are the Plans' financial instruments at December 31, 2018, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 6.:

Description		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	$ 86,131	$ 36,453	$ 49,678	$ —
Corporate bonds and other debt securities	647,429	—	647,429	—
United States government obligations	221,420	—	221,420	—
Non-government fixed-income obligations	571	—	571	—
Bond and other debt security funds	176,550	97,562	78,988	—
Equity securities	229,057	229,057	—	—
Equity funds	398,881	248,639	150,242	—
Real estate funds	19,302	2,516	16,786	—
	1,779,341	$ 614,227	$ 1,165,114	$ —
Investments at net asset value				
Alternative investments	535,620			
Total	$ 2,314,961			

Assumptions used to determine benefit obligations are as follows:

	December 31, 2019	December 31, 2018
Discount rate - Advocate Plan	3.23%	4.38%
Discount rate - Condell Plan	3.37%	4.38%
Discount rate - Aurora Plan	3.37%	4.48%
Assumed rate of return on assets - Advocate Plan	4.50%	7.00%
Assumed rate of return on assets - Condell Plan	2.50%	4.25%
Assumed rate of return on assets - Aurora Plan	4.50%	5.50%
Weighted average rate of increase in future compensation (age-based table) - Advocate Plan	—%	3.77%

Assumptions used to determine net pension expense are as follows:

	December 31, 2019	December 31, 2018
Discount rate - Advocate and Condell Plans	4.38%	3.60%
Discount rate - Aurora Plan	4.48%	3.79%
Assumed rate of return on assets - Advocate Plan	7.00%	7.00%
Assumed rate of return on assets - Condell Plan	4.25%	5.00%
Assumed rate of return on assets - Aurora Plan	5.50%	5.50%
Weighted average rate of increase in future compensation (age-based table) - Advocate Plan	3.77%	3.61%

The assumed rate of return on each Plan's assets is based on historical and projected rates of return for asset classes in which the portfolio is invested. As the Advocate Plan was frozen on December 31, 2019, the assumed rate of return and the target asset allocations were adjusted and actual allocations are being adjusted to more closely align with the new target allocations.

The 2019 mortality assumption for the Plans was the amounts-weighted aggregate rates from the Pri-2012 mortality study with white-collar adjustments projected generationally from 2012 with Scale MP-2019. The 2018 mortality assumption for the Advocate and Condell Plans was the RP-2014 no-collar adjustment with improvements projected generationally using Scale MP-2018. The 2018 mortality assumption for the Aurora

Plan was the RP-2014 100% white-collar adjustment with improvements projected generationally using Scale MP-2018.

In addition to these Plans, the System sponsors various defined contribution plans for its employees. Contributions to these plans, which are included in salaries, wages and benefits expense in the consolidated statements of operations and changes in net assets, were $207,194 for the year ended December 31, 2019 and $140,381 for the nine months ended December 31, 2018.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	December 31, 2019	December 31, 2018
Purchases of property and equipment	$ 22,763	$ 22,767
Medical education and other health care programs	219,342	201,024
	$ 242,105	$ 223,791

14. FUNCTIONAL OPERATING EXPENSES

Operating expenses directly attributable to a specific functional area of the System are reported as expenses of those functional areas. Expenses other than interest expense are directly allocated to functional departments at the time they are incurred. Interest expense that relates to debt financing is allocated based on the use of the related funds. General and administrative expenses primarily include legal, finance, purchasing and human resources. Health care services require the benefit of and the expense of general and administrative services; therefore, these costs are further allocated to health care services. A majority of fundraising costs are reported as other nonoperating income, net in the accompanying consolidated statements of operations and changes in net assets.

Functional operating expenses for the year ended December 31, 2019 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	$ 6,437,864	$ 619,726	$ 7,057,590
Supplies, purchased services and other	3,526,902	519,823	4,046,725
Contracted medical services	543,716	—	543,716
Depreciation and amortization	478,765	91,243	570,008
Interest	106,314	—	106,314
Total operating expenses	11,093,561	1,230,792	12,324,353
Allocation of general and administrative	1,230,792	(1,230,792)	—
Total operating expenses after allocation	$ 12,324,353	$ —	$ 12,324,353

Functional operating expenses for the nine months ended December 31, 2018 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	$ 4,634,289	$ 381,527	$ 5,015,816
Supplies, purchased services and other	2,331,949	535,961	2,867,910
Contracted medical services	478,393	—	478,393
Depreciation and amortization	346,655	64,380	411,035
Interest	81,385	—	81,385
Total operating expenses	7,872,671	981,868	8,854,539
Allocation of general and administrative	981,868	(981,868)	—
Total operating expenses after allocation	$ 8,854,539	$ —	$ 8,854,539

