

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.**Facility/Project Identification**

Facility Name: Silver Cross Orland Park Medical Office Building		
Street Address: Northeast Corner of LaGrange Road and 171 st Street		
City and Zip Code: Orland Park, Illinois 60487		
County: Cook	Health Service Area: 007	Health Planning Area: A-05

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

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

Type of Ownership of Applicants

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

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

APPEND DOCUMENTATION AS **ATTACHMENT 1** IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**Primary Contact** [Person to receive ALL correspondence or inquiries]

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

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APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

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Street Address: Northeast Corner of LaGrange Road and 171 st Street		
City and Zip Code: Orland Park, Illinois 60487		
County: Cook	Health Service Area: 007	Health Planning Area: A-05

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

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

Type of Ownership of Applicants

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
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Telephone Number: (312) 832-4375
E-mail Address: egreen@foley.com
Fax Number: (312) 832-4700

Additional Contact

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

Name: Ruth Colby

Title: President and Chief Executive Officer

Company Name: Silver Cross Hospital & Medical Centers

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

Telephone Number: (815) 300-7000

E-mail Address: rcolby@silvercross.org

Fax Number: 815-300-4965

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: Mark Jepson

Title: Vice President, Operations

Company Name: Silver Cross Hospital & Medical Centers

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

Telephone Number: (815) 300-7004

E-mail Address: mjepson@silvercross.org

Fax Number: (815) 300-7047

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Remedy Medical Properties, Inc. (following approval of the Project)

Address of Site Owner: 800 W Madison St Suite 400, Chicago, IL 60607

Street Address or Legal Description of Site:

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**APPEND DOCUMENTATION AS ATTACHMENT 2 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

Operating Identity/Licensee

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

Exact Legal Name: Silver Cross Hospital and Medical Centers

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

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

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

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

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

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

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.hfsrb.illinois.gov>). **NOTE: A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM** has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT**1. Project Classification**

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

Part 1110 Classification:

- ☐ Substantive
- ☒ Non-substantive

2. Narrative Description

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

Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation ("Silver Cross"), and Silver Cross Health System, an Illinois not-for-profit corporation ("Silver Cross Health System," collectively with Silver Cross, the "Applicants") hereby seek a Certificate of Need ("CON") from the Illinois Health Facilities & Services Review Board (the "Board"), to lease approximately 42,000 rentable square feet (the "Project") in a medical office building (the "Silver Cross Orland Park Medical Office Building") to be developed, constructed and owned by Remedy Medical Properties, Inc. (the "Owner" or the "Landlord") and located at the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois (the "Project").

The Silver Cross Orland Park Medical Office Building will house: (1) primary care and specialty care physicians who are currently employed by Premiere Suburban Medical Group ("PSMG"), an Illinois professional limited liability company, which is currently managed by an affiliate of Silver Cross; and (2) non-hospital based ambulatory care (i.e., infusion services, diagnostic imaging, GI services, and a well-patient/blood draw laboratory).

The total cost of the Project is expected to be **\$25,543,836**. The Applicants will ultimately sublet the space assigned to PSMG or charge the space back to PSMG as the various PSMG doctors and offices are relocated to the Silver Cross Orland Park Medical Office Building. Project completion is expected to occur on or about **February 28, 2024**, subject to Review Board approval and assuming construction can begin as soon as possible.

This Project does not involve inpatient services or designated "categories of services," and is only before the Board because the Project requires an expenditure in excess of the capital expenditure threshold. Thus, this Project is considered Non-Substantive.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts (Tenant Buildout Costs)	\$1,176,514	\$1,223,486	\$2,400,000
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees	\$49,021	\$50,979	\$100,000
Movable or Other Equipment (not in construction contracts)	\$7,221,344	\$2,020,968	\$9,242,312
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Space Lease	\$6,765,704	\$7,035,820	\$13,801,524
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$15,212,584	\$10,331,252	\$25,543,836
SOURCE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Cash and Securities	\$7,561,171	\$2,374,363	\$9,935,534
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$885,708	\$921,070	\$1,806,778
Fair Market Value of Space Lease	\$6,765,704	\$7,035,820	\$13,801,524
Fair Market Value of Ground Lease			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$15,212,584	\$10,331,252	\$25,543,836
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

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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 \$ _____.

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): **February 28, 2024**

Indicate the following with respect to project expenditures or to obligation (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 obligation" 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.**

Not Reviewable Space [i.e. non-clinical]: means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers. [20 ILCS 3960/3]

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL			20,589	20,589			
NON CLINICAL			21,411	21,411			
TOTAL			42,000	42,000			

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

Facility Bed Capacity and Utilization

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

FACILITY NAME: Silver Cross Hospital		CITY: 1900 Silver Cross Blvd., New Lenox, Illinois			
REPORTING PERIOD DATES: From: 01/01/2021 to: 12/31/2021					
Category of Service	Authorized** Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	204	14,051	71,693	0	204
Obstetrics	30	3,251	8,071	0	30
Pediatrics	8	134	568	0	8
Intensive Care	30	2,011	12,607	0	30
Comprehensive Physical Rehabilitation	28	735	8,887	0	28
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	300	20,182	101,826	0	300

** Please see the following notes which impact the above chart:

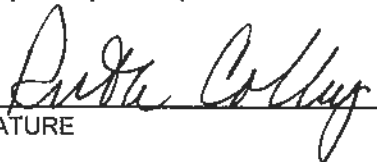
On September 17, 2019, the Review Board, by action of its Chairwoman, approved the Applicants' Certificate of Exemption ("COE") Application to establish a 24 bed, Level III Neonatal Intensive Care Unit at Silver Cross Hospital. See Project No. E-039-019. Project No. E-039-019 has a scheduled Project completion date of September 30, 2022 (due to the State's delay in enacting the new perinatal regulations).

CERTIFICATION

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

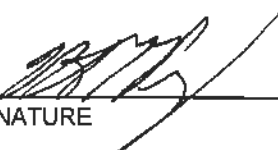
- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its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

This Application is filed on the behalf of Silver Cross Hospital & Medical Centers* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this Application is sent herewith or will be paid upon request.


SIGNATURE

Ruth Colby
PRINTED NAME

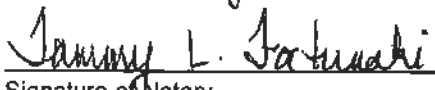
President & CEO
PRINTED TITLE


SIGNATURE

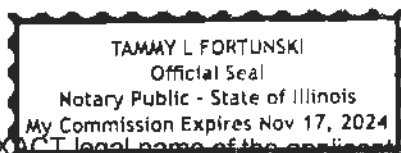
Vincent Pryor
PRINTED NAME

Executive Vice President & CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 16th day of June, 2022

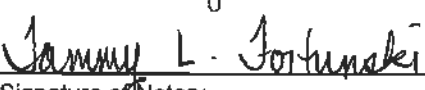

Signature of Notary

Seal

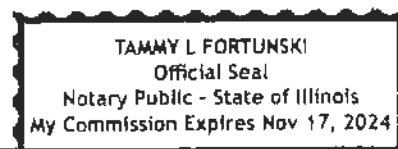


*Insert EXACT legal name of the applicant

Notarization:
Subscribed and sworn to before me
this 16th day of June, 2022


Signature of Notary

Seal

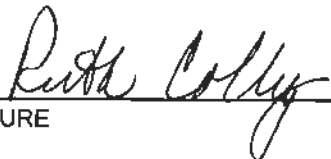


CERTIFICATION

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

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o 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);
- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

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


SIGNATURE

Ruth Colby
PRINTED NAME

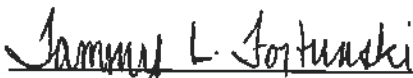
President & CEO
PRINTED TITLE


SIGNATURE

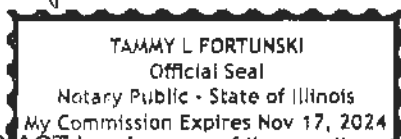
Vincent Pryor
PRINTED NAME

Assistant Treasurer & CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 6th day of June, 2022



Signature of Notary

Seal

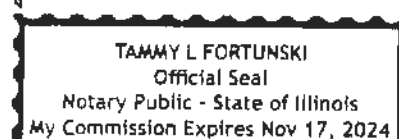


*Insert EXACT legal name of the applicant

Notarization:
Subscribed and sworn to before me
this 6th day of June, 2022


Signature of Notary

Seal



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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
 - a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
 - b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.
 - c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
 - d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
 - e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

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

Criterion 1110.110(b) & (d)**PURPOSE OF PROJECT**

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

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
 - 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE**Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space**

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - c. The project involves the conversion of existing space that results in excess square footage.
 - d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

ASSURANCES:

Submit the following:

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

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

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

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
<input type="checkbox"/> Office Based Infusion		
<input type="checkbox"/> Office Based Diagnostic Imaging/Testing		
<input type="checkbox"/> Wellness Laboratory/Blood Draw		
<input type="checkbox"/> Office Based GI Procedure		

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
1 APPEND DOCUMENTATION AS <u>ATTACHMENT 31</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VI. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

<u>\$9,935,534</u>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion; <p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p> <p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p> <p>d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions. <p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;</p> <p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
<u>\$15,608,302</u>	<p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project. Space Lease and Ground Lease</p>
<u>\$25,543,836</u>	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT 34 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 35 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 36 IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

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

B. Conditions of Debt Financing

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

APPEND DOCUMENTATION AS ATTACHMENT 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 39 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

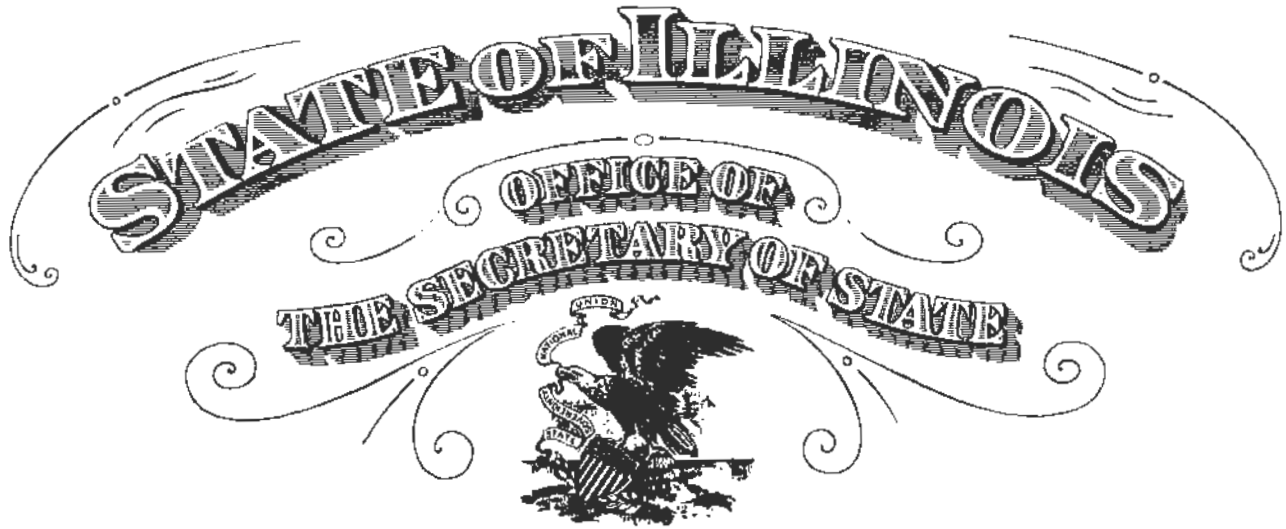
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Section I
Attachment 1
Applicant Identification

The Certificates of Good Standing for Silver Cross Hospital & Medical Centers (the "Hospital") and Silver Cross Health System (the "System," collectively with the Hospital, the "Applicants") are attached at ATTACHMENT 1.

File Number

0548-203-8



To all to whom these Presents Shall Come, Greeting:

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

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



***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 9TH
day of JUNE A.D. 2022 .***

Jesse White

SECRETARY OF STATE

Authentication #: 2216000606 verifiable until 08/09/2023

Authenticate at: <http://www.ilsos.gov>

File Number

5257-283-5



To all to whom these Presents Shall Come, Greeting:

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

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



***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 9TH
day of JUNE A.D. 2022 .***

Jesse White

SECRETARY OF STATE

Authentication #: 2216000632 verifiable until 06/09/2023

Authenticate at: <http://www.ilsos.gov>

Section I
Attachment 2
Site Ownership

1. The Hospital currently owns Lot 4 in the attached subdivision map for Orland Ridge, and generally described as the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois. Lot 4 is approximately 7.8 acres in total. See ATTACHMENT 2.

2. The legal description for Lot 4 is as follows:

THAT PART OF THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 27, TOWNSHIP 36 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING A POINT ON THE NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF THAT IS 878.01 FEET WEST OF THE EAST LINE OF SAID WEST HALF; THENCE NORTH 1 DEGREE 56 MINUTES 22 SECONDS WEST 915.82 FEET; THENCE SOUTH 88 DEGREES 3 MINUTES 38 SECONDS WEST 291.17 FEET; THENCE SOUTH 82 DEGREES 21 MINUTES 0 SECONDS WEST 80.22 FEET TO THE EAST LINE OF S. 96TH AVENUE (LAGRANGE ROAD); THENCE SOUTH 1 DEGREE 56 MINUTES 22 SECONDS EAST, ALONG SAID EAST LINE, 883.63 FEET; THENCE SOUTH 48 DEGREES 41 MINUTES 0 SECONDS EAST 32.87 FEET TO AFORESAID NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF; THENCE NORTH 88 DEGREES 20 MINUTES 16 SECONDS EAST, ALONG SAID NORTH LINE, 347.07 FEET TO THE POINT OF BEGINNING; IN COOK COUNTY, ILLINOIS. Part of PIN# 27-27-100-015.

3. Remedy Medical Properties, Inc., is the developer and landlord (the "Landlord") of the Silver Cross Orland Park Medical Office Building, which will be constructed and located on approximately 0.543 acres on the southwest corner of Lot 4 (the "Site Parcel").

4. Upon approval by the Illinois Health Facilities & Services Review Board, the Hospital and the Landlord will enter into a Ground Lease and a Space Lease.

5. An Affidavit from Vincent Pryor, the Hospital's Executive Vice President and Chief Financial Officer, in support of this Criterion is attached at ATTACHMENT 2.

6. See ATTACHMENT 7 regarding the terms of the Ground Lease and Space Lease.

June 6, 2022

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

Re: Certification of Corporate Ownership of Site Parcel (Silver Cross Orland Park Medical Office Building)

Dear Mr. Constantino:

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

1. Silver Cross Hospital & Medical Centers (the “Hospital”) currently owns Lot 4 in the attached subdivision map for Orland Ridge, and generally described as the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois. See Attachment One. Lot 4 is approximately 7.8 acres in total.

2. The legal description for Lot 4 is as follows:

THAT PART OF THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 27, TOWNSHIP 36 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING A POINT ON THE NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF THAT IS 878.01 FEET WEST OF THE EAST LINE OF SAID WEST HALF; THENCE NORTH 1 DEGREE 56 MINUTES 22 SECONDS WEST 915.82 FEET; THENCE SOUTH 88 DEGREES 3 MINUTES 38 SECONDS WEST 291.17 FEET; THENCE SOUTH 82 DEGREES 21 MINUTES 0 SECONDS WEST 80.22 FEET TO THE EAST LINE OF S. 96TH AVENUE (LAGRANGE ROAD); THENCE SOUTH 1 DEGREE 56 MINUTES 22 SECONDS EAST, ALONG SAID EAST LINE, 883.63 FEET; THENCE SOUTH 48 DEGREES 41 MINUTES 0 SECONDS EAST 32.87 FEET TO AFORESAID NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF; THENCE NORTH 88 DEGREES 20 MINUTES 16 SECONDS EAST, ALONG SAID NORTH LINE, 347.07 FEET TO THE POINT OF BEGINNING; IN COOK COUNTY, ILLINOIS. Part of PIN# 27-27-100-015.

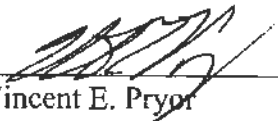
3. Remedy Medical Properties, Inc., is the developer and landlord (the “Landlord”) of the Silver Cross Orland Park Medical Office Building, which will be constructed and located on approximately 0.543 acres on the southwest corner of Lot 4 (the “Site Parcel”).

Attachment

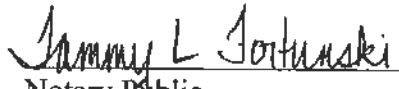
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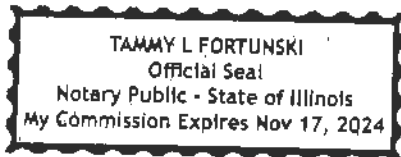
4. Upon approval by the Illinois Health Facilities & Services Review Board, the Hospital and the Landlord will enter into a Ground Lease for the Site Parcel.

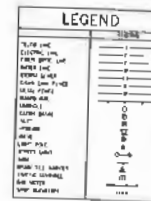
Sincerely,


By: Vincent E. Pryor
Silver Cross Hospital & Medical Centers
Executive Vice President & CFO

Subscribed and Sworn to before me
this 6th day of June, 2022.


Notary Public





EDON DOUBT
CAMP (11) HEAD - MURDER
(F1212)

LOS 1 MAP 27-27-100-218-000
LIT 4 MAP 27-27-100-011-000

NOTES

1. INTERVIEWED BY GUYAN IN 1973 AND 1974. PARTIAL INTERVIEW ALSO REVEALED THAT, BASED ON THE RESULTS ALONG WITH SEVERAL OTHERS, THE ESTIMATED ZONE OF DISSEMINATION BY GUYAN IS LIMITED, WHICH IS HELD THE BASIS FOR THE ESTIMATED PLAN OF DISSEMINATION.
2. INTERVIEWED SUBJECTS ARE ON THE NORTH AMERICAN MEDICAL BOARD OF 1966 (INTERVIEW) AS ESTABLISHED BY AMERICAN COUNCIL, OBSERVATIONS.
3. SUBJECTS INTERVIEWED BY INTERVIEW SUBJECTS WHOSE INTERVIEWED ZONE IS BASED ON THE RESULTS ALONG WITH SEVERAL OTHERS, THE ESTIMATED ZONE OF DISSEMINATION BY GUYAN IS LIMITED, WHICH IS HELD THE BASIS FOR THE ESTIMATED PLAN OF DISSEMINATION.

- [illegible]

(07 5 13156 5011 2 217 8)
 (07 4 324 040 5471 3 272 6)
 (marginalia)

STATE OF ILLINOIS 2
COUNTY OF COOK 1

TO: SSM HE#1111 - 51 LOAS
DOC460 TITLE INDIANANCE (2/24/41)

THIS IS TO CERTIFY THAT THIS MAN IS
MADE IN ACCORDANCE WITH THE 1921 ACT

[illegible]

PAID BY BANK OF AMERICA, N.Y. & C. 73RD PAY OF DECEMBER, 1951

~~SECRET~~



PREPARED FOR
SSM HEALTH - ST. LOUIS

LANDMARK
THOMASBROOK LLC
10000 7TH AVE. #10000 W. 1ST. 80517-0010
7808 WEST 103RD STREET
PALOS HILLS, ALHAMBRA 60465-1028
Phone (708) 598-3737
FAX (708) 598-3737

Attachment

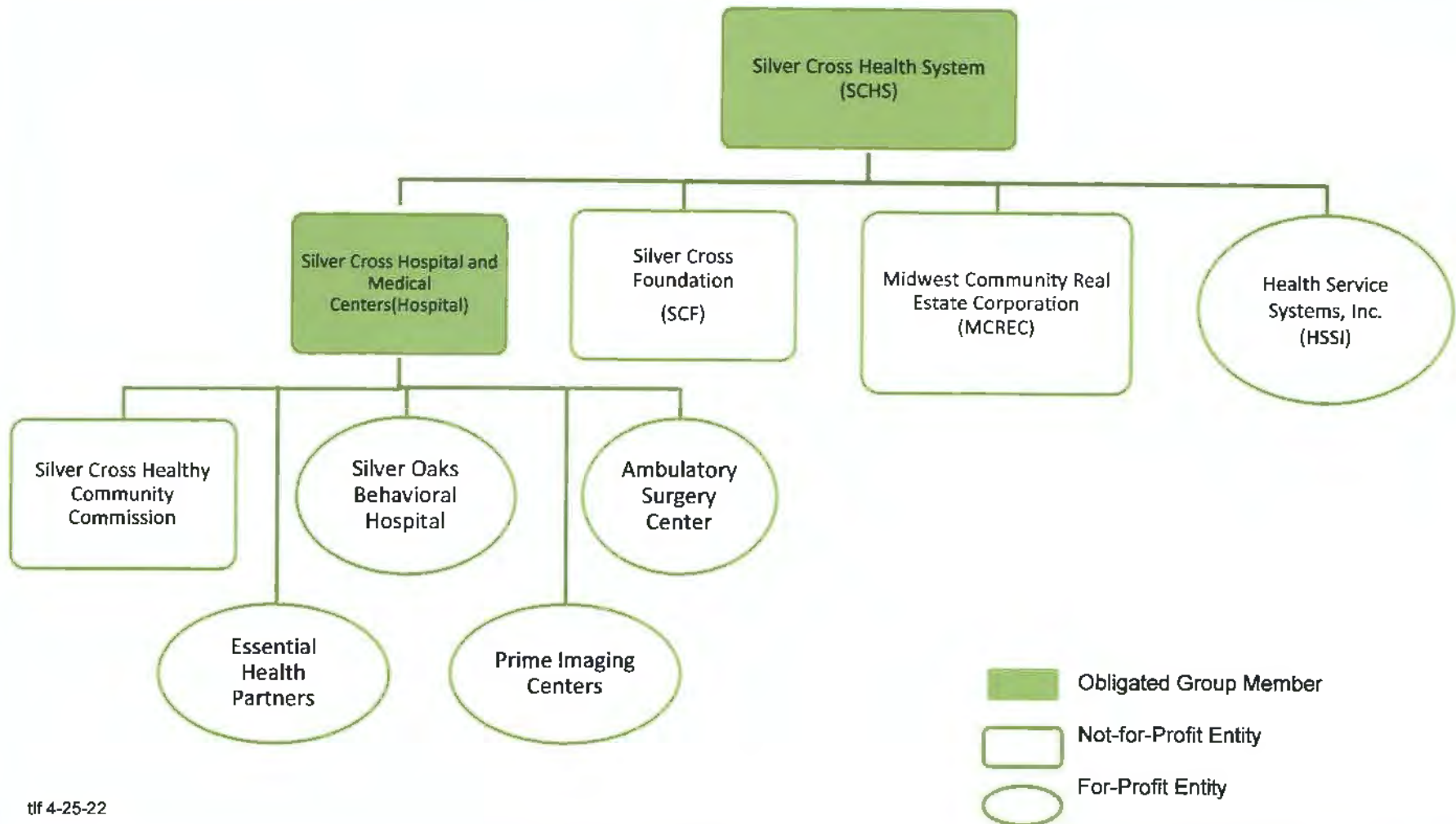
Section I
Attachment 3
Operating Entity/Licensee

There are no licenses associated with this Project.

Section I
Attachment 4
Organizational Relationships

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

Silver Cross Health System & Affiliates



tlf 4-25-22

#22-022

Section I
Attachment 5
Flood Plain Requirements

The Site Parcel for this Project is located in flood plain Zone X, which is designated as an area of low flood risk not requiring flood insurance. See Flood Insurance Rate Map No. 17031C0703K (revised 11/1/2019), attached at ATTACHMENT 5. An Affidavit from Vincent Pryor, the Hospital's Executive Vice President and Chief Financial Officer, in support of this Criterion is attached at ATTACHMENT 5.

The Applicants have also completed the Special Flood Hazard Area and 500-Year Flood Plain Determination Form now required by the Review Board. See Section XI of this Application.

June 6, 2022

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

Re: Certification Re: Compliance with Illinois Executive Order #5 (Silver Cross
Orland Park Medical Office Building)

Dear Mr. Constantino:

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

1. Silver Cross Hospital & Medical Centers (the "Hospital") currently owns Lot 4 in the attached subdivision map for Orland Ridge, and generally described as the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois. See Attachment One. Lot 4 is approximately 7.8 acres in total.

2. The legal description for Lot 4 is as follows:

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3. Remedy Medical Properties, Inc., is the developer and landlord (the "Landlord") of the Silver Cross Orland Park Medical Office Building, which will be constructed and located on approximately 0.543 acres on the southwest corner of Lot 4 (the "Site Parcel").

4. Upon approval by the Illinois Health Facilities & Services Review Board, the Hospital and the Landlord will enter into a Ground Lease for the Site Parcel.

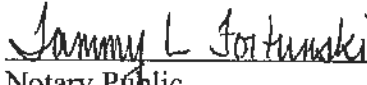
5. The Site Parcel identified herein and associated with the Silver Cross Orland Park Medical Office Building Project is located in flood plain Zone X, which is designated as an area of low flood risk not requiring flood insurance. See Flood Insurance Rate Map No. 17031C0703K (effective as of November 1, 2019), a copy of which are attached hereto as Attachment Two.

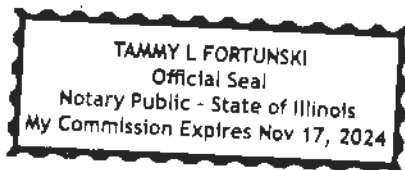
6. The Hospital has reviewed and will comply with the development requirements of Illinois Executive Order #5 (2006), to the extent Illinois Executive Order #5 (2006) is applicable.

Sincerely,

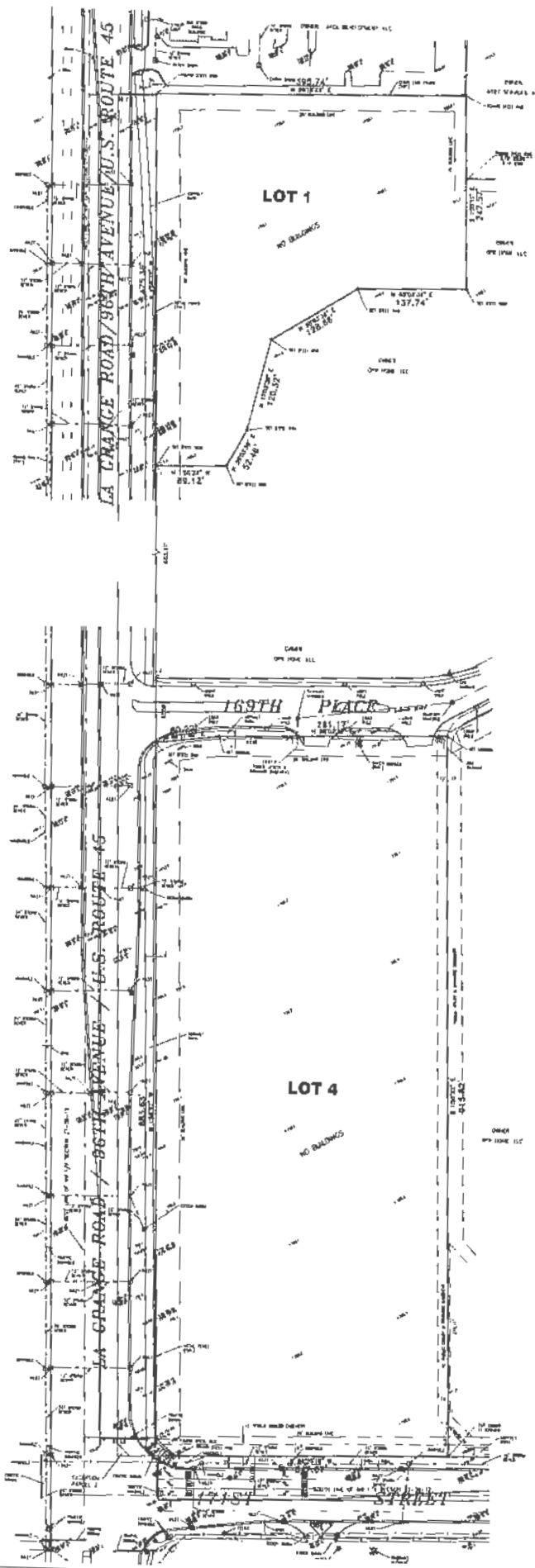

By: Vincent E. Pryor
Silver Cross Hospital & Medical Centers
Executive Vice President & CFO

Subscribed and Sworn to before me
this 6th day of June, 2022.


Notary Public



LOVE 1 PWS IN 2ND AND 3RD BATH 4.5-5.0 INCHES IN THE WEST END OF THE BUILDING. GROUND
OF SECTION 21. 1/2 INCHES IN WIDTH. 1/2 INCHES EAST OF THE 2ND AND 3RD BATH. 1/2 INCHES
THE PLAT THREE RECORDED JANUARY 12 1911. AS DOCUMENT 210120000, IN LOVE COUNTY, TEXAS.



LEGEND	
	FORMS
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FLUORINE LANE	2
FLUORINE LANE	3
WATER LANE	4
STRONG BINDER	5
DRUG LOW FLUOR	6
NEURAL FLUOR	7
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COOK COUNTY
PROPERTY INDEX NUMBERS
(1988)

1011	2007 DE 24-27-100-016-000
1014	1988 DE 24-27-100-016-000

NOTES

- [illegible]

SIZES			
LOT 1	131.100	50.71	5 012
LOT 4	335.540	50.71	7 710
[Total of sizes]			

STATE OF ILLINOIS }
COUNTY OF COOK } ss.
TO, THE HEALTH OF ST. LOUIS
CHICAGO LIFE INSURANCE

TO: 954 HEALTH - ST LOUIS
CHICAGO LIFE INSURANCE COMPANY

1119 00 00 CERTIFICATES OF INSURANCE CO. OF
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WAS IN CONNECTION WITH THE 2421 WOMAN'S STANDARD ORGANIZATION IN NEW YORK CITY
234, NEW YORK CITY. SUBJECTS JOSEPH ESTABLISHED AND REPORTED TO AMERICAN LADIES
THE ASSOCIATION AND NATIONAL SOCIETY OF PORTSMOUTH, NEW YORK AND INTERVIEWED
ITEMS 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 AND 16 OF TABLE 1 HEREIN. 14 1950
BOTH WAS EXAMINED ON OCCASION 22-21

DATE OF PAGE FILE: 10-17-68 BY: J. H. B. OF RECORDS & COMM.



RECEIVED
11/28/1977
U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D.C. 20535

100-443887-100

PREPARED FOR
SSM HEALTH - ST.

LANDM

7808 WEST 103RD
PALOS HILLS, ILLINOIS
Phone (708) 551-1100

Attachment

National Flood Hazard Layer FIRMette

87°51'16"W 41°35'9"N



Legend

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

- SPECIAL FLOOD HAZARD AREAS

Without Base Flood Elevation (BFE)
Zone A, V, A99
With BFE or Depth
Zone AE, AO, AH, VE, AR
Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD

0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with draining areas of less than one square mile
Future Conditions 1% Annual Chance Flood Hazard
Area with Reduced Flood Risk due to Levee, See Notes
Area with Flood Risk due to Levee

OTHER AREAS

NO SCREEN
Area of Minimal Flood Hazard
Effective LOMRs
Area of Undetermined Flood Hazard

GENERAL STRUCTURES

Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall

OTHER FEATURES

29.2
17.5
Cross Sections with 1% Annual Chance Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
Profile Baseline
Hydrographic Feature

MAP PANELS

Digital Data Available
No Digital Data Available
Unmapped
- The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.
- This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 1/17/2022 at 10:46 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.
- #22-022
- Attachment
5

Section I**Attachment 6****Historic Resources Preservation Act Requirements**

The Silver Cross Orland Park Medical Office Building will be located at the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois. The land associated with this Project is vacant and undeveloped at this time. Thus, there are no buildings or structures subject to the Illinois Historic Resources Preservation Act. Nevertheless, attached at ATTACHMENT 6 is a copy of the clearance letter sent to the Illinois Historical Preservation Agency regarding compliance with the requirements of the Illinois Historic Resources Preservation Act.

June 6, 2022

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

Mr. Robert F. Appleman
Deputy State Historic Preservation Officer
Preservation Services Division
Illinois Historic Preservation Office
1 Old State Capital Plaza
Springfield, Illinois 62701

Re: Silver Cross Orland Park Medical Office Building

Dear Mr. Appleman:

I am writing on behalf of Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation located in New Lenox, Illinois ("Silver Cross"). We are in the process of preparing a Certificate of Need Application for Silver Cross, pursuant to which Silver Cross will seek permission from the Illinois Health Facilities and Services Review Board to lease approximately 42,000 rentable square feet in a medical office building (the "Silver Cross Orland Park Medical Office Building") to be developed, constructed and owned by Remedy Medical Properties, Inc. and located at the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois, 60487.

The land upon which the Silver Cross Orland Park Medical Office Building will be built is currently undeveloped and is described as Lot 4 in the attached subdivision map for Orland Ridge ("Lot 4"). See Exhibit 1, attached hereto.

The legal description for Lot 4 is as follows:

THAT PART OF THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 27, TOWNSHIP 36 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING A POINT ON THE NORTH LINE OF THE SOUTH 50.00 FEET 0,F SAID WEST HALF THAT IS 878.01 FEET WEST OF THE EAST LINE OF SAID WEST HALF; THENCE NORTH 1 DEGREE 56 MINUTES 22 SECONDS WEST 915.82 FEET; THENCE SOUTH 88 DEGREES 3 MINUTES 38 SECONDS WEST 291.17 FEET; THENCE SOUTH 82 DEGREES 21 MINUTES 0 SECONDS WEST 80.22 FEET TO THE EAST LINE OF S. 96TH AVENUE (LAGRANGE ROAD); THENCE SOUTH 1 DEGREE 56 MINUTES 22 SECONDS EAST, ALONG SAID EAST LINE, 883.63 FEET; THENCE SOUTH 48 DEGREES 41 MINUTES 0 SECONDS EAST 32.87 FEET TO AFORESAID NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF; THENCE NORTH 88 DEGREES 20



FOLEY & LARDNER LLP

Mr. Robert F. Appleman
Silver Cross Orland Park Medical Office Building
Page 2

MINUTES 16 SECONDS EAST, ALONG SAID NORTH LINE, 347.07 FEET TO THE POINT OF BEGINNING; IN COOK COUNTY, ILLINOIS. **Part of PIN# 27-27-100-015.**

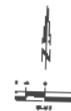
Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act (the "Act"), we are seeking a formal determination from the Illinois Historic Preservation Agency as to whether the Act applies to the construction of the Silver Cross Orland Park Medical Office Building.