15. LIQUIDITY

The System's financial assets available within one year of the consolidated balance sheets date for general expenditures are as follows:

	December 31, 2019	December 31, 2018
Current assets		
Cash and cash equivalents	$ 449,712	$ 584,887
Assets limited as to use	106,529	106,244
Patient accounts receivable	1,605,607	1,486,260
Third-party payors receivables	15,331	17,793
Collateral proceeds under securities lending program	18,284	18,869
Total current assets	2,195,463	2,214,053
Assets limited as to use		
Internally designated for capital and other	8,345,172	6,941,646
Held for self-insurance	645,697	632,372
Donor restricted	132,024	119,759
Investments under securities lending program	17,672	18,310
Total assets limited as to use	9,140,565	7,712,087
Total financial assets	$ 11,336,028	$ 9,926,140
Less		
Amounts unavailable for general expenditures		
Alternative investments	(1,791,717)	(1,457,147)
Total amounts unavailable for general expenditure	(1,791,717)	(1,457,147)
Amounts unavailable to management without approval		
Held for self-insurance	(752,226)	(738,616)
Donor restricted	(132,024)	(119,759)
Investments under securities lending program	(17,672)	(18,310)
Total amounts unavailable to management without approval	(901,922)	(876,685)
Total financial assets available to management for general expenditure within one year	$ 8,642,389	$ 7,592,308

16. COMMITMENTS AND CONTINGENCIES

Aurora West Allis Medical Center has the right to operate the hospital under the terms of a lease agreement with the City of West Allis (the City). In accordance with the lease agreement, the City has title to all assets and any subsequent additions (with the exception of certain equipment used by Aurora for laboratory services). Aurora West Allis Medical Center has an exclusive right to the use of the assets and the obligation to maintain and replace them. The historical cost to the System of the leased facilities is included within

the System's property and equipment, net. The agreement provides for annual payments of less than $100 in lieu of annual lease payments and includes payment escalations each subsequent year. The lease expires in 2063.

The System is committed to constructing additions and renovations to its medical facilities that are expected to be completed in future years. The estimated cost of these commitments is $843,863, of which $384,917 has been incurred as of December 31, 2019.

The System entered into agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $260,000 over the next eleven years and approximately $34,000 is included in accrued liabilities in the accompanying consolidated balance sheets at December 31, 2019. The System has also entered into various other agreements. The future commitments under these agreements is $31,245 over the next six years.

17. GENERAL AND PROFESSIONAL LIABILITY RISKS

The System is self-insured for substantially all general and professional liability risks. The self-insurance programs combine various levels of self-insured retention with excess commercial insurance coverage. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Revocable trust funds, administered by a trustee and captive insurance companies, have been established for the self-insurance programs. Actuarial consultants have been retained to determine the estimated cost of claims, as well as to determine the amount to fund into the irrevocable trust and captive insurance companies.

Aurora's hospitals, clinics, surgery centers, physicians and certified registered nurse anesthetist providers that provide health care in Wisconsin are qualified health care providers that are fully covered for losses in excess of statutory limits through mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund.

The estimated cost of claims is actuarially determined based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions to the trust were determined using a discount rate of 3.00% as of December 31, 2019 and 2018. Total accrued insurance liabilities would have been $71,439 and $76,620 greater at December 31, 2019 and 2018, respectively, had these liabilities not been discounted.

The System entities are defendants in certain litigation related to professional and general liability risks, and other matters. Although the outcome of the litigations cannot be determined with certainty, management believes, after consultation with legal counsel, that the ultimate resolution of the litigations will not have a material adverse effect on the System's operations or financial condition.

18. LEGAL, REGULATORY AND OTHER CONTINGENCIES

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. During the last few years, due to nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, exclusion from the Medicare and Medicaid programs and revocation of federal or state

tax-exempt status. Moreover, the System expects that the level of review and audit to which it and other health care providers are subject will increase.

Various federal and state agencies have initiated investigations, which are in various stages of discovery, relating to reimbursement, billing practices and other matters of the System. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on the System. To foster compliance with applicable laws and regulations, the System maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

19. INCOME TAXES AND TAX STATUS

The subsidiaries of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and their related income is exempt from federal income tax. Accordingly, no income taxes are provided for the majority of the income in the accompanying consolidated financial statements for these entities. Unrelated business income is generated by certain of these entities through the provision of services or other activities not directly related to the provision of patient care.