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

Sincerely,

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

Edward J. Green



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|------|---------|-------|
| 107 | 131.786 | 30 fr |
| 107 | 130.349 | 30 fr |

Section I
Attachment 7
Project Costs

1. Remedy Medical Properties, Inc., is the developer and landlord (the "Landlord") of the Silver Cross Orland Park Medical Office Building, which will be constructed and located on approximately 0.543 acres on the southwest corner of Lot 4 (the "Site Parcel").
2. The Hospital and the Landlord negotiated the terms of a certain Space Lease for 42,000 rentable square feet (the "Space Lease"). The Space Lease has a twenty (20) year term, with two (2) additional five (5) year renewal options. The Space Lease is contingent upon the Hospital receiving permission from the Board to enter into the Space Lease.
3. Under the terms of the Space Lease, the annual rate will be of \$29.10 per rentable square foot (the "Space Lease Rent") and the Space Lease Rent will commence on or about November 1, 2023. Under the terms of the Space Lease, the Space Lease Rent will increase by two and three-quarters percent (2.75%) per year.
4. The Applicants applied a ten percent (10%) discount rate to annual rent streams in the Space Lease, and have calculated that the fair market value of the Space Lease for the first twenty (20) years of the Space Lease would be \$13,801,524.
5. An Affidavit from Vincent Pryor, the Hospital's Executive Vice President and Chief Financial Officer, in setting forth the terms of the Space Lease and the fair market value calculations on the Space Lease is attached at ATTACHMENT 7.
6. Upon approval of this Project from the Board, the Applicants will also enter into a Ground Lease for the Site Parcel. The Ground Lease has an initial twenty (20) year term, with two (2) additional five (5) year renewal options.
7. Under the terms of the Ground Lease, the Landlord will pay One Hundred Sixty Thousand Dollars (\$160,000) in annual rent to the Hospital (the "Ground Lease Rent") and the Ground Lease Rent will commence on or about November 1, 2023. Under the terms of the Ground Lease, the Ground Lease Rent will increase by two and three-quarters percent (2.75%) per year.
8. The Applicants applied a ten percent (10%) discount rate to annual rent streams in the Ground Lease, and have calculated that the fair market value of the Ground Lease for the first twenty (20) years of the Space Lease would be \$1,806,778.
9. An Affidavit from Vincent Pryor, the Hospital's Executive Vice President and Chief Financial Officer, in setting forth the terms of the Ground Lease and the fair market value calculations on the Ground Lease is attached at ATTACHMENT 7.
10. The total cost of the Project will be \$25,543,836.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts (Tenant Buildout Costs)	\$1,176,514	\$1,223,486	\$2,400,000
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees	\$49,021	\$50,979	\$100,000
Movable or Other Equipment (not in construction contracts)	\$7,221,344	\$2,020,968	\$9,242,312
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Space Lease	\$6,765,704	\$7,035,820	\$13,801,524
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$15,212,584	\$10,331,252	\$25,543,836
SOURCE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Cash and Securities	\$7,561,171	\$2,374,363	\$9,935,534
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$885,708	\$921,070	\$1,806,778
Fair Market Value of Space Lease	\$6,765,704	\$7,035,820	\$13,801,524
Fair Market Value of Ground Lease			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$15,212,584	\$10,331,252	\$25,543,836

11. The furniture, fixture and equipment costs for the Project will be \$9,242,312, of which \$7,221,334 was included in the clinical component of the furniture, fixture and equipment costs. See ATTACHMENT 7.

June 6, 2022

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

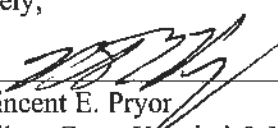
Re: Fair Market Value of Space Lease for Silver Cross Orland Park Medical Office Building

Dear Mr. Constantino:

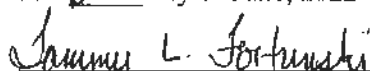
Remedy Medical Properties, Inc., is the developer and landlord (the "Landlord") of the Silver Cross Orland Park Medical Office Building (the "Silver Cross Orland Park Medical Office Building"), which will be constructed and located on the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois. I have reviewed the definitions of "fair market value" located at 77 Ill. Admin. Code §§ 1120.10(b)(7) and 1130.140. I am also familiar with the various rules and regulations concerning the submission of accurate materials to the Illinois Health Facilities & Services Review Board (the "Board"). Based on the foregoing, I hereby certify the following:

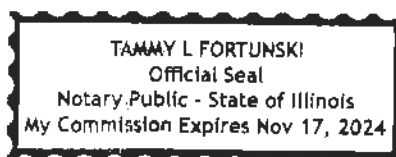
1. Silver Cross Hospital & Medical Centers (the "Hospital") and the Landlord negotiated the terms of a certain Space Lease for 42,000 rentable square feet (the "Space Lease").
2. The Space Lease has a twenty (20) year term, with two (2) additional five (5) year renewal options.
3. The Space Lease is contingent upon the Hospital receiving permission from the Board to enter into the Space Lease.
4. Under the terms of the Space Lease, the annual rate will be of \$29.10 per rentable square foot (the "Rent") and the Rent will commence on or about November 1, 2023.
5. Under the terms of the Space Lease, the Rent will increase by two and three-quarters percent (2.75%) per year.
6. It is my belief that a ten percent (10%) discount rate is normal and customary.
7. Based on the foregoing, the fair market value of the Space Lease for the first twenty (20) years of the Space Lease would be \$13,801,524.14.

Sincerely,


By: Vincent E. Pryor
Silver Cross Hospital & Medical Centers
Executive Vice President & CFO

Subscribed and Sworn to before me
this 6th day of June, 2022


Notary Public



Attachment

7

June 6, 2022

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

Re: Fair Market Value of Ground Lease for Silver Cross Orland Park Medical Office Building

Dear Mr. Constantino:

Remedy Medical Properties, Inc., is the developer and landlord (the "Landlord") of the Silver Cross Orland Park Medical Office Building (the "Silver Cross Orland Park Medical Office Building"), which will be constructed and located on the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois. I have reviewed the definitions of "fair market value" located at 77 Ill. Admin. Code §§ 1120.10(b)(7) and 1130.140. I am also familiar with the various rules and regulations concerning the submission of accurate materials to the Illinois Health Facilities & Services Review Board (the "Board"). Based on the foregoing, I hereby certify the following:

1. Silver Cross Hospital & Medical Centers (the "Hospital") and the Landlord negotiated the terms of a certain Ground Lease (the "Ground Lease").
2. The Ground Lease has an initial twenty (20) year term, with two (2) additional five (5) year renewal options.
3. The Ground Lease is contingent upon the Hospital receiving permission from the Board to enter into the Ground Lease.
4. Under the terms of the Ground Lease, the Hospital will lease the land upon which the Silver Cross Orland Park Medical Office Building will sit to the Landlord (the "Land").
5. The Land is approximately 0.543 acres and is located on the southwest corner of a portion of PIN #27-27-100-015, which is designated as Lot 4 on the attached subdivision map for Orland Ridge. See Attachment One. Lot 4 is approximately 7.8 acres in total. The Land will be further subdivided from Lot 4 for purposes of the Ground Lease.
6. The full legal description for Lot 4 (prior to any further subdivision for the Land) is as follows:

THAT PART OF THE WEST HALF OF THE NORTHWEST QUARTER OF SECTION 27, TOWNSHIP 36 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING A POINT ON THE NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF THAT IS 878.01 FEET WEST OF THE EAST LINE OF SAID WEST HALF; THENCE NORTH 1 DEGREE 56 MINUTES 22 SECONDS WEST 915.82 FEET; THENCE SOUTH 88 DEGREES 3 MINUTES 38 SECONDS WEST 291.17 FEET; THENCE SOUTH 82 DEGREES 21 MINUTES 0 SECONDS WEST 80.22 FEET TO THE EAST LINE OF S. 96TH AVENUE (LAGRANGE ROAD); THENCE SOUTH 1 DEGREE 56 MINUTES 22 SECONDS EAST, ALONG SAID EAST LINE, 883.63 FEET; THENCE SOUTH 48 DEGREES 41 MINUTES 0 SECONDS EAST 32.87 FEET TO AFORESAID NORTH LINE OF THE SOUTH 50.00 FEET OF SAID WEST HALF;

Mr. Michael Constantino
June 6, 2022
Page 2

THENCE NORTH 88 DEGREES 20 MINUTES 16 SECONDS EAST, ALONG SAID NORTH LINE, 347.07 FEET TO THE POINT OF BEGINNING; IN COOK COUNTY, ILLINOIS. Part of PIN# 27-27-100-015.


7. Under the terms of the Ground Lease, the Landlord will pay One Hundred Sixty Thousand Dollars (\$160,000) in annual rent to the Hospital (the "Rent") and the Rent will commence on or about November 1, 2023.

8. Under the terms of the Ground Lease, the Rent will increase by two and three-quarters percent (2.75%) per year.


9. It is my belief that a ten percent (10%) discount rate is normal and customary.

10. Based on the foregoing, the fair market value of the Ground Lease for the first twenty (20) years of the Ground Lease would be \$1,806,777.83.

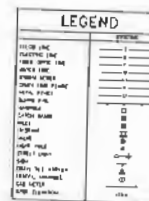
Sincerely,


By: Vincent E. Pryor
Silver Cross Hospital & Medical Centers
Executive Vice President & CFO

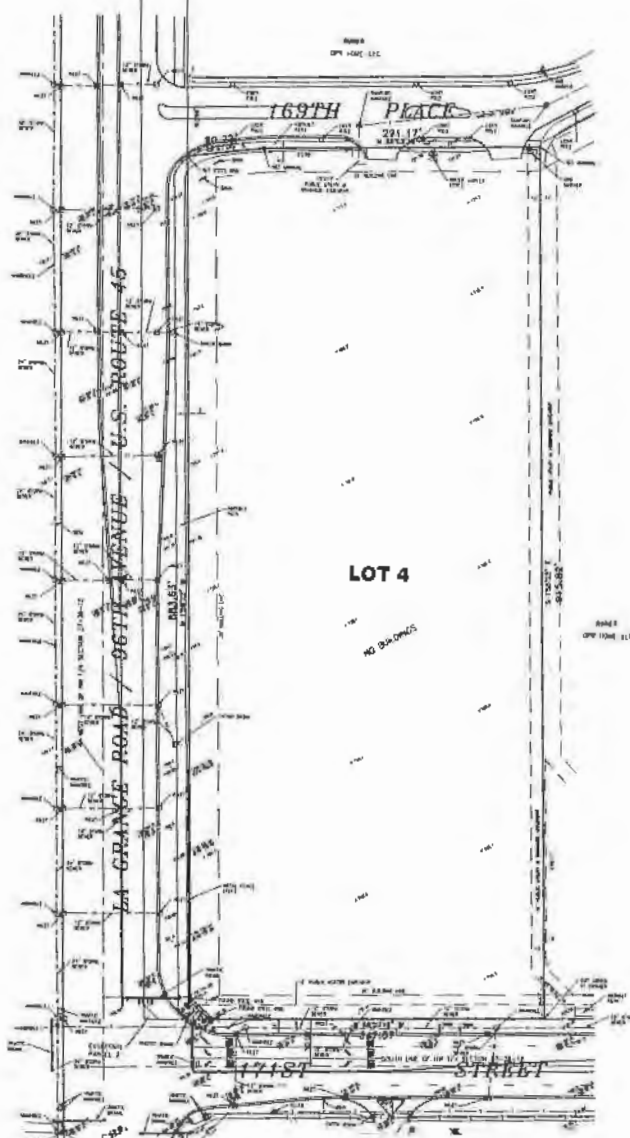
Subscribed and Sworn to before me
this 6th day of June, 2022


Notary Public





COOK COUNTY
PROPERTY TAXPAYER'S NAME
(PRINT)
LOT 1 PART OF 27-27-100-019-000
LOT 8 PART OF 27-27-100-023-000



- [illegible]

288.45

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LOT 2	238.348	50 PF	1.779	1

(New M. 1964)

STATE OF KANSAS }
COUNTY OF DOGUE }

TO: SSM HEALTH - ST LOUIS
THROUGH WILE INSURANCE COMPANY

THE IT TO CENTER THAT THE MAP ON

THIS IS TO CERTIFY THAT THE MAP ON PLAN AND THE SURVEY ON WHICH IT IS BASED WERE MADE IN ACCORDANCE WITH THE 1901 MENSURE STANDARDS ACT, REQUIREMENTS FOR ALTIMETERS (AND TRUE BAROMETERS), ARTS & CRAFTS, AND APPROVED BY AMERICAN LAND TITLE ASSOCIATION AND NATIONAL SOCIETY OF PROFESSIONAL SURVEYORS, AND INCORPORATED IN U.S.A. 1, 2, 3, 4, 5, 701, & 711, 12, 14, 16, 18 AND 19 OF TABLE A HEREOF - THE FIELD WORK WAS COMPLETED ON DECEMBER 27, 2011.

DATE OF PAGES: 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 84

APR 10 1964
U.S. DEPT. OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D.C. 20535

NAME: LAM, JIM
 SSN: 213
 LICENSE PERMIT: 11/20/2011

275
 INSPECTION
 LAND
 11/20/2011

LICENSE NO. 11730/2012
 RELEASED UNDER NND 688020.COM
 DIVISION
 PLANNING
 PLANNING
 THE OFFICE OF THE PLANNING
 PLANNING

RECEIVED

PREPARED FOR:
SSM HEALTH - ST. LOUIS
PREPARED BY:

LANDMA
ENGINEERING & ARCHITECTURE

ENGINEERING LLC
7808 WEST WARD 5
PALOS HILLS, ILLINOIS 60463

Phone (708) 598-2100
BIRMINGHAM Ala. 35214

Att

Attachment

	Non Clinical	Clinical	Total
FF&E – Medical Practice Space and Other	\$ 430,892	\$ 497,827	\$ 928,719
FF&E – GI		\$ 979,901	\$ 979,901
FF&E – Imaging		\$5,323,425	\$5,323,425
FF&E - Infusion		\$ 420,191	\$ 420,191
Information Technology	\$1,590,076		\$1,590,076
Grand Total	\$2,020,968	\$7,221,344	\$9,242,312

ITEM

Changing Table
 Paper Towel Dispenser
 Soap Dispenser
 Waste Can - Tall Slim 23 gal
 Shelving 5' section
 Chair - Guest w/o arms
 Linen Hampers
 Shelving for gowns/scrubs 5' section
 Waste Can -12 gal step-on
 Chair - Desk w/wheels
 Shredder Bin
 Waste Can - 8 gal (sold CA/6 EA)
 Chair - Desk w/wheels
 Waste Can - 8 gal (sold CA/6 EA)
 Waste Can - Tall Slim 23 gal SS
 Chair
 Chair - Lounge
 Coffee pot
 Garbage Can - Tall w/lid (12 gal)
 Ice Machine (8#)
 Microwave
 Refrigerator - Full Size
 Stool Counter Height
 Table - Collaboration
 Table - Dining / Conference
 Table End
 Television
 Water Dispenser- hard plumbed
 Chair - Guest w/ arms
 Chair - Guest w/o arms
 Exam Table
 Glove Box
 Paper Towel Dispenser
 Physician Stool Midmark Ritter
 Sharps Container (wall mount)
 Soap Dispenser
 Waste Can -12 gal step-on
 Welch Allyn Wall System
 Shelving Linear 5' section

Centrifuge table top
 Chair - Lab Draw
 Glove Box
 Hand Sanitizer Wall Dispenser
 Refrigerator - Specimen Full Size
 Sharps Container (wall mount)
 Stool
 Supply Storage - millwork
 Tube Rocker
 Waste can 10 gal
 How many & Size
 (6) 15X18.25X72.5 4 Doors
 Chair - Desk w/wheels
 Chair - Guest w/o arms
 Desk, Return, Bookcase
 Waste Can - 8 gal (sold CA/6 EA)
 Biologic Incubator
 Cast Saw
 Ceiling Mount Procedure Light
 Cervical dilators/sounds
 Chair - Guest w/ arms
 Chair - Guest w/o arms
 Dermal Curettes 3,4,5,6 mm
 Exam Table
 Forcep
 Iris Scissors (curved)
 Iris Scissors (straight)
 Kelly Forceps 5 1/2" curved
 Kelly Forceps 5 1/2" straight
 Metzenbaum Scissors Curved 7 1/2"
 Mosquito Forceps 5" curved
 Mosquito Forceps 5" straight
 Nail Cutter
 Needle Holder 6"
 Needle Holder 7"
 Operating Scissors 5 1/2" curved
 Operating Scissors 5 1/2" straight
 Physician Stool Midmark Ritter
 Punch Biopsy
 Razor
 Retractor Blunt
 Retractor Double End Sharp
 Ring Forceps

Safety Scalpels #10, #11, #15
Scalpel
Scissors
Sponge Forceps
Sterilizer Table Top
Tissue Forceps Fine
Tissue Forceps Serrated
Tissue Forceps w/Teeth
Towel Clamps 5 1/4"
Universal Bandage / Utility Scissors
vag speculums Large
vag speculums Long Narrow
vag speculums Medium
vag speculums Small
Waste Can -12 gal step-on
Welch Allyn Wall System
Chair - Guest w/o arms
Chair - Desk w/wheels
Shelving 5' section
Chair - Desk w/wheels
Chair - Guest w/o arms
Shredder Bin
Waste Can - 8 gal (sold CA/6 EA)
Large Linen Cart

Accucheck device instead of A1C

Shelving Linear 5' section

Shelving Linear 5' Section

AED Cabinet

Shelving Linear 5' Section

Floor Pallets for boxes

Shelving Linear 5' section

Shelving Linear 5' section

Shelving Linear 5' section

Chair - Guest w/o arms

Chair - Counter Stools

Chair Waiting Rm 3-Ganged Set

Chairs - Waiting Rm - Bariatric

Chairs - Waiting Rm - Standard

Hand Hygiene Station (masks - sanitizer)
 Table coffee
 Table Collaboration
 Table End
 Television
 Chair - Desk w/wheels
 Pulse Ox
 Shredder Bin
 Waste can 10 gal
 Changing Table
 Paper Towel Dispenser
 Soap Dispenser
 Waste Can - Tall Slim 23 gal
 Chair - Desk w/wheels
 Shredder Bin
 Waste Can - 8 gal (sold CA/6 EA)
 Shelving Linear 5' section
 Waste Can - Tall Slim 23 gal S5
 Chair - Guest w/ arms
 Chair - Lounge
 Coffee pot
 Garbage Can - Tall w/lid (12 gal)
 Ice Machine (8#)
 Microwave
 Refrigerator - Full Size
 Stool Counter Height
 Table - Collaboration
 Table - Dining / Conference
 Table End
 Water Dispenser- hard plumbed
 Chair - Guest w/ arms
 Chair - Guest w/o arms
 Exam Table
 Glove Box
 Paper Towel Dispenser
 Physician Stool Midmark Ritter
 Sharps Container (wall mount)
 Soap Dispenser
 Waste Can -12 gal step-on
 Welch Allyn Wall System
 Shelving Linear 5' section
 Accucheck device instead of A1C
 Biohazard Red waste can (8 gal)

Centrifuge table top
 Chair - Lab Draw
 Chair Stool
 Clinitech Stratus Connect
 Refrigerator - Specimen
 Shredder Bin
 Waste can 10 gal
 Chairs - Waiting Rm - Bariatric
 Chairs - Waiting Rm - Standard
 Hand Hygiene Station (masks - sanitizer)
 Table End
 Table coffee
 Television
 Waste Can - 8 gal (sold CA/6 EA)
 Chair - Desk w/wheels
 Chair - Guest w/o arms
 Desk, Return, Bookcase
 Waste Can - 8 gal (sold CA/6 EA)
 all equipment accounted for in
 Workspace data
 Chair - Desk w/wheels
 Ceiling Mount Procedure Light
 Chair - Guest w/ arms
 Chair - Guest w/o arms
 Exam Table
 Physician Stool Midmark Ritter
 Wall Mount Sharps Container
 Waste Can -12 gal step-on
 Welch Alleyn Wall System

 Shelving Linear 5' section
 Shelving Linear 5' section
 Trash Cart
 Refrigerator - Medication Full Size
 Shredder Bin
 Waste Can - Tall Slim 23 gal
 Chair - Desk w/wheels
 Television
 EMD Millipore Filtration System
 Artwork (\$50K budgeted - GT plan)
 Wheelchair 24"; 500#
 Accucheck device instead of A1C
 Ultrasound Machine

AED Zoll Defibrillator

Blanket Warmer - Large Capacity

Chair - Guest w/o arms

Clintek Analyzer (Siemens)

Cubicle Curtains & Tracks

End Tidal CO2 monitor for Crash
Cart

ERBE Cautery Unit

Flowmeters

Formalin safe

GE Carescape Anesthesia Monitor

GE Dash Monitors w/Mounts
(networked to central station)

Hand Sanitizer Wall Dispenser

IV Poles

IV Pumps

Large Linen Cart

Large Slim Trash Can

Linen Hampers

Lockers - Full size
(in each Bay or stack)

Medivator - Cleanascope Cart

Medivator Processing Machine

Metro Crash Cart

Olympus 19" Monitor

Olympus 190 Colonoscope Adult

Olympus 190 Colonoscope Peds

Olympus 190 Gastroscope

Olympus 190 Light Source

Olympus 190 Video Processor

Olympus Procedure Cart & Video
Monitor

Olympus Slim Gastroscope

Overbed Tables

Paper Towel Dispenser

Patient Carts (wt. capacity 750#'s)

Physician Stool Midmark Ritter

Pyxis 2-drawer medstation

Pyxis 6-drawer medstation

Pyxis Anesthesia

Refrigerator - Medication Under
Counter

Refrigerator - Patient Nutritions
under counter

Scope Valet

Sharp Container Floor Size

Sharps Container (wall mount)

Shelving Linear 5' Section

Shelving Linear 5' section

Sink Inserts

Soap Dispenser

Soiled Linen Gondola

Stainless Steel Open Case Cart

Storage Cabines to hold 10 scopes

Suction Machine (Neptune)

Suction Machine portable

Trash Cart

Wall Suction Units

Blanket Warmer

CADD IV Pumps

IV Poles

IV Pump Software (5Yr)

IV Pumps

O2 tank holder (1 - 4 slot; 2 - single)

Patient Scale w/ safety rail

Welch Allyn Vitals machine w/rolling stand

Accucheck device instead of A1C

CBC Hematology Analyzer

Centrifuge table top

Clinitech Stratus Connect

CMP Chemistry analyzers

Coagcheck

Differential Cell counter

Microscope w/accessories

Refrigerator Reagent glass doors

Refrigerator Specimen

Refrigerator Temp Monitoring System

(Rx and Reagent)

Roche Acu-Check Inform II meter & base

Specimen Freezer

Coffee Pot

Ice Machine (8#)

Microwave
 Refrigerator - Patient Nutritions
 full size
 Stool Counter Height
 Stool Counter Height
 Stool Counter Height
 Stool Counter Height
 Stool Counter Height
 Biohazard Red waste can (8 gal)
 CAPR for Pharmacist
 Chemo Drug Inventory
 Chemo specific recording software
 Laminar Hood - Bio-hazard Hood
 (Chemo drug mixing, requires
 outside venting)
 Laminar Hood Standard (6' ideal)
 Pyxis (IMS) Drug Storage Cabinet
 Refrigerator Medication
 (max dimensions: 21 7/8" wide, 25
 1/2 deep, 35 1/2 tall)
 Waste Can - Tall Slim 23 gal
 Chair - Desk w/wheels
 Shredder Bin
 Waste Can - 8 gal (sold CA/6 EA)
 Chair - Desk w/wheels
 Refrigerator - Medication Under
 Counter
 Shredder Bin
 Waste can 10 gal
 Chair - Desk w/wheels
 Shredder Bin
 Waste can 10 gal
 Chair - Desk w/wheels
 Refrigerator - Medication Under
 Counter
 Shredder Bin
 Waste can 10 gal
 Shelving Linear 5' section
 Shelving Linear 5' section
 Shelving Linear 5' section
 Shelving Linear 5' section
 Trash Cart
 Shelving Linear 5' section
 Chair - Waiting Rm - Bariatric

Chair - Waiting Rm - Standard
Table coffee
Table End
Television
Waste can 10 gal
Biohazard Red waste can (8 gal)
Chair - Guest w/o arms
Glove Box
Infusions Chairs (Patient Recliner
Chairs w/table)
Paper Towel Dispenser
Sharps Container (wall mount)
Soap Dispenser
Waste Can - 8 gal (sold CA/6 EA)

DAS - distributed antenna system

Location build out with necessary
interfaces connections
Video Endoscopy Processors
installed into Endo Lab
Rooms/Mobile Carts
Med Cabinet FSI Build @640hours
last build

GCX ARMS and accessories

Printers, Laptops, docking

Hardware/Software with
implementation and support

Phones, call center connection

Kiosks @15K each

Colposcope
Cryotherapy machine
Hand held Doppler for fetal heart
tones
Leep machine and setup
Microscope
NST Machine (monitors baby heart
rate)
Portable Ultrasound Machine with
Transvaginal & transabdominal
probes

Procedure Light (GYNE) mobile
 Infant - Pediatric Scale
 Lead Apron
 Lead Apron
 Lead Apron
 Lead Apron
 Lead Apron Rack
 Lead Aprons
 Physician Stool Midmark Ritter
 Positioning Devices - 45 Deg.
 Sponge
 Positioning Devices - Rectangle
 sponge 3x7.5x10
 Positioning Devices - Rectangle
 sponge 4x10x10
 Rolling Lead
 Step w/Safety Handle
 Ultrasound Plevic Wedge
 Dexscan - Bone Density Unit
 Mammography Unit
 MRI 1.5T
 Nuc Med Camera
 PET CT Scan 64 Slice
 Ultrasound - Diagnostic
 X-Ray OH Unit
 X-ray unit
 GE BRIVO (de-install / Install)
 Shelving Linear 5' section
 AED
 AED Cabinet
 Chair - Desk w/wheels
 Desk
 EKG Machine
 Exam Table
 Glove Box
 Paper Towel Dispenser
 Physician Stool Midmark Ritter
 Portable stress echo ultrasound?
 Philip Epiq (cadillac version)
 Sharps Container (wall mount)
 Soap Dispenser

 Stress Machine - GE Healthcare
 Stress Treadmill & Case

Stress/Echo Table

Waste Can -12 gal step-on

Welch Allyn Vital Sign Machine

Section III
Attachment 11
Criterion 1110.110(a)
Background of the Applicants

Silver Cross Hospital and Medical Centers

1. Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation, owns and operates Silver Cross Hospital and Medical Centers. Silver Cross Hospital is a fully licensed, Medicare-certified, Joint Commission accredited, 300 bed general acute care hospital, located at 1900 Silver Cross Boulevard, New Lenox, Illinois 60451. A copy of the IDPH license for Silver Cross Hospital is attached at ATTACHMENT 11.
2. Silver Cross Hospital has been recognized as a 5 star hospital by the Centers for Medicare and Medicare Services, a Truven Health Analytics 100 Top Hospitals National Award winner for seven consecutive years, a Hospital of Choice by the American Alliance of Healthcare Providers, and was honored with an "A" Hospital Safety GradeSM by The Leapfrog Group for eleven consecutive periods.
3. Silver Cross Hospital has forged partnerships with several "best in breed" organizations to deliver state-of-the-art medicine on its campus in New Lenox. Those partners include the Shirley Ryan AbilityLab (formerly the Rehabilitation Institute of Chicago) on rehabilitation, Ann & Robert H. Lurie Children's Hospital of Chicago on pediatrics, and the University of Chicago on cancer care.
4. In 2021, Silver Cross Hospital provided \$42,008,313 in charity care and other community benefits.
5. Silver Cross Hospital (through a joint venture with USPI and certain physicians) owns an interest in Silver Cross Ambulatory Surgery Center, a fully licensed, Medicare-certified, three operating room, nine recovery room, ambulatory surgery center on the Silver Cross Hospital campus. See Project No. 16-021.
6. Silver Cross Hospital (through a joint venture with US HealthVest and various US Healthvest affiliates) owns an interest in Silver Oaks Hospital, a fully licensed, Medicare-certified, 100 bed behavioral health hospital on the Silver Cross Hospital Campus. See Project No. 17-009.
7. There have been no adverse actions taken against any facility owned or operated by Silver Cross Hospital during the three (3) years prior to the filing of this Application. A letter certifying the above information is attached at ATTACHMENT 11.
8. An authorization letter granting access to the Board and the Illinois Department of Public Health ("IDPH") to verify information about Silver Cross Hospital is attached at ATTACHMENT 11.
9. Silver Cross Hospital has one pending CON Project. On September 17, 2019, the Review Board, by action of its Chairwoman, approved the Applicants' Certificate of Exemption ("COE") Application to establish a 24 bed, Level III Neonatal Intensive Care Unit at Silver Cross Hospital. See Project No. E-039-019. Project No. E-039-019 has a scheduled Project

completion date of September 30, 2022 (due to the State's delay in enacting the new perinatal regulations).

Silver Cross Health System

1. Silver Cross Health System, an Illinois not-for-profit corporation, is the sole member of Silver Cross Hospital and Medical Centers.
2. There have been no adverse actions taken against any facility owned or operated by Silver Cross Health System during the three (3) years prior to the filing of this Application. A letter certifying the above information is attached at ATTACHMENT 11.
3. An authorization letter granting access to the Board and IDPH to verify information about Silver Cross Health System is attached at ATTACHMENT 11.



**Illinois Department of
PUBLIC HEALTH**

HF 124473

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	I.D. NUMBER
2/25/2023		0005827
General Hospital		
Effective: 02/26/2022		

Silver Cross Hospital and Medical Centers
1900 Silver Cross Blvd
New Lenox, IL 60451

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

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

Exp. Date 2/25/2023

Lic Number 0005827

Date Printed 12/15/2021

Silver Cross Hospital and Medical Cent
1900 Silver Cross Blvd
New Lenox, IL 60451

FEE RECEIPT NO.

0065

Attachment
11

#22-022

June 6, 2022

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

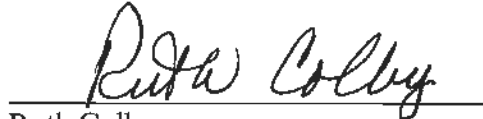
Re: No Adverse Actions Certification (Silver Cross Orland Park Medical Office Building)

Dear Mr. Constantino:

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


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

Sincerely,

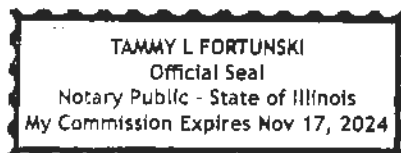


Ruth Colby
President & CEO
Silver Cross Health System
Silver Cross Hospital and Medical Centers

Subscribed and Sworn to before me
this 1st day of June, 2022.



Notary Public



June 6, 2022

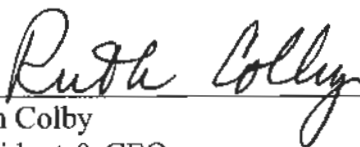
Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Authorization to Access Information (Silver Cross Orland Park Medical Office Building)

Dear Mr. Constantino:

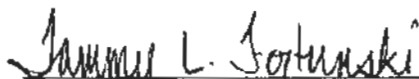
I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by Silver Cross Health System and Silver Cross Hospital and Medical Centers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

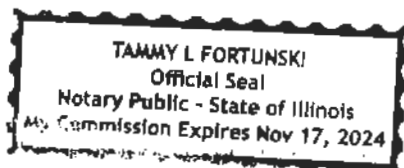
Sincerely,



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

Subscribed and Sworn to before me
this 6th day of June, 2022.



Notary Public

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

Purpose Statement

Silver Cross Hospital and Medical Centers, an Illinois not-for-profit corporation ("Silver Cross"), and Silver Cross Health System, an Illinois not-for-profit corporation ("Silver Cross Health System," collectively with Silver Cross, the "Applicants") hereby seek a Certificate of Need ("CON") from the Illinois Health Facilities & Services Review Board (the "Board"), to lease approximately 42,000 rentable square feet (the "Project") in a medical office building (the "Silver Cross Orland Park Medical Office Building") to be developed, constructed and owned by Remedy Medical Properties, Inc. (the "Owner" or the "Landlord") and located at the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois (the "Project").

The Silver Cross Orland Park Medical Office Building will house: (1) primary care and specialty care physicians who are currently employed by Premiere Suburban Medical Group ("PSMG"), an Illinois professional limited liability company, which is currently managed by an affiliate of Silver Cross; and (2) non-hospital based ambulatory care (i.e., infusion services, diagnostic imaging, GI services, and a well-patient/blood draw laboratory).

The Silver Cross Orland Park Medical Office Building will: (1) allow PSMG physicians to exit from expiring leases and co-locate in a single location and recognize certain operational efficiencies; and (2) allow the Applicants to meet the health care needs of the growing population in the area.

Supporting Statements & Documentation

1. In 2021, PSMG primary care and specialty physicians had 9,267 patient visits. The following chart lists the visits by service lines.

Service Line	Visits
Primary Care	
Family Practice/Internal Medicine	6,416
Pediatrics	383
Primary Care Total	6,799
Specialty Care	
Cardiology	774
Endocrinology	556
Gastroenterology	282
Hematology/Oncology	247
Obstetrics/Gynecology	480
Orthopedics	129
Specialty Care Total	2,468
Grand Total	9,267

2. Of those 9,267 PSMG visits, 4,976 of those PSMG visits originated from within Silver Cross Hospital's primary and secondary service areas.

Service Area	Visits	% of Total
PSA	2,721	29.4%
SSA East	1,926	20.8%
SSA North	157	1.7%
SSA South	30	0.3%
SSA West	142	1.5%
SSA Total	2,255	24.3%
Total Service Area	4,976	53.7%
Outside Service Area	4,291	46.3%
Grand Total	9,267	100.0%

Zip Code	City	Visits
Primary Service Area		
60403	Crest Hill	30
60421	Elwood	22
60423	Frankfort	429
60432	Joliet	92
60433	Joliet	44
60434	Joliet	4
60435	Joliet	86
60436	Joliet	40
60439	Lemont	151
60441	Lockport	239
60442	Manhattan	124
60448	Mokena	374
60451	New Lenox	510
60467	Orland Park	308
60491	Homer Glen	268
Primary Service Area Total		2,721
Secondary Service Area - East		
60443	Matteson	95
60449	Monee	75
60462	Orland Park	443
60464	Palos Park	68
60477	Tinley Park	677
60487	Tinley Park	568
Secondary Service Area - East Total		1,926

Zip Code	City	Visits
Secondary Service Area - North		
60440	Bolingbrook	37
60446	Romeoville	43
60490	Bolingbrook	7
60544	Plainfield	33
60586	Plainfield	37
Secondary Service Area - North Total		157
Secondary Service Area - South		
60408	Braidwood	3
60416	Coal City	3
60481	Wilmington	24
Secondary Service Area - South Total		30
Secondary Service Area - West		
60404	Shorewood	29
60410	Channahon	26
60431	Joliet	50
60447	Minooka	24
60450	Morris	13
Secondary Service Area - West Total		142
Total Service Area		4,976
Outside Service Area		4,291
Total Visits		9,267

3. Note that the Applicants do not have historical patient data for the PSMG physicians prior to 2021 because until December 31, 2020, the PSMG physicians were associated with and employed by DuPage Medical Group (n/k/a Duly Health and Care).

4. The Silver Cross Orland Park Medical Office Building will house physicians and services that are needed to continue meeting the health care needs of the growing population in the area, and will specifically allow the PSMG physicians to co-locate in a single, anchor medical office building.

Identify the Existing Problems or Issues that need to be Addressed

1. Effective as of January 1, 2021, the PSMG physicians were no longer employed by DuPage Medical Group (n/k/a Duly Health and Care).