At December 31, 2019, the System had $52,133 of federal and $74,412 of state net operating loss carryforward with unutilized amounts expiring between 2020 and 2037. At December 31, 2018, the System had $40,338 of federal and $60,481 of state net operating loss carryforward ,with unutilized amounts expiring between 2019 and 2037.

The System calculated income taxes for its taxable subsidiaries. Taxable income differs from pretax book income primarily due to certain income and deductions for tax purposes being recorded in the consolidated financial statements in different periods. Deferred income tax assets and liabilities are recorded for the tax effect of these differences using enacted tax rates for the years in which the differences are expected to reverse.

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 on the generation of future taxable income during the periods in which those temporary differences become deductible.

The System had deferred tax assets of $31,692 and $34,812, including $16,708 and $13,167 related to net operating loss carryforwards, as of December 31, 2019 and 2018, respectively. These deferred tax assets were partially offset by valuation allowances of $16,328 and $12,748, respectively, which were recorded due to the uncertainty regarding the use of the deferred tax assets.

Provisions for federal, state and deferred income taxes are included in other nonoperating income, net in the consolidated statements of operations and changes in net assets as follows:

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Federal	$ (891)	$ 392
State	(328)	(516)
Deferred	10,273	(3,356)
	$ 9,054	$ (3,480)

20. ACQUISITION OF BAY AREA MEDICAL CENTER

On April 1, 2019, the System acquired the remaining 51% interest in BAMC. The acquisition will improve the availability, scope and access to health care in the communities served by BAMC. As of April 1, 2019, BAMC and ABAMG are fully consolidated within the consolidated financial statements of the System. Prior to April 1, 2019, the System had a 49% interest in BAMC and a 27% interest in ABAMG.

In conjunction with the BAMC transaction, the System contributed $25,000 to an independent Foundation, a newly formed foundation. This interest in the Foundation is reflected in investments in unconsolidated entities in the accompanying consolidated balance sheets. Under the terms of the definitive agreement between the System and BAMC, the use of the $25,000 contribution is designated to support the operations and capital needs of BAMC and/or ABAMG.

As the System previously had an interest in BAMC, this transaction was accounted for as an acquisition achieved in stages. The System remeasured its previously held equity interest in BAMC to fair market value resulting in a gain of $44,000, which is recorded within other nonoperating income, net in the accompanying consolidated statements of operations and changes in net assets. The System then recorded its 100% interest in BAMC at fair market value, resulting in an inherent contribution of $37,736, which is recorded within other nonoperating income, net on the accompanying consolidated statements of operations and changes in net assets.

The fair value of assets and liabilities of BAMC acquisition at April 1, 2019 consisted of the following:

Current assets	$	37,239
Assets limited as to use		18,795
Property and equipment		157,206
Other noncurrent assets		7,879
Other intangible assets		460
Total assets	$	221,579
Current liabilities		19,812
Long-term debt, less current portion		78,959
Other noncurrent liabilities		12,080
Total liabilities		110,851
Net assets with donor restrictions		792
Net assets without donor restrictions		109,936
Total liabilities and net assets	$	221,579

Total revenue and operating loss from the date of acquisition for BAMC of $109,309 and $(9,599), respectively were included in the consolidated statements of operations and changes in net assets. The BAMC related changes in net assets without donor restrictions of $(13,074) from the date of acquisition is included in the consolidated balance sheets.

The proforma financial information presented below were prepared on a consolidated basis utilizing the accounting records of the System and BAMC as if the acquisition had occurred for the entirety of the periods presented. The proforma presented have been adjusted to eliminate activity between the System and BAMC. Management believes the assumptions underlying the proforma financial information presented, including the assumptions regarding the elimination of intercompany activity are reasonable. Nevertheless, the proforma information may not reflect the results of operations had BAMC been a

combined company during the periods presented and is not intended to project the System's results of operations for any future periods.

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Total revenue	$ 12,833,303	$ 9,295,172
Operating income	480,701	360,168
Revenues in excess of expenses	1,546,032	74,447

21. AFFILIATION

On April 1, 2018, Advocate Aurora Health, Inc., became the sole corporate member of Advocate Health Care Network and Aurora Health Care, Inc. The System was formed in furtherance of the parties' common and unifying charitable health care mission to promote and improve the quality and expand the scope and accessibility of affordable health care and health-care related services for the communities they serve.

The Affiliation was accounted for as a merger in accordance with accounting principles generally accepted in the United States; therefore, the System has accounted for the merger by applying the carryover method.