2. The PSMG physicians currently have office leases in various suburbs, all with expiring leases in the near term.

3. The PSMG physicians wish to reduce the number of their locations and co-locate in an anchor location closer to center of their practices (i.e., Orland Park).

4. The PSMG physicians currently refer their patients to various imaging centers, infusion centers, and GI labs, for treatment. Note that the Applicants do not have complete access to the historical imaging, infusion, and GI volume numbers for the PSMG physicians because the PSMG physicians used to be employed by DuPage Medical Group (n/k/a Duly Health and Care).

5. Based on discussions with the PSMG physicians, the PSMG physicians have asked for the basic assortment of imaging modalities included in this Application. PSMG is a thriving, multi-specialty group and the imaging equipment they have outlined is normal and customary in the industry.

6. The Applicants' own demand for outpatient imaging is also worth noting. Silver Cross Hospital has been experiencing an ever increasing demand for outpatient imaging services.

Imaging	FY 2019	FY 2020	FY 2021
CT	2,884	2,769	3,273
Mammography	4,026	3,636	4,346
MRI	1,699	1,448	1,577
PET	237	257	336
Ultrasound	2,323	2,052	2,454
X-Ray	4,282	3,807	4,125
Radiology Total	15,451	13,969	16,111

ZIP5 Code	Zip Code Name	Silver Cross Service Area	FY 2019	FY 2020	FY 2021
60423	Frankfort	PSA	3,507	3,062	3,451
60443	Matteson	SSA East	274	245	264
60448	Mokena	PSA	3,365	3,020	3,145
60452	Oak Forest	Outside Service Area	379	322	430
60462	Orland Park	SSA East	898	908	1,149
60463	Palos Heights	Outside Service Area	98	109	158
60464	Palos Park	SSA East	101	106	160
60467	Orland Park	PSA	1,830	1,640	1,945
60477	Tinley Park	SSA East	1,190	1,074	1,369
60478	Country Club Hills	Outside Service Area	50	44	82
60487	Tinley Park	SSA East	1,088	1,074	1,235
60491	Homer Glen	PSA	2,671	2,365	2,723
Total			15,451	13,969	16,111

7. PSMG currently operates an infusion center at its Orland Park location, which it started on January 11, 2021. In its first full month of operation, the PSMG infusion center treated 17 patients per week. In May of 2022, the PSMG infusion center treated 75 patients per week. That is an increase of 58 patients per week in less than 16 months, for an increase of 242% in less than 16 months.

8. The PSMG Orland Park location only has 9 infusion chairs and other PSMG practices send their patients to independent sites not affiliated with PSMG (which are not easily tracked).

9. Based on discussions with the PSMG physicians, and considering the strong growth trend in infusion services for PSMG patients, the PSMG physicians have requested 18 infusion chairs, which is why the Silver Cross Orland Park Medical Office Building will have 18 infusion chairs. The 18 chair infusion center at the Silver Cross Orland Park Medical Office Building will accommodate the PSMG Orland Park infusion patients, as well as additional PSMG patients who cannot schedule a time at the PSMG Orland Park site.

10. The Review Board has no utilization standard for infusion chairs.

11. PSMG will be relocating 2 of their GI physicians to the Silver Cross Orland Park Medical Office Building.

12. Currently, the two PSMG GI physicians are performing GI procedures at Silver Cross Hospital, Presence St. Joseph Hospital, AmSurg Surgery Center in Joliet, and other facilities.

13. According to Compdata, Dr. Bhalla and Dr. Sheth (the two PSMG GI doctors relocating to the Silver Cross Orland Park Medical Office Building), performed the following number of GI procedures at St. Joseph Hospital and Silver Cross Hospital in 2019, 2020 and 2021. COVID impacted the 2020 and 2021 numbers.

Row Labels	CY 2019	CY 2020	CY 2021
ASCENSION ST JOSEPH JOLIET - 17199001			
BHALLA, SURESH - 1811995426	682	487	270
SHETH, RITEN - 1578664728	726	472	277
ASCENSION ST JOSEPH JOLIET - 17199001 Total	1408	959	547
SILVER CROSS HOSPITAL - 17200001			
BHALLA, SURESH - 1811995426	526	459	362
SHETH, RITEN - 1578664728	168	177	151
SILVER CROSS HOSPITAL - 17200001 Total	694	636	513
Grand Total	2102	1595	1060

14. The two PSMG GI doctors also perform GI procedures at numerous surgery centers, but that data is not available. PSMG has also targeted the hiring of additional GI physicians to join their practice.

15. Certain managed care payors are driving GI procedures from hospitals and even surgery centers to office based locations (i.e., prohibiting patients from using hospitals for GI procedures).

16. To accommodate their practices, and the demands of the payors, the PSMG GI physicians have requested 2 office based GI procedure rooms at the Silver Cross Orland Park Medical Office Building.

17. The GI procedure rooms will be office based, meaning PSMG (and not Silver Cross Hospital) will be responsible for billing the GI procedures performed at the Silver Cross Orland Park Medical Office Building.

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

1. The Applicants currently own approximately undeveloped land on the northeast corner of 171th Street and La Grange Road in Orland Park.
2. The new Silver Cross Orland Park Medical Office Building will be located on that land.
3. In short, the new Silver Cross Orland Park Medical Office Building will primarily house the PSMG physicians and allow them to co-locate in a single/anchor location and provide a wider range of care and services to their patients.
4. The Silver Cross Orland Park Medical Office Building will also allow other Silver Cross Hospital patients to seek treatment closer to home, and take some of the volume pressure off of Silver Cross Hospital. Thus, as an additional benefit, this project will improve Silver Cross Hospital's ability to meet its goal of treating patients closer to home in a more convenient, cost-effective setting.

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

1. Once complete, the new Silver Cross Orland Park Medical Office Building site will provide a location for care for many of the existing 4,976 PSMG patients being treated at various locations inside the Silver Cross Hospital service area. In addition, another 4,291 PSMG patients that live outside the Silver Cross Hospital service area will have the ability to get care closer to home.
2. Outpatient imaging, infusion and GI services will be offered at the Silver Cross Orland Park Medical Office Building to accommodate the PSMG patients (plus Silver Cross Hospital patients).
3. Clinic volume projections for the Project for the first two years after completion of the Project are shown in the following table:

Service	Year 1 (2024)	Year 2 (2025)
Primary Care	8,435 Visits	8,857 Visits
Specialty Care	3,413 Visits	3,583 Visits
Office Based GI Procedures	2,400 Procedures	2,880 Procedures
Imaging Center	12,085 Exams	14,500 Exams
Infusion Center	8,400 Visits	8,800 Visits
Total Visits/Exams/Procedures	34,733	38,620

4. At this point, the following PSMG doctors will be moving into the Silver Cross Orland Park Medical Office Building when it opens:

(a) 12 primary care doctors (8 internists, 3 family practitioners, 1 pediatrician);
and

(b) 10 specialists (2 gastroenterologists, 2 general surgeons, a cardiologist, 1 endocrinologist, 1 hem/onc doctor, 2 OB/GYNs, and 1 orthopedic surgeon).

5. The Silver Cross Orland Park Medical Office Building will have 48 exam rooms.

6. The projections for this Project were generated after reviewing the available historical volume numbers for the PSMG physicians, growth projections for PSMG, and discussions with the PSMG physicians. Silver Cross Hospital also considered its own increasing outpatient volumes for imaging, infusion, and GI services.

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

The Applicants considered various alternatives before electing to file this Application.

Alternative No. 1: Construct a Medical Office Building Without Developer (\$24 million in just construction and development costs)

Under this alternative, the Applicants would not lease space in the Silver Cross Orland Park Medical Office Building; rather the Applicants would build the Silver Cross Orland Park Medical Office Building themselves. This alternative was rejected for several reasons. First, this was the most expensive alternative. According to the Landlord, it will cost nearly \$24,000,000 to construct the Silver Cross Orland Park Medical Office Building. In comparison, the fair market value of the Applicants' lease (for the entire length of the lease) and the Applicants' build-out expenses will total \$16,201,524 for this Project – or less than 33% of the projected construction costs for the entire Silver Cross Orland Park Medical Office Building. Second, this alternative would require the Applicants to use their own capital to finance the construction of the Silver Cross Orland Park Medical Office Building; which would, in turn, force the Applicants to redirect capital (which, in the current economy, is neither wise nor efficient). So, under this alternative, the Applicants would have to finance the cost of construction for the entire Silver Cross Orland Park Medical Office Building of \$24,000,000 before the project even begins, versus paying \$1,222,200 in annual rent. Third, the Applicants would have to devote their own personnel to the development and construction of the Silver Cross Orland Park Medical Office Building. In short, the capital and the human resources required to execute this alternative were considered too substantial. Accordingly, the Applicants rejected this alternative.

Alternative No. 2: Compel the PSMG Physicians to Renew Their Various Expiring Leases at Various Locations (Cost: Unable to Determine)

Under this alternative, the PSMG physicians would not move into the Silver Cross Orland Park Medical Office Building; rather the PSMG Physicians would either stay in their existing locations. The PSMG physicians rejected that option because they believed their existing locations were not centrally located to most of their patients and they did not have sufficient time or resources to renegotiate leases at what they felt would be rates higher than the projected lease rates at the Silver Cross Medical Orland Park Medical Office Building.

Alternative No. 3: Lease Vacant Medical Office Space (Cost: Unable to Determine)

The Applicants and PSMG also explored leasing one or more properties within the market to relocate services. However, they were unable to find vacant medical office space of sufficient size or ability to accommodate the PSMG physicians within the Silver Cross Hospital service area. More specifically, the Applicants could not find any buildings close to the Orland Park location that had enough capacity currently to house the scope of services described in this Application. The Applicants also looked at current effective rental rate, escalation factors in effect, services included in the rent, costs of services not included in the rent, the term of leases, the buildings' gross, usable or rentable square feet, current occupancy in the building, tenant finish-out allowance, the mix of tenants in the building and medical services provided, and quality of construction.

Alternative No. 4: Lease Space in a Medical Office Building to be Constructed by the Developer (Cost: \$25 Million in total project costs)

This option was selected as the least expensive alternative that would allow for continuity of care for the existing PSMG patients and would provide a central location for the PSMG physicians to locate their practices. Thus, the Applicants chose this option.

Section IV
Attachment 14
Project Scope, Utilization, and Unfinished/Shell Space
Criterion 1110.120
Size of Project

Overall, the Silver Cross Orland Park Medical Office Building will occupy 42,000 gross square feet.

The portions of the Silver Cross Orland Park Medical Office Building with state sizing standards are set forth below.

Imaging Center/Diagnostics

The Imaging Center will occupy **3,725** gross square feet of space. The entire Imaging Center is listed as Clinical space.

Imaging Center Sizing Analysis			
Equipment/Rooms Proposed	Proposed GSF	State Standard	Meets State Standard?
1 MRI (1.5 Tesla) 1 CT (64 slice) 1 X-Ray Unit 1 Ultrasound 1 Mammography Unit 1 Nuclear Medicine Unit 1 DEXA Unit	3,725	1,800 GSF per MRI 1,800 GSF per CT 1,300 GSF per X Ray Unit 900 GSF per Ultrasound 900 GSF per Mammography Unit 1600 GSF per Nuc Med Unit Total = 8,300	Yes. Meets State Norm.

Office Based GI Procedure Rooms/Lab

The Office Based GI Procedure Rooms/Lab will occupy **2,329** gross square feet of space. The entire Office based GI Procedure Rooms/Lab is listed as Clinical space.

Office Based GI Procedure Rooms/Lab Center Sizing Analysis			
Equipment/Rooms Proposed	Proposed GSF	State Standard	Meets State Standard?
2 Office Based GI Procedure Rooms 6 Pre-Post Recovery Bays	2,329	1,100 GSF per GI Lab 180 GSF per Recovery Bay Total = 3,280	Yes. Meets State Norm.

The portions of the Silver Cross Orland Park Medical Office Building with NO state sizing standards are set forth below.

Infusion Center

The Infusion Center will occupy **4,023** gross square feet of space. The Infusion Center is listed as Clinical space.

Imaging Center Sizing Analysis			
Equipment/Rooms Proposed	Proposed GSF	State Standard	Meets State Standard?
18 Infusion Chairs	4,023	N/A	N/A

Medical Practice

The Medical Practice area will occupy **9,595** gross square feet of space. The Infusion Center is listed as Clinical space.

Imaging Center Sizing Analysis			
Equipment/Rooms Proposed	Proposed GSF	State Standard	Meets State Standard?
48 Exam Rooms, Work Areas, Etc.	9,595	N/A	N/A

Well Patient/Blood Draw Labs

The Well Patient/Blood Draw Labs area will occupy **917** gross square feet of space. The Infusion Center is listed as Clinical space.

Imaging Center Sizing Analysis			
Equipment/Rooms Proposed	Proposed GSF	State Standard	Meets State Standard?
2 Well Patient/Blood Draw Labs	917	N/A	N/A

Non-Clinical Portions

The Non-Clinical portions of the Project total 21,411 gross square feet of space. This includes Registration, Administration, Bathrooms, Storage, Housekeeping, Data Rooms, Mechanical Rooms, Elevators, Stairs and Circulation.

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

1. The following chart sets forth the projected visits and volumes for those services at the Silver Cross Orland Park Medical Office Building with state utilization standards.

Utilization Metrics						
	Year 1 (2024) Visits/ Procedures/ Exams	Year 2 (2025) Visits/ Procedures/ Exams	State Norm	Allowable Number of Units/Rooms Under State Norms	Proposed Number of Units/Rooms	Meets State Standard?
Imaging Center						
MRI	1,183 procedures	1,419 procedures	2,500 procedures	1	1	Yes. Meets State Norm.
CT	2,455 visits	2,946 visits	7,000 visits	1	1	Yes. Meets State Norm.
X-Ray	3,094 procedures	3,713 procedures	8,000 procedures	1	1	Yes. Meets State Norm.
Ultrasound	1,841 visits	2,209 visits	3,100 visits	1	1	Yes. Meets State Norm.
Mammography	3,260 visits	3,911 visits	5,000 visits	1	1	Yes. Meets State Norm.
Nuclear Medicine	252 visits	302 visits	2,000 visits	1	1	Yes. Meets State Norm.
Office Based GI Procedure Rooms						
GI Procedures	2,400 procedures x 0.6 hours per procedure = 1,440 hours	2,880 procedures x 0.6 hours per procedure = 1,728 hours	1,500 hours per GI room	2	2	Yes. Meets State Norm.

The following chart sets forth the projected visits and volumes for those services at the Silver Cross Orland Park Medical Office Building with NO state utilization standards.

	Projected 2024	Projected 2025
Primary Care	8,435 Visits	8,857 Visits
Specialty Care	3,413 Visits	3,583 Visits
Infusion Center	8,400 Visits	8,800 Visits

Section VI
Attachment 31
Clinical Service Areas Other Than Categories of Service
Criterion 1110.270

Criterion 1110.270(a), Services

The proposed Project does not involve any designated categories of service recognized by the Review Board.

The Silver Cross Orland Park Medical Office Building will house PSMG primary care and specialty care physicians, an imaging center, an infusion center, an office based GI lab, and a patient wellness/blood draw lab.

Criterion 1110.270(b)(1), Establishment (Service to Planning Area Residents)

1. The Silver Cross Orland Park Medical Office Building will house: (1) primary care and specialty care physicians who are currently employed by Premiere Suburban Medical Group ("PSMG"), an Illinois professional limited liability company, which is currently managed by an affiliate of Silver Cross; and (2) non-hospital based ambulatory care (i.e., infusion services, diagnostic imaging, GI services, and a well-patient/blood draw laboratory).
2. The Silver Cross Orland Park Medical Office Building will: (1) allow PSMG physicians to exit from expiring leases and co-locate in a single, anchor location and recognize certain operational efficiencies; and (2) allow the Applicants to meet the health care needs of the growing population in the area.
3. Once complete, the new Silver Cross Orland Park Medical Office Building site will provide a location for care for many of the existing 4,976 PSMG patients being treated at various locations inside the Silver Cross Hospital service area. In addition, another 4,291 PSMG patients that live outside the Silver Cross Hospital service area will have the ability to get care closer to home.
4. As additional benefit, Silver Cross Hospital patients who live close to the Silver Cross Orland Park Medical Office Building, will be able to take advantage of the outpatient imaging, infusion and GI services being offered by PSMG.

Criterion 1110.270(b)(1), Establishment (Service Demand)

1. ATTACHMENT 15 sets forth the volume projections for the Silver Cross Orland Park Medical Office Building.
2. The projections for this Project were generated after reviewing the available historical volume numbers for the PSMG physicians, growth projections for PSMG, and discussions with the PSMG physicians. Silver Cross Hospital also considered its own increasing outpatient volumes for imaging, infusion, and GI services.

Criterion 1110.270(b)(1), Establishment (Impact on Other Area Providers)

1. The services provided at the Silver Cross Orland Park Medical Office Building (outpatient imaging, infusion services, and office based GI services) are not tracked across all of

the providers in the relevant service area. Thus, the Applicants cannot determine whether the Project will lower the utilization of other area providers. That said, the PSMG physicians intend to treat their own patients at the new Silver Cross Orland Park Medical Office Building – so no providers should be impacted by this Project. The same can be said of any Silver Cross Hospital patients seeking care at the Silver Cross Orland Park Medical Office Building.

Criterion 1110.270(b)(1), Establishment (Utilization)

1. As set forth in ATTACHMENT 15, the services provided at the Silver Cross Orland Park Medical Office Building will meet the utilization standards set forth in Appendix B of Part 1110 of the Review Board's Rules.

Section VI
Attachment 34
Availability of Funds
Criterion 1120.120

Silver Cross Hospital will be funding this Project with cash and cash equivalents and through a Space Lease and Ground Lease with the Landlord. An Affidavit of Available Funds from Vincent Pryor, the Senior Vice President and Chief Financial Officer of Silver Cross Hospital ("Mr. Pryor"), in support of this Criterion is attached at ATTACHMENT 34.

Silver Cross Hospital's most recent audited financial statements (September 30, 2021) are attached at ATTACHMENT 34 and show that Silver Cross Hospital was holding more than enough cash, cash equivalents, available invested funds, and funds specifically directed for capital improvements, to fund this Project.

Silver Cross Hospital's recent rating letter from Moody's Investors Service (A3) is attached at ATTACHMENT 35. Silver Cross Hospital's recent rating letter from Fitch Ratings (A-) is attached at ATTACHMENT 35.

June 6, 2022

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

Re: Criterion 1120.120(a) Available Funds Certification (Silver Cross Orland Park Medical Office Building)

Dear Mr. Constantino:

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

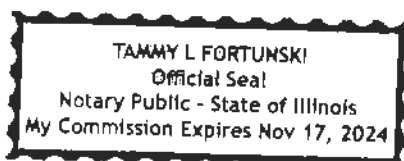
Sincerely,



Vincent E. Pryor
Executive Vice President & CFO
Silver Cross Hospital & Medical Centers

SUBSCRIBED AND SWORN
to before me this 6th day
of June, 2022.



Notary Public



SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements and Schedules

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

SILVER CROSS HEALTH SYSTEM AND AFFILIATES**Table of Contents**

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
Silver Cross Health System and Affiliates:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Silver Cross Health System and its affiliates, which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Silver Cross Health System and its affiliates as of September 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, in 2021, Silver Cross Health System adopted Account Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified as a result of this matter.

*Other Matters*

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

KPMG LLP

Chicago, Illinois
January 28, 2022

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Balance Sheets

September 30, 2021 and 2020

(Amounts in thousands)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 14,299	32,422
Short-term investments	4,663	4,069
Assets whose use is limited or restricted, required for current liabilities	63,000	99,000
Patient accounts receivable	66,371	47,724
Other receivables	13,826	1,793
Inventory	10,342	2,470
Prepaid expenses and other	5,133	4,553
Total current assets	177,634	192,031
Assets whose use is limited or restricted, excluding assets required for current liabilities:		
By board for capital improvements and other	326,033	251,839
By board for self-insurance	33,481	32,089
Under bond indenture agreements – held by trustee	384	427
Pledges receivable	471	564
Donor-restricted investments	1,843	2,830
Beneficial interest in perpetual trusts	9,278	8,390
Total assets whose use is limited or restricted, excluding assets required for current liabilities	371,490	295,939
Land, buildings, and equipment, net	439,093	422,423
Other assets:		
Land held for sale	23,035	23,035
Estimated excess insurance recovery receivables	4,858	4,160
Operating lease right of use assets	25,108	—
Other long-term assets	21,078	16,241
Total assets	\$ 1,062,296	953,829
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 8,695	8,305
Current portion of operating lease liability	4,211	—
Accounts payable	47,589	48,641
Accrued salaries and wages	37,627	32,291
Accrued expenses	5,482	5,641
Estimated payables under third-party reimbursement programs	77,333	96,954
Total current liabilities	180,937	191,832
Estimated self-insured professional and general liability claims	44,497	38,174
Long-term debt, excluding current installments	357,387	366,492
Long-term operating lease liability, net of current portion	21,207	—
Capital lease and other long-term liabilities, net of current portion	6,138	6,658
Total liabilities	610,166	603,156
Net assets:		
Net assets without donor restrictions	431,163	337,992
Noncontrolling interests in consolidated joint ventures	9,364	897
Total net assets without donor restrictions	440,527	338,889
Net assets with donor restrictions	11,603	11,784
Total net assets	452,130	350,673
Total liabilities and net assets	\$ 1,062,296	953,829

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES**Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions**

Years ended September 30, 2021 and 2020

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
Revenue:		
Net patient service revenue	\$ 476,009	405,663
Other revenue	<u>21,518</u>	<u>36,419</u>
Total revenue	<u>497,527</u>	<u>442,082</u>
Expenses:		
Salaries and wages	170,054	153,741
Payroll taxes and fringe benefits	43,684	41,151
General and administrative	111,512	88,381
Supplies	97,023	87,638
Depreciation and amortization	32,822	30,989
Interest	<u>14,135</u>	<u>15,010</u>
Total expenses	<u>469,230</u>	<u>416,910</u>
Income from operations	<u>28,297</u>	<u>25,172</u>
Nonoperating gains:		
Investment return, net	60,945	23,306
Other, net	<u>1,016</u>	<u>1,403</u>
Total nonoperating gains, net	<u>61,961</u>	<u>24,709</u>
Revenue and gains in excess of expenses and losses	90,258	49,881
Changes in net assets without donor restrictions:		
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	2,888	330
Contributed capital from minority partners in consolidated joint ventures	<u>8,492</u>	<u>—</u>
Increase in net assets without donor restrictions	<u>\$ 101,638</u>	<u>50,211</u>

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2021 and 2020

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Revenue and gains in excess of expenses	\$ 90,258	49,881
Other changes in net assets without donor restriction:		
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	2,888	330
Contributed capital from minority partners in consolidated joint ventures	8,492	—
Increase in net assets without donor restrictions	<u>101,638</u>	<u>50,211</u>
Net assets with donor restrictions:		
Contributions for specific purposes	1,909	1,228
Net realized and unrealized gains and losses on net assets with donor restrictions	887	448
Net assets released from restriction for operating purposes	(89)	(160)
Net assets released from restriction for land, building, and equipment acquisitions	<u>(2,888)</u>	<u>(330)</u>
(Decrease) increase in net assets with donor restrictions	<u>(181)</u>	<u>1,186</u>
Change in net assets	101,457	51,397
Net assets at beginning of year	<u>350,673</u>	<u>299,276</u>
Net assets at end of year	<u>\$ 452,130</u>	<u>350,673</u>

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2021 and 2020

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 101,457	51,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,822	30,989
Amortization of bond issue costs, discounts, and premiums included in interest expense	(410)	(410)
Contributed capital from minority partners in consolidated joint ventures	(8,492)	—
Income from equity method investments	(4,134)	(2,078)
Distributions received from equity method investments	725	227
Net gain on sale of land, building, and equipment	(457)	(302)
Reduction in the carrying amount of right of use asset	2,104	
Net long-term contributions	(1,820)	(1,068)
Net realized and unrealized gains and losses on investments	(58,843)	(22,425)
Changes in assets and liabilities:		
Patient accounts receivable	(18,647)	(270)
Estimated excess insurance recovery receivables	(698)	745
Other assets	(21,913)	(1,323)
Estimated payables under third-party reimbursement programs	(19,621)	55,559
Change in operating lease liability and right of use assets	(1,794)	—
Accounts payable, accrued expenses, and other liabilities	10,448	12,664
Net cash provided by operating activities	<u>10,727</u>	<u>123,705</u>
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment	(50,106)	(31,555)
Proceeds from sale of land, buildings, and equipment	1,071	724
Net change in assets whose use is limited or restricted	19,292	(80,574)
Net change in short-term investments	(594)	(466)
Net cash used in investing activities	<u>(30,337)</u>	<u>(111,871)</u>
Cash flows from financing activities:		
Repayment of capital leases	(520)	(206)
Repayments of long-term debt	(8,305)	(7,715)
Contributed capital from minority partners in consolidated joint ventures	8,492	—
Net long-term contributions	1,820	1,068
Net cash provided by (used in) financing activities	<u>1,487</u>	<u>(6,853)</u>
Net change in cash and cash equivalents	(18,123)	4,981
Cash and cash equivalents at beginning of year	<u>32,422</u>	<u>27,441</u>
Cash and cash equivalents at end of year	<u>\$ 14,299</u>	<u>32,422</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 14,195	15,445

See accompanying notes to consolidated financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

(1) Organization and Purposes

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

- Silver Cross Hospital and Medical Centers (the Hospital), a not-for-profit acute care hospital of which the Health System is the sole member; the Hospital facility is located in New Lenox, Illinois and has 302 licensed beds.
- Silver Cross Foundation (the Foundation), a not-for-profit corporation of which the Health System is the sole member, which is dedicated to the advancement of healthcare in Will, Grundy, South Cook, and DuPage counties in Illinois.
- Health Service Systems, Inc. (HSSI), a wholly owned subsidiary of the Health System, which was incorporated to provide administrative and management services to its affiliates and other businesses.
- Midwest Community Real Estate Corporation (MCREC), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to establish and maintain healthcare centers and other facilities for the benefit of the Health System and its affiliates.
- Prime Medical Imaging LLC (Prime Medical), a for-profit joint venture providing radiological healthcare services; the Health System owns 51% and controls the joint venture, resulting in consolidation with noncontrolling interest. Outside capital of \$1,225 was received in formation of the joint venture in 2019. All owners of the joint venture contributed incremental capital in 2021 in the aggregate amount of \$1,006, with the Health System contributing \$514 and other owners contributing \$492. Ownership percentages remained consistent with the prior year.
- Silver Cross MSO, LLC (MSO), a for-profit joint venture providing professional management services for physician healthcare practices; the Health System owns 60% and controls the joint venture, resulting in consolidation with noncontrolling interest. Outside capital of \$8,000 was received in formation of the joint venture in 2021.

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

(2) Summary of Significant Accounting Policies

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

- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

- Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as nonoperating gains and losses.
- The consolidated statements of operations and changes in net assets without donor restrictions include revenue and gains in excess of expenses and losses. Changes in net assets without donor restrictions, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and contributed capital from minority partners for consolidated joint ventures.
- The Corporations consider demand deposits with banks, cash on hand, and all highly liquid debt instruments (including repurchase agreements) purchased with original maturity dates of three months or less to be cash and cash equivalents, excluding those instruments classified as assets whose use is limited or restricted. Short-term investments consist of money market funds or mutual funds that are held and managed by an external broker. These funds have not had a specific limitation placed on them to classify them as assets whose use is limited or restricted.
- Assets limited as to use include amounts held by the bond trustee for payment of principal and interest donor restricted investments and beneficial interests in perpetual trusts, and designated assets set aside for self-insurance, capital improvements, and other. Assets whose use is limited required for current liabilities are reported as current assets and are also used at the Corporations' boards of directors' discretion. Assets whose use is limited required for current liabilities are required as approved by the Corporations' board of directors to cover all outstanding current liabilities at least annually.
- Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses as all investments are considered to be trading securities unless the income or loss is restricted by donors, in which case the investment return is recorded directly to net assets with donor restrictions. Investment return of unrestricted investments is reported as nonoperating gains and losses. Unrealized gains and losses of permanently and investments with donor restrictions are recorded directly to net assets with donor restrictions. Management considers all investments to be trading securities and maintains cash equivalents as part of the investment strategy and overall investing policy.
- The Corporations apply the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and liabilities and for fair value measurement of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Except as otherwise disclosed, the carrying value of all financial instruments of the Corporations approximates fair value. Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The Corporations added \$6,500 of previously unrecorded inventory in the consolidated 2021 financial statements.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

- Land, buildings, and equipment are stated at cost or fair value at date of donation. Depreciation is provided over the estimated useful lives of depreciable assets and is computed on the straight-line method.
- The Corporations evaluate long-lived assets, such as buildings and equipment, for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments have been recognized for the year ended September 30, 2021 or 2020.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restriction. Net assets with donor restriction used for operating purposes are included in other operating revenue to the extent expended during the period. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported directly within the consolidated statements of operations and changes in net assets without donor restrictions.
- Net assets with donor restrictions include the Hospital's interest in a charitable remainder trust, the Foundation's interest in a charitable remainder trust, beneficial interest in perpetual trusts, and donor-restricted contributions, the principal amount of which may not be expended. Investment income of the perpetual trust is distributable within specified limits to an unrelated party. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. All other net assets with donor restrictions are restricted primarily for land, building, and equipment acquisitions at both September 30, 2021 and 2020.
- Provisions for estimated self-insured professional, general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates. All liabilities are presented as long term.
- Net patient service revenue is reported at the amounts that reflect the consideration to which the Hospital, Prime Medical, HSSI (collectively referred to as the Providers) expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. The Providers have agreements with third-party payors, which provide for reimbursement at amounts different from their established rates. Explicit price concessions under third-party reimbursement programs represent the difference between billings at list price and the

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

amounts reimbursed by Medicare, Blue Cross, and certain other third-party payors; the difference between billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

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

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

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Providers also provide services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Providers estimate the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. In evaluating the collectability of patients' accounts receivable, the Providers analyze their past history and identify trends for each of their major payor sources of revenue to estimate the variable consideration. Management regularly reviews data about these major payor sources of revenue in evaluating the

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

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(In thousands)

variable consideration. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

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

The Providers provided for an allowance against patient accounts receivable for amounts that could become uncollectible. The Providers estimate this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. These various factors can impact collection and trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of co-payments to be made by patients with insurance coverage, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends the estimation process used by the Providers. The Providers records implicit price concessions in the period of services on the basis of past experience, which has historically indicated that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which they are financially responsible.

- Other operating revenue includes rental income, joint venture activity, CARES act revenue, and other miscellaneous revenue.
- The Health System, the Hospital, MCREC, and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. A provision for income taxes has not been recorded for HSSI as there are net operating losses of approximately \$31,451 available for carryforward, which expire at various future dates through 2037. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred tax assets have been offset in their entirety by valuation allowances at both September 30, 2021 and 2020 based upon management's assessment that those deferred tax assets may not be utilized.
- The Corporations account for tax positions in accordance with ASC Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's consolidated financial statements and how the values of these positions are determined. The Corporations do not have any liabilities recognized for uncertain tax positions.

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Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

- The Corporations account for derivatives and hedging activities in accordance with ASC Subtopic 815-10, *Derivatives and Hedging – Overall*, as amended, which requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair values. The fair values of the interest rate swap programs are included as a component of the assets whose use is limited by board for capital improvements and other in the accompanying consolidated balance sheets. The derivatives are not designated as hedge instruments, and therefore, the change in fair value of the interest rate swap is recorded as a component of nonoperating gains (losses) – other, net in the period of change as well as net settlement of derivative instruments.
- In February 2016, FASB issued ASU No. 2016-02, *Leases* (ASC Topic 842). ASU No. 2016-02 which required lessees to recognize leases on balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a right of use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations. The Corporations adopted ASC Topic 842 on October 1, 2020. The Corporations are a lessee in several noncancellable operating leases, primarily for office space, transportation, medical, and office equipment.

The Corporations account for leases in accordance with Topic 842, *Leases*. The Corporations determine if an arrangement is or contains a lease at contract inception. The Corporations recognize a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid payments at the lease commencement date.

Key estimates and judgments include how the Corporations determine the following: (1) the discount rate it uses to discount the unpaid lease payments to present value; (2) lease term; and (3) lease payments.

- ASC Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Corporations cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Corporations generally uses a risk-free rate as the discount rate for the lease. The Corporations' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Corporations do not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.
- The lease term for all of the Corporations' leases includes the noncancelable period of the lease plus any additional periods covered by either one of the Corporations' options to extend (or not to terminate) the lease that the Corporations are reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

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Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

- Lease payments included in the measurement of the lease liability comprise the following:
 - Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the Corporations would owe if the lease term assumes the Corporations' exercise of a termination option).
 - Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date.
 - Amounts expected to be payable under the Corporations' provided residual value guarantee; and
 - The exercise price of the Corporations' option to purchase the underlying asset if the Corporations' are reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease payments associated with the Corporations' leases are recognized when the event, activity, or circumstances in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in the Corporations' consolidated statements of operations and changes in net assets without donor restrictions in the same line item as expense arising from fixed lease payments (operating leases).

ROU assets for operating are periodically reduced by impairment losses. The Corporations use the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses were recognized during the fiscal year ended September 30, 2021.

The Corporations monitor for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance in profit or loss.

Operating lease ROU assets are presented as operating lease right of use assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented separately as operating lease liabilities on the consolidated balance sheet.

The Corporations have elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Corporations have elected not to apply the short-term

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

lease recognition and measurement exemption for other classes of leased assets. The Corporations recognizes the lease payments associated with its short-term leases as an expense on the straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other of the Corporations' leases.

The Corporations adopted ASU 2016-02 on October 1, 2020 using a modified transition approach as of the effective date as permitted by the amendments in ASU 2018-11. As a result, the Corporations are not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (i.e., October 1, 2020). The Corporations have elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial indirect costs that were previously capitalized. The Corporations did not elect the practical expedient to use hindsight for leases existing at the adoption date.

The adoption of ASU 2016-02 had an effect on the Corporations' consolidated balance sheet but did not materially affect the consolidated statement of operations and changes in net assets without donor restrictions. The most significant changes to the consolidated balance sheet relate to the recognition of new ROU assets and lease liabilities for operating leases. The Corporations' accounting for finance leases remains substantially unchanged. The adoption of ASU 2016-02 also had no material effect on operating, investing, or financing cash flows in the consolidated statement of cash flows and did not significantly affect the Corporations' disclosures about noncash investing and financing activities. However, the Corporations' lease-related disclosures have significantly increased as of and for the year ended September 30, 2021 as compared to prior year.

As a result of adopting ASU 2016-02 in 2021, the Corporations recognized additional operating liabilities of \$27,212 (of which \$4,080 was current and \$23,132 was noncurrent) with related ROU assets of \$27,212.

- Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 presentation.