The following balance sheet was prepared on a consolidated basis utilizing accounting records of Advocate and Aurora as of April 1, 2018. The System's assets and liabilities have been adjusted to include a previously non-consolidated lab joint venture ("A2CL") as well as associated material eliminations of activity and balances due between Advocate and Aurora. Additionally, certain accounting policies have been adjusted to align Advocate and Aurora.

ADVOCATE AURORA HEALTH, INC.
PROFORMA CONSOLIDATED BALANCE SHEET
(in thousands)

	April 1, 2018				
	Aurora	Advocate	A2CL	Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 171,402	$ 235,425	$ 1,278	$ —	$ 408,105
Assets limited as to use	4,523	104,543	—	—	109,066
Patient accounts receivable	744,668	726,045	—	—	1,470,713
Other current assets	193,669	348,921	12,317	(21,510)	533,397
Total current assets	1,114,262	1,414,934	13,595	(21,510)	2,521,281
Assets limited as to use	1,737,381	6,187,437	—	—	7,924,818
Property and equipment, net	2,445,763	2,987,734	—	—	5,433,497
Total other assets	273,788	498,605	1,579	(10,075)	763,897
Total assets	$ 5,571,194	$ 11,088,710	$ 15,174	$ (31,585)	$ 16,643,493
Liabilities and net assets					
Current liabilities					
Current portion of long term-debt	$ 136,239	$ 120,901	$ —	$ —	$ 257,140
Accounts payable and accrued liabilities	623,687	829,635	18,127	(21,510)	1,449,939
Other current liabilities	31,653	425,468	—	—	457,121
Total current liabilities	791,579	1,376,004	18,127	(21,510)	2,164,200
Noncurrent liabilities					
Long-term debt, less current portion	1,266,070	1,539,105	—	—	2,805,175
Accrued insurance and claims costs, less current portion	27,381	636,856	—	—	664,237
Other noncurrent liabilities	382,919	359,597	—	(13,028)	729,488
Total noncurrent liabilities	1,676,370	2,535,558	—	(13,028)	4,198,900
Total liabilities	2,467,949	3,911,562	18,127	(34,538)	6,363,100
Net assets					
Without donor restrictions					
Controlling interest	2,934,281	7,009,528	(2,953)	2,953	9,943,809
Noncontrolling interest in subsidiaries	104,168	570	—	—	104,738
Total net assets without donor restrictions	3,038,449	7,010,098	(2,953)	2,953	10,048,547
With donor restrictions	64,796	167,050	—	—	231,846
Total net assets	3,103,245	7,177,148	(2,953)	2,953	10,280,393
Total liabilities and net assets	$ 5,571,194	$ 11,088,710	$ 15,174	$ (31,585)	$ 16,643,493

22 SUBSEQUENT EVENTS

The System evaluated events and transactions subsequent to December 31, 2019 through March 26, 2020, the date of financial statement issuance.

On January 9, 2020 the System approved the sale of a majority of the assets and certain liabilities (the disposal group) related to the central Illinois operations of the System. Based on a preliminary review, management expects that an immaterial loss will be incurred on this sale. In January 2020, the related disposal group was reclassified to assets held for sale.

In 2020, the Series 2008A-1 and Series 2008A-2 bonds were remarketed at a premium to their maturity date of November 1, 2030 and a portion of the outstanding par was redeemed in the amount of $5,590 and $4,670, respectively.

Due to the COVID-19, a strain of coronavirus, pandemic, the behavior of businesses and people globally has been altered in a manner that is having negative effects on global and local economies including significant investment market volatility, various temporary business closures resulting in increased unemployment and other effects which could result in supply disruptions and/or decisions to defer medical treatments at the System's facilities. The potential impact on the System is difficult to predict and could adversely impact the business, investment portfolio, financial condition or results of operations and, accordingly, may materially adversely impact the financial condition of the System. The accompanying consolidated financial statements as of and for the year ended December 31, 2019 do not reflect the effects of these subsequent events.

****

Supplementary Information

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

Building a better working world

Report of Independent Auditors on Supplementary Information

The Board of Directors
Advocate Aurora Health, Inc.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying details of consolidated balance sheets and details of consolidated statements of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

March 26, 2020

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2019
(in thousands)