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

(3) Financial Assets and Liquidity Resources

As of September 30, 2021, and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 14,299	32,422
Short-term investments	4,663	4,069
Assets whose use is limited	326,033	350,639
Patient accounts receivable and other receivables	<u>80,197</u>	<u>49,517</u>
Total financial assets and liquidity resources available within one year	<u>425,192</u>	<u>436,647</u>
Current liabilities:		
Current installment of long-term debt	8,695	8,305
Current portion of operating lease liability	4,211	—
Accounts payable	47,589	48,641
Accrued salaries and wages	37,627	32,291
Accrued expense	5,482	5,641
Estimated payable under third-party reimbursement programs	<u>77,333</u>	<u>96,954</u>
Total current liabilities	<u>180,937</u>	<u>191,832</u>
Net resources available	<u>\$ 244,255</u>	<u>244,815</u>

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

(4) Net Patient Service Revenue

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

(a) Medicare

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

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(In thousands)

For certain services rendered to Medicare beneficiaries, the Providers' reimbursement is based upon cost or other reimbursement methodologies. The Providers are reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Medicare reimbursement reports through September 30, 2017 have been audited and final settled by the Medicare fiscal intermediary.

(b) Medicaid

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

The Hospital continues to participate in the State of Illinois (the State) provider assessment program that assists in the financing of its Medicaid program. Effective July 1, 2018 the State of Illinois implemented a new Hospital Assessment Program pursuant to Public Act 100-581, replacing the previous program, which expired effective June 30, 2018. Under the new program, the Illinois hospital community has increased revenue related to Medicaid patient claims and lesser revenue related to the supplemental payments through the assessment program. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The Hospital has included its assessment of \$18,439 and \$16,625 for the years ended September 30, 2021 and 2020, respectively, within general and administrative expense. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Hospital has included its additional reimbursement of \$26,374 and \$27,137 for the years ended September 30, 2021 and 2020, respectively, within net patient service revenue.

(c) Blue Cross

The Providers also participate as a provider of healthcare services under a reimbursement agreement with Blue Cross. The basis for payment under this agreement is negotiated by the Providers and includes prospectively determined rate per discharge, discounts from established charges, capitation, CPT fee schedules, and prospectively determined per diem rates.

(d) Other

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

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

	<u>2021</u>	<u>2020</u>
Medicare	38.7 %	39.0 %
Medicaid	10.3	11.5
Managed care/commercial	48.4	49.4
Self-pay and other	2.6	0.1
	<u>100.0 %</u>	<u>100.0 %</u>

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

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

	<u>2021</u>	<u>2020</u>
Medicare	\$ 184,475	158,209
Medicaid	48,870	46,650
Managed care/commercial	230,216	200,398
Self-pay and other	12,448	406
Net patient service revenue	<u>\$ 476,009</u>	<u>405,663</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

(5) Concentration of Credit Risk

The Providers grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Medicare	36.9 %	38.6 %
Medicaid	9.9	10.2
Managed care/contract payors/Blue Cross	39.7	39.7
Self-pay	4.7	4.6
Commercial and other	<u>8.8</u>	<u>6.9</u>
	<u>100.0 %</u>	<u>100.0 %</u>

(6) Charity Care

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

The Hospital maintains records of the amount of charges forgone and related cost for services and supplies furnished under its charity care policy, as well as the estimated differences between the cost of services provided to Medicaid patients and the reimbursement under that program estimated based on an overall cost-to-charge ratio. The following information measures the estimated level of charity care provided and unreimbursed cost under the Medicaid program during 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Estimated charity care costs for non-Medicaid patients	\$ 5,594	7,605
Excess of cost over reimbursement for services provided to Medicaid patients (1)	13,941	8,002

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

(7) Investments

A summary of the composition of the Corporations' investment portfolio at September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 31,413	54,726
Money market funds	2,219	2,250
Common stock	49,548	40,805
U.S. Treasury securities	26,945	26,083
Mutual funds	293,780	242,993
Corporate bonds and notes	21,593	18,468
U.S. agency securities	3,906	4,729
Beneficial interest in perpetual trusts	9,278	8,390
	<u>\$ 438,682</u>	<u>398,444</u>

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

	<u>2021</u>	<u>2020</u>
Short-term investments	\$ 4,663	4,069
Assets whose use is limited or restricted, excluding pledges receivable:		
Required for current liabilities	63,000	99,000
By board for capital improvements and other	326,033	251,639
By board for self-insurance	33,481	32,089
Under bond indenture agreements – held by trustee	384	427
Donor-restricted investments	1,843	2,830
Beneficial interest in perpetual trusts	9,278	8,390
	<u>\$ 438,682</u>	<u>398,444</u>

The composition of investment return on the Corporations' investment portfolio for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income, net of fees, and expenses	\$ 2,989	1,329
Net realized gains on sale of investments	8,959	6,986
Net change in unrealized gains and losses during the holding period	49,884	15,439
	<u>\$ 61,832</u>	<u>23,754</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

The Corporations have designated all unrestricted investments to be trading securities and maintains cash equivalents as part of the investment strategy and overall investing policy. Investment return is included in the accompanying consolidated financial statements for the years ended September 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Nonoperating gains – investment income, net	\$ 60,945	23,306
Net realized and unrealized gains and losses on donor-restricted investments	<u>887</u>	<u>448</u>
	<u>\$ 61,832</u>	<u>23,754</u>

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

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

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

(b) Fair Value Hierarchy

ASC Subtopic 820-10, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2021:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 14,299	14,299	—	—
Short-term investments:				
Money market funds	2,219	2,219	—	—
Mutual funds	2,444	2,444	—	—
Assets whose use is limited or restricted:				
Cash and cash equivalents	31,413	31,413	—	—
Common stock	49,548	49,548	—	—
U.S. Treasury securities	26,945	26,945	—	—
Mutual funds	291,336	291,336	—	—
Corporate bonds and notes	—	—	—	—
U.S. agency securities	21,593	—	21,593	—
Beneficial interest in perpetual trusts	13,184	—	3,906	9,278
Subtotal	438,682	403,905	25,499	9,278
Fair value of swap agreements	384	—	384	—
Total financial assets	\$ 453,365	418,204	25,883	9,278

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Cash and cash equivalents	\$ 32,422	32,422	—	—
Short-term investments:				
Money market funds	2,250	2,250	—	—
Mutual funds	1,819	1,819	—	—
Assets whose use is limited or restricted:				
Cash and cash equivalents	54,726	54,726	—	—
Common stock	40,805	40,805	—	—
U.S. Treasury securities	26,083	26,083	—	—
Mutual funds	241,174	241,174	—	—
Corporate bonds and notes	18,468	—	18,468	—
U.S. agency securities	4,729	—	4,729	—
Beneficial interest in perpetual trusts	8,390	—	—	8,390
Subtotal	398,444	366,857	23,197	8,390
Fair value of swap agreements	410	—	410	—
Total financial assets	<u>\$ 431,276</u>	<u>399,279</u>	<u>23,607</u>	<u>8,390</u>

The Corporations' policy is to recognize transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1 or Level 2 for the year ended September 30, 2021 or 2020.

The following table presents the activity for the beneficial interest in perpetual trusts for the years ended September 30, 2021 and 2020 for assets measured at fair value using unobservable inputs classified in Level 3:

	<u>Beneficial interest in trusts</u>	
	<u>2021</u>	<u>2020</u>
Beginning fair value	\$ 8,390	7,940
Current year contributions	—	—
Interest and dividends, net of fees and expenses	69	110
Realized gains, net	271	139
Change in unrealized gains and losses, net	666	336
Distributions	(118)	(135)
Ending fair value	<u>\$ 9,278</u>	<u>8,390</u>

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

(9) Land, Buildings, and Equipment, Net

A summary of land, buildings, and equipment, net at September 30, 2021 and 2020 is as follows:

	2021		2020	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 33,307	—	31,045	—
Land improvements	19,263	6,787	17,017	5,937
Buildings, building improvements, and fixed equipment	428,669	124,138	419,818	123,808
Major movable equipment	247,962	192,513	226,689	174,778
Construction in progress	33,330	—	32,377	—
	<u>\$ 762,531</u>	<u>323,438</u>	<u>726,946</u>	<u>304,523</u>

Since moving its main facilities to New Lenox, IL, in 2018 the Hospital demolished its former Hospital structure in Joliet, IL. The Hospital has land held for sale of \$23,035 as of September 30, 2021 and 2020 relating to the former hospital site.

The Corporations are currently engaged in various construction and renovation projects. There were no contractual commitments as of September 30, 2021. Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. No interest was capitalized during 2021 or 2020.

(10) Long-Term Debt

A summary of long-term debt at September 30, 2021 and 2020 is as follows:

	2021	2020
Illinois Finance Authority Revenue Refunding Bonds, Series 2008A, principal is due annually at fixed-interest rates of 5.00% to 5.82%; interest is due semiannually depending upon date of maturity through August 15, 2030	\$ 61,175	66,005
Illinois Finance Authority Revenue Refunding Bonds, Series 2010A, at a variable interest rate (effective rates of 0.69% and 1.45% for September, 30 2021 and 2020, respectively), maturing in fiscal year 2041	9,850	10,365
Illinois Finance Authority Revenue Refunding Bonds, Series 2010B, at a variable interest rate (effective rates of 0.77% and 1.42% for September, 30 2021 and 2020, respectively), maturing in fiscal year 2040	6,600	6,940

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Notes to Consolidated Financial Statements

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(In thousands)

	<u>2021</u>	<u>2020</u>
Illinois Finance Authority Revenue Refunding Bonds, Series 2015A, at a variable interest rate (effective rates of 1.66% and 2.37% for September, 30 2021 and 2020, respectively), maturing in fiscal year 2024	\$ 2,320	3,480
Illinois Finance Authority Revenue Refunding Bonds, Series 2015C, principal is due annually at fixed-interest rate of 5.00%; interest is due semiannually depending on date maturity through 2044	<u>274,965</u>	<u>276,425</u>
Total fixed and variable-rate debt	354,910	363,215
Less unamortized net bond premiums	(14,176)	(14,766)
Less unamortized bond issue costs	<u>3,004</u>	<u>3,184</u>
Total debt	366,082	374,797
Less current installments	<u>8,695</u>	<u>8,305</u>
Total long-term debt, excluding current installments	\$ <u><u>357,387</u></u>	<u><u>366,492</u></u>

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

The Series 2010A and Series 2010B principal is payable annually, with a balloon payment of \$9,335 for 2010A due in fiscal year 2023 and a balloon payment of \$5,580 for 2010B due in fiscal year 2025. Interest on the Series 2010A bonds is variable based on 80% of the sum of one-month LIBOR plus 60 basis points and is payable monthly. Interest on the Series 2010B bonds is variable based on 80% of the sum of one-month LIBOR plus 84 basis points and is payable monthly. If the Obligated Group chooses to extend the debt beyond the date of the balloon payment, the interest rates will be reset by the lenders at a rate not to exceed 12%.

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(In thousands)

On January 1, 2015, the Illinois Finance Authority issued variable-rate revenue bonds, Series 2015A and Series 2015B, in the aggregate amount of \$26,860 on behalf of the Obligated Group. On April 22, 2015, the Illinois Finance Authority issued fixed-rate revenue refunding bonds, Series 2015C in the amount of \$286,435 on behalf of the Obligated Group. The Obligated Group received a bond premium of \$18,800 and paid bond issue costs of \$3,236 related to these issuances.

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

Year:		
2022	\$	8,695
2023		17,915
2024		7,915
2025		14,755
2026		10,205
Thereafter		<u>295,425</u>
	\$	<u><u>354,910</u></u>

(11) Derivative Instruments

The Corporations have an interest rate-related derivative instrument to manage its exposure on debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the Corporations are exposed 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 Corporations, which creates credit risk for the Corporations. When the fair value of a derivative contract is negative, the Corporations owe the counterparty, and therefore, it does not possess credit risk; however, the Corporations are required to post collateral to the counterparty when certain thresholds as defined in the derivative agreements are met. 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 Corporations' management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

The fair value of the swap is the estimated amount the Corporations would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

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(In thousands)

The Corporations entered into two variable interest rate swap agreements on August 15, 2018 to offset long-term fixed rates set on the Series 2008A debt issuance, with notional amounts of \$50,580 and \$15,425 and maturity dates of August 5, 2023 and May 15, 2021 respectively. The agreements were amended and restated on May 12, 2021. Under the amended agreements, the notional amounts are \$50,580 and \$10,595. The swap agreements will have extended maturity dates of March 9, 2026 and May 20, 2022 respectively. The Corporations receive, on a monthly basis, 1.57% of one-month SIFMA plus 65 basis points and either receive or pay cash settlements semi-annually determined by the swap value at time of settlement. The fair value of the Series 2018 interest rate swap agreement receivable of \$384 and \$410 at September 30, 2021 and 2020, respectively, is included as a component of assets whose use is limited under bond indenture agreements in the accompanying consolidated balance sheet. The change in fair value of the interest rate swap agreements of (\$26) and \$92 in 2021 and 2020, respectively, has been included as a component of nonoperating gains (losses) other, net in the accompanying consolidated statements of operations and changes in net assets without donor restrictions. The differential to be paid or received under the Series 2018 interest rate swap agreement is recognized monthly and has been included as a component of interest expense in the accompanying consolidated statement of operations and changes in net assets without donor restriction.

(12) Pension Plans

The Health System, HSSI, and the Hospital sponsor various voluntary, defined-contribution, and money purchase pension plans for all qualified, full-time employees. Benefits for individual employees are the amounts that can be provided by the sums contributed and accumulated for each individual employee. The Health System, HSSI, and the Hospital recognized expense under the terms of the plans in the amount of \$10,405 and \$9,941 for 2021 and 2020, respectively. The Health System, HSSI, and the Hospital fund the plans on a current basis.

The Health System also sponsors several supplemental retirement plans. Eligibility for these plans is limited to specified employees. The supplemental plans are defined-benefit plans and are not qualified plans under Section 401 of the Code. The Health System has recognized expense under the terms of these supplemental retirement plans in the amount of \$718 and \$786 for 2021 and 2020, respectively. Amounts owed to specified employees under the supplemental retirement plans are included in accrued salaries and wages.

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

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

Provisions for estimated self-insured professional and general liability claims amounted to \$7,265 and \$2,561 in 2021 and 2020, respectively, and are included in general and administrative expenses. It is the opinion of management that the estimated professional and general liabilities accrued at September 30, 2021 and 2020 are adequate to provide for the ultimate cost of potential losses resulting

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

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(In thousands)

from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The Corporations have also designated attorneys to handle legal matters relating to malpractice and general liability claims. No portion of the accrual for estimated self-insured professional and general liability claims has been reported as a current liability.

(b) Workers' Compensation

The Health System, HSSI, and the Hospital maintain a self-insurance program for workers' compensation coverage. This program limits the self-insured retention to \$650 per occurrence. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Provisions for workers' compensation claims amounted to \$1,843 and \$689 for 2021 and 2020, respectively, and are included in payroll taxes and fringe benefits expense. Management believes the estimated self-insured workers' compensation claims liability, which is included within accrued salaries and wages, of \$3,598 and \$3,792 at September 30, 2021 and 2020, respectively, is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved.

(c) Healthcare

The Health System, HSSI, and the Hospital also have a program of self-insurance for employee healthcare coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Provisions for employee healthcare claims amounted to \$17,149 and \$15,152 for 2021 and 2020, respectively, and are included with payroll taxes and fringe benefits expense. It is the opinion of management that the estimated healthcare costs accrued, which is included within accrued salaries and wages, of \$2,393 and \$2,119 at September 30, 2021 and 2020, respectively, are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

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

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

(i) UCMC/SCH Oncology JV, LLC

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

The Hospital accounts for its investment in the Cancer Center using the equity method of accounting. As of and for the year ended September 30, 2021, the Cancer Center had unaudited total assets of \$19,980, members' equity of \$19,646, revenue of \$50,365, and net income of

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

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(In thousands)

\$4,958. As of and for the year ended September 30, 2020, the Cancer Center had unaudited total assets of \$15,705, members' equity of \$15,355, revenue of \$43,376, and net income of \$3,623. The Cancer Center made cash distributions to the Hospital of \$0 in 2021 and 2020. The carrying value of the Hospital's investment in the Cancer Center is \$11,788 and \$9,333 as of September 30, 2021 and 2020, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets.

(ii) Silver Oaks Behavioral, LLC

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

The Hospital accounts for its investment in Silver Oaks Behavioral Hospital, LLC using the equity method of accounting. As of and for the year ended September 30, 2021, Silver Oaks Behavioral Hospital, LLC had unaudited total assets of \$23,399, members' equity of \$15,692, net revenue of \$25,171, and a net income of \$2,707. As of and for the year ended September 30, 2020, Silver Oaks Behavioral Hospital, LLC had unaudited total assets of \$24,241, members' equity of \$14,746, net revenue of \$21,181, and a net income of \$962. The carrying value of the Hospital's investment in Silver Oaks Behavioral Hospital, LLC is \$3,138 as of September 30, 2021 and \$2,949 as of September 30, 2020 and is included in other long-term assets in the accompanying consolidated balance sheets.

(iii) Essential Health Partners, LLC

On February 19, 2019, the Hospital, along with Innovista, LLC, became the founding members of Essential Health Partners, LLC, whose purpose was to develop and operate a clinically and financially integrated healthcare provider network. The healthcare provider network began providing services on July 1, 2019. The Hospital had an initial 60% ownership at inception of Essential Health Partners, LLC. In FY20 they added an additional partner reallocating ownership to 33 1/3 %. In FY21 that new partner had to exit EHP due to a merger and parent company affiliations. In late fiscal year 2021, the Hospital has since added an additional healthcare provider, reallocating their ownership percentage to 27.5%.