Assets	Credit Group	Noncredit Group	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	$ (30,380)	$ 480,092	$ -	$ 449,712
Assets limited as to use	95,993	10,536	-	106,529
Patient accounts receivable	1,365,789	239,818	-	1,605,607
Other current assets	556,807	92,479	(29,744)	619,542
Third-party payors receivables	13,806	1,525	-	15,331
Receivable from subsdiaries	206,863	314,039	(520,902)	-
Collateral proceeds under securities lending program	18,284	-	-	18,284
Total current assets	2,227,162	1,138,489	(550,646)	2,815,005
Assets limited as to use	9,080,564	60,001	-	9,140,565
Note receivable from subsidiaries	181,988	-	(181,988)	-
Property and equipment, net	5,204,133	711,653	(13,863)	5,901,923
Other assets				
Intangible asset and goodwill, net	45,710	32,561	(1,441)	76,830
Investment in subsidiaries	(19,988)	-	19,988	-
Investments in unconsolidated entities	497,262	3,078	(287,925)	212,415
Reinsurance receivable	52,312	-	-	52,312
Operating lease right-of-use assets	300,358	51,937	-	352,295
Other noncurrent assets	677,327	42,460	(337,763)	382,024
Total other assets	1,552,981	130,036	(607,141)	1,075,876
Total assets	$ 18,246,828	$ 2,040,179	$ (1,353,638)	$ 18,933,369

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2019
(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Current liabilities				
Current portion of long-term debt and commercial paper	$ 180,436	$ 22,846	$ (19,184)	$ 184,098
Long-term debt subject to short-term financing arrangements	147,535	-	-	147,535
Current portion of operating lease liabilities	68,237	9,720	-	77,957
Accounts payable and accrued liabilities	1,583,677	293,246	(13,888)	1,863,035
Third-party payors payables	297,398	5,902	-	303,300
Current portion of accrued insurance and claims costs	105,363	9,378	-	114,741
Accounts payable to subsidiaries	333,926	186,976	(520,902)	-
Collateral under securities lending program	18,284	-	-	18,284
Total current liabilities	2,734,856	528,068	(553,974)	2,708,950
Noncurrent liabilities				
Long-term debt, less current portion	2,726,593	176,692	(173,919)	2,729,366
Operating lease liabilities	269,068	45,038	-	314,106
Accrued insurance and claims cost, less current portion	513,358	31,481	-	544,839
Accrued losses subject to insurance recovery	52,312	-	-	52,312
Obligations under swap agreements	86,120	5,220	-	91,340
Due to subsidiaries	299,545	(199,022)	(100,523)	-
Other noncurrent liabilities	765,927	28,831	(966)	793,792
Total noncurrent liabilities	4,712,923	88,240	(275,408)	4,525,755
Total liabilities	7,447,779	616,308	(829,382)	7,234,705
Net assets				
Without donor restrictions				
Controlling interest	10,255,465	1,345,301	(290,947)	11,309,819
Noncontrolling interest in subsidiaries	143,819	2,921	-	146,740
Total net assets without donor restrictions	10,399,284	1,348,222	(290,947)	11,456,559
With donor restrictions	399,765	95,637	(253,297)	242,105
Common stock	-	1,863	(1,863)	-
Additional paid-in capital	-	84,672	(84,672)	-
Retained (deficit) earnings/partnership losses	-	(106,523)	106,523	-
Total net assets	10,799,049	1,423,871	(524,256)	11,698,664
Total liabilities and net assets	$ 18,246,828	$ 2,040,179	$ (1,353,638)	$ 18,933,369

	Credit Group	Noncredit Group	Eliminations	Consolidate
Revenue				
Patient service revenue	$ 9,257,991	$ 1,787,776	$ (384,798)	$ 10,660,969
Capitation revenue	555,713	722,997	(14,548)	1,264,162
Other revenue	636,517	695,160	(451,385)	880,29
Total revenue	10,450,221	3,205.933	(850,731)	12,805,423
Expenses				
Salaries, wages and benefits	5,933,210	1,088,285	(32,933)	6,988,562
Supplies, purchased services and other	3,145,211	1,112,355	(258,561)	3,999,005
Contracted medical services	200,148	807,652	(464,084)	543,716
Depreciation and amortization	509,644	62,609	(2,297)	569,956
Interest	96,991	15,195	(5,872)	106,314
Total expenses	9,885,204	3,086,096	(763,747)	12,207,553
Operating income (loss) before nonrecurring expenses	565,017	119,837	(86,984)	597,870
Nonrecurring expenses	115,032	1,768	-	116,800
Operating income (loss)	449,985	118,069	(86,984)	481,07
Nonoperating income (loss)				
Investment income, net	1,007,980	45,918	-	1,053,898

Loss on debt refinancing	(21,665)	-	-	(21,665)
Change in fair value of interest rate swaps	(20,742)	(337)	-	(21,079)
Other nonoperating income (loss), net	48,429	9,103	(3,059)	54,47
Total nonoperating income (loss), net	1,014,002	54,684	(3,059)	1,065,62