The Hospital accounts for its investment in Essential Health Partners, LLC using the equity method of accounting. As of and for the year ended September 30, 2021, Essential Health Partners, LLC had unaudited total assets of \$33,884, members' equity of \$18,998, revenue of \$44,029, and a net income of \$1,489. As of and for the year ended September 30, 2020, Essential Health Partners, LLC had unaudited total assets of \$22,240, members' equity of \$10,073, revenue of \$54,043, and a net income of \$2,361. Essential Health Partners, LLC made cash distributions to the Hospital of \$0 in 2021 and \$227 in 2020. The carrying value of the Hospital's investment in Essential Health Partners, LLC is \$3,370 as of September 30, 2021 and \$2,949 as of September 30, 2020 and is included in other long-term assets in the accompanying consolidated balance sheets.

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(In thousands)

(b) Noncontrolling Interest in Consolidated Joint Ventures

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

Changes in net assets without donor restrictions attributable to the Corporations and to noncontrolling interest in consolidated joint ventures for the year ended September 30, 2021 are as follows:

	Total	Controlling interest	Noncontrolling interest
Balance, September 30, 2019	\$ 288,678	287,607	1,071
Revenue and gains in excess of expenses	49,881	50,055	(174)
Other changes in net assets without donor restrictions:			
Contributed capital from minority partners in consolidated joint ventures	—	—	—
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	330	330	—
Balance, September 30, 2020	338,889	337,992	897
Revenue and gains in excess of expenses	90,258	90,283	(25)
Other changes in net assets without donor restrictions:			
Contributed capital from minority partners in consolidated joint ventures	8,492	—	8,492
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	2,888	2,888	—
Balance, September 30, 2021	\$ 440,527	431,163	9,364

(15) Endowments and Beneficial Interest in Trusts

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

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

The activity of the Funds and Trusts for the year ended September 30, 2021 is as follows:

	<u>Total</u>	<u>Donor-restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 7,473	892	6,581
Current year contributions	20	20	—
Investment return:			
Interest and dividends	105	—	105
Realized gains, net	174	—	174
Change in unrealized gains, net	595	—	595
Disbursements:			
Fees and expenses	(65)	—	(65)
Assets released from restriction	(102)	—	(102)
Ending fair value	<u>\$ 8,200</u>	<u>912</u>	<u>7,288</u>

The activity of the Funds and Trusts for the year ended September 30, 2020 is as follows:

	<u>Total</u>	<u>Donor-restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 7,069	872	6,197
Current year contributions	20	20	—
Investment return:			
Interest and dividends	140	—	140
Realized gains, net	131	—	131
Change in unrealized gains, net	286	—	286
Disbursements:			
Fees and expenses	(57)	—	(57)
Assets released from restriction	(116)	—	(116)
Ending fair value	<u>\$ 7,473</u>	<u>892</u>	<u>6,581</u>

The historical cost basis of the Funds was approximately \$912 and \$892 for September 30, 2021 and 2020, respectively. The fair value of assets associated with individual donor-restricted endowment funds

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of September 30, 2021 or 2020.

(16) Leases

Information as of and for the year ended September 30, 2021:

The Corporations have several noncancelable operating leases, primarily for office space, transportation, medical, and office equipment that expire over the next 11 years. The Corporation includes renewal options in the lease term if the options are considered to be reasonably certain of being exercised. Because the Corporations are not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and associated potential option payments are excluded from lease payments. The Corporations' leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Corporations' leases, variable payments. For office space leases that include variable payments, those include payments for the Corporations' proportionate share of the building's property taxes, insurance, and common area maintenance.

The components of lease cost for the year ended September 30, 2021, were as follows:

Operating Lease cost	\$	25,417
Variable lease cost		<u>1,350</u>
Total lease cost	\$	<u><u>26,767</u></u>

Amounts reported in the consolidated balance sheet as of September 30, 2021, were as follows:

Operating lease right-of-use asset	\$	27,212
Operating lease accumulated depreciation		<u>(2,104)</u>
Operating lease right-of-use assets		<u>25,108</u>
Current portion of operating lease liability		4,211
Long-term operating lease liability, net of current portion		<u>21,207</u>
Total operating lease liabilities		<u>25,418</u>
Operating lease liabilities, net of right-of-use assets	\$	<u><u>310</u></u>

Other information related to operating leases as of September 30, 2021 was as follows:

Supplemental information:

Operating cash flows from capitalized operating leases	\$	4,353
Weighted average remaining lease term – capitalized operating leases (in years)		6.16
Weighted average discount rate used to value operating lease liabilities		0.59 %

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

Amounts disclosed for ROU assets obtained in exchange for lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

Maturities of lease liabilities under noncancelable leases as of September 30, 2021 are as follows:

	<u>Operating leases</u>
2022	\$ 4,348
2023	4,380
2024	4,346
2025	4,238
2026	4,330
Thereafter	<u>4,314</u>
Total undiscounted lease payments	25,956
Less imputed interest	<u>(538)</u>
Total lease liabilities	<u>\$ 25,418</u>

Information as of and for the year ended September 30, 2020:

The Corporations occupy space in certain facilities under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expenses in 2021 was \$767.

The following table is a schedule by year of future minimum lease payments to be made under operating leases as of September 30, 2021 that have initial or remaining lease terms in excess of one year:

	<u>Amount</u>
2022	\$ 4,348
2023	4,380
2024	4,346
2025	4,238
2026	4,330
Thereafter	<u>4,314</u>
	<u>\$ 25,956</u>

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

September 30, 2021 and 2020

(In thousands)

(17) Commitments and Contingencies**(a) Medicare Reimbursement**

The Hospital recognized \$184,475 of net patient service revenue during 2021 from services provided to Medicare beneficiaries. Federal legislation routinely includes provisions to modify Medicare payments to healthcare providers. Changes in Medicare reimbursement as a result of the CMS implementation of the provisions of Medicare legislation and other healthcare reform initiatives may have an adverse effect on the Hospital's net patient service revenue.

(b) Litigation

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

(c) Regulatory Investigations

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

(d) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the governor of Illinois signed into law *Public Act 97-0688*, which creates new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the Hospital's estimated property tax liability. The Corporations have been certified in 2021 and 2020 and have not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(e) Investment Risk and Uncertainties

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

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

(18) Functional Expenses

The Health System provides healthcare services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations and changes in net assets without donor restrictions as of September 30, 2021 and 2020 corresponding totals are as follows:

	Program activities	Supporting activities		
	Healthcare services	Administration	Fundraising	Total
2021:				
Salaries and wages	\$ 159,615	10,203	236	170,054
Payroll taxes and fringe benefits	41,004	2,621	59	43,684
General and administrative	102,531	8,516	465	111,512
Supplies	96,971	—	52	97,023
Depreciation and amortization	32,330	492	—	32,822
Interest	14,135	—	—	14,135
	<u>\$ 446,586</u>	<u>21,832</u>	<u>812</u>	<u>469,230</u>
2020:				
Salaries and wages	\$ 144,292	9,224	225	153,741
Payroll taxes and fringe benefits	38,626	2,469	56	41,151
General and administrative	81,546	6,540	295	88,381
Supplies	87,605	—	33	87,638
Depreciation and amortization	30,524	465	—	30,989
Interest	15,010	—	—	15,010
	<u>\$ 397,603</u>	<u>18,698</u>	<u>609</u>	<u>416,910</u>

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

(19) COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient activity and related revenues for most services were significantly impacted starting in mid-March 2020 as various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

The Corporations' pandemic response plan has multiple facets and continues to evolve as the pandemic continues. Precautionary steps to enhance operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to the business, included the following:

- Implemented certain cost reduction initiatives;
- Continued to monitor economic pressures such as supply availability and costs as well as labor demand and costs;
- Assessed the various federal stimulus options available to the Corporations, including those noted below.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, providing temporary and limited relief to hospitals during the COVID-19 outbreak. Under the CARES Act, appropriations were made for hospitals to cover expenses and lost revenue associated with the treatment of COVID-19 patients, the Medicare Advanced and Accelerated payment program was expanded, employee retention tax credits to employers affected by COVID-19 were provided, the 2% reduction in Medicare payments from sequestration through December 2021 has been eliminated, add-on payments for inpatient hospitals treating COVID-19 patients were created, and a reduction in Medicaid funding for Medicare disproportionate share hospitals was delayed.

Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund through September 30, 2021, the Corporations recognized \$7,000 in 2021 and \$25,559 in 2020 related to these general distribution funds as part of other operating revenue in the consolidated statement of operations and changes in net assets without donor restrictions. The Corporation received \$8,370 of general distributions and \$24,189 of targeted distributions under the CARES Act. There is no remaining unrecognized amount of Cares Act provider Relief Funds received in 2021 or 2020. These funds are not subject to repayment, provided the Corporations are able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as other revenue once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on analysis of the compliance and reporting requirements of the CARES Act and the impact of the pandemic on operating results.

In addition, the Corporations received \$48,000 of accelerated Medicare payments in 2020. The Medicare Advanced Payment Program (APP) payments allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. After 120 days of receipt (beginning in April 2021), claims for services provided to Medicare beneficiaries are being applied against the advance payment balance. As of September 30, the Corporation has recorded the outstanding APP payments of \$34,140 and \$48,000 expected to be recouped by Medicare within the next year as estimated payables under third-party reimbursement programs in the accompanying 2021 and 2020 consolidated balance sheet, respectively.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(In thousands)

The extent of the COVID-19 pandemic's impact on operating results and financial condition of the Corporations has been and will continue to be driven by many factors, most of which are beyond the Corporations' control and ability to forecast. Such factors include but are not limited to the availability of healthcare service provider resources; incremental expenses required for supplies, including pharmaceuticals; and potential new virulent strains of the virus. Because of these and other uncertainties, the Corporations cannot estimate the length or severity of the impact of the pandemic on the business and the results of its operations.

The CARES Act also provides for a deferral of payments of the employer portion of social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The Corporations have deferred payroll taxes of \$6,016 and \$3,689 at September 30, 2021 and 2020, respectively. The deferral has been recorded as a component of accrued expenses on the consolidated balance sheets.

(20) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of September 30, 2021 through January 28, 2022 which was the date the consolidated financial statements were available to be issued, and other than those noted above, there were no items to disclose.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Consolidating Schedule – Balance Sheet Information

September 30, 2021

(Amounts in thousands)

Schedule 1

Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross MSO, LLC	Prime Medical	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	\$ 1,485	1,178	8,115	232	201	2,133	955	—	14,299
Short-term investments	—	2,444	2,219	—	—	—	—	—	4,663
Assets whose use is limited or restricted, required for current liabilities	—	—	83,000	—	—	—	—	—	83,000
Patient accounts receivable	—	1,580	84,479	—	—	—	312	—	86,371
Due from affiliates	21,515	327	68,523	1,371	6,922	1,679	—	(100,337)	—
Other receivables	208	56	283	—	97	13,202	—	—	13,826
Inventory	—	—	10,342	—	—	—	—	—	10,342
Prepaid expenses and other	416	83	4,535	5	4	50	40	—	5,133
Total current assets	23,824	5,668	221,476	1,608	7,224	17,064	1,307	(100,337)	177,634
Assets whose use is limited or restricted, excluding assets required for current liabilities:									
By board for capital improvements and other	—	—	326,033	—	—	—	—	—	326,033
By board for self-insurance	33,481	—	—	—	—	—	—	—	33,481
Under bond indenture agreements – held by trustee	—	—	384	—	—	—	—	—	384
Pledges receivable	—	—	471	—	—	—	—	—	471
Donor-restricted investments	—	—	1,843	—	—	—	—	—	1,843
Beneficial interest in perpetual trusts	—	—	9,278	—	—	—	—	—	9,278
Total assets whose use is limited or restricted	33,481	—	338,009	—	—	—	—	—	371,490
Land, buildings, and equipment, net	—	3,061	402,618	—	26,468	3,687	3,259	—	439,093
Other assets:									
Land held for sale	—	—	23,035	—	—	—	—	—	23,035
Investments	22,650	—	—	—	—	—	—	(22,650)	—
Estimated excess insurance recovery receivables	4,858	—	—	—	—	—	—	—	4,858
Operating lease right of use assets	—	4,995	20,113	—	—	—	—	—	25,108
Other long-term assets	—	—	32,530	—	488	1,500	24	(13,444)	21,078
Total assets	\$ 84,613	13,724	1,037,781	1,608	34,160	22,251	4,590	(136,431)	1,062,296

SILVER CROSS HEALTH SYSTEM AND AFFILIATES

Schedule 1

Consolidating Schedule -- Balance Sheet Information

September 30, 2021

(Amounts in thousands)

Liabilities and Net Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross MSO	Prime Medical	Eliminations	Consolidated
Current liabilities:									
Current installments of long-term debt	\$ —	—	8,695	—	—	—	—	—	8,695
Current portion of operating lease liability	—	659	3,552	—	—	—	—	—	4,211
Accounts payable	65	12	43,461	—	3,119	642	290	—	47,589
Accrued salaries and wages	3,616	3,328	30,493	—	—	165	25	—	37,627
Accrued expenses	—	158	2,824	—	2,408	—	92	—	5,482
Estimated payables under third-party reimbursement programs	—	—	77,333	—	—	—	—	—	77,333
Due to affiliates	13,886	29,660	15,798	598	39,074	1,321	—	(100,337)	—
Total current liabilities	17,567	33,817	182,156	598	44,601	2,128	407	(100,337)	180,937
Estimated self-insured professional and general liability claims	44,497	—	—	—	—	—	—	—	44,497
Long-term debt, excluding current installments	—	—	357,387	—	—	—	—	—	357,387
Long-term operating lease liability, net of current portion	—	4,398	16,809	—	—	—	—	—	21,207
Capital lease and other long-term liabilities, net of current portion	—	—	4,639	—	—	—	1,499	—	6,138
Total liabilities	62,064	38,215	560,991	598	44,601	2,128	1,906	(100,337)	610,166
Net assets (deficit):									
Net assets (deficit) without donor restrictions	22,549	(24,501)	465,197	1,010	(10,441)	12,074	1,369	(36,094)	431,163
Noncontrolling interests in consolidated joint ventures	—	—	—	—	—	8,049	1,315	—	9,364
Total net assets (deficit) without donor restrictions	22,549	(24,501)	465,197	1,010	(10,441)	20,123	2,684	(36,094)	440,527
Net assets with donor restrictions	—	10	11,593	—	—	—	—	—	11,603
Total net assets (deficit)	22,549	(24,491)	476,790	1,010	(10,441)	20,123	2,684	(36,094)	452,130
Total liabilities and net assets	\$ 84,613	13,724	1,037,781	1,608	34,160	22,251	4,590	(136,431)	1,062,296

See accompanying independent auditors' report.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES
Consolidating Schedule – Statement of Operations and Changes in Net Assets without Donor Restriction Information
Year ended September 30, 2021
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross MSO	Prime Medical	Eliminations	Consolidated
Revenue:									
Net patient service revenue	\$ —	15,448	459,847	—	—	—	1,800	(1,086)	476,009
Other revenue	9,927	914	17,437	—	2,581	1,763	—	(11,104)	21,518
Total revenue	9,927	16,362	477,284	—	2,581	1,763	1,800	(12,190)	497,527
Expenses:									
Salaries and wages	6,571	11,893	150,491	—	—	839	460	—	170,054
Payroll taxes and fringe benefits	1,295	2,190	39,928	—	—	135	136	—	43,684
General and administrative	1,884	5,133	113,595	—	1,757	309	1,027	(12,193)	111,512
Supplies	—	1,000	95,948	—	—	—	75	—	97,023
Depreciation and amortization	—	574	30,556	—	917	557	218	—	32,822
Interest	—	—	14,062	—	—	—	73	—	14,135
Total expenses	9,750	20,790	444,580	—	2,674	1,640	1,989	(12,193)	469,230
Income (loss) from operations	177	(4,428)	32,704	—	(93)	123	(189)	3	28,297
Nonoperating gains (losses):									
Investment income, net	1,353	(4)	59,554	4	—	—	38	—	60,945
Other, net	198	—	199	162	457	—	—	—	1,016
Total nonoperating gains (losses), net	1,551	(4)	59,753	166	457	—	38	—	61,961
Revenue and gains in excess (deficient) of expenses and losses	1,728	(4,432)	92,457	166	364	123	(151)	3	90,258
Other changes in net assets without donor restrictions:									
Acquisitions financed by temporarily restricted net assets	—	—	2,888	—	—	—	—	—	2,888
Capital contributions	—	—	—	—	—	20,000	1,006	(12,514)	8,492
Increase (decrease) in net assets without donor restrictions	\$ 1,728	(4,432)	95,345	166	364	20,123	855	(12,511)	101,638

See accompanying independent auditors' report.

SILVER CROSS HEALTH SYSTEM AND AFFILIATES
Consolidating Schedule – Statement of Changes in Net Assets Information
Year ended September 30, 2021
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross MSO	Prime Medical	Eliminations	Consolidated
Net assets without donor restrictions:									
Revenue and gains in excess (deficient) of expenses and losses	\$ 1,728	(4,432)	92,457	166	364	123	(151)	3	90,258
Other changes in net assets without donor restrictions									
Net assets released from restriction for land, building and equipment acquisitions financed by net assets with donor restrictions	—	—	2,888	—	—	—	—	—	2,888
Capital contributions	—	—	—	—	—	20,000	1,006	(12,514)	8,492
Increase (decrease) in net assets without donor restrictions	1,728	(4,432)	95,345	166	364	20,123	855	(12,511)	101,638
Net assets with donor restrictions:									
Contributions for specific purposes	—	—	1,909	—	—	—	—	—	1,909
Net realized and unrealized gains and losses on net assets with donor restrictions	—	—	887	—	—	—	—	—	887
Net assets released from restriction for operating purposes	—	—	(89)	—	—	—	—	—	(89)
Net assets released from restriction for land, building and equipment acquisitions	—	—	(2,888)	—	—	—	—	—	(2,888)
Decrease in net assets with donor restrictions	—	—	(181)	—	—	—	—	—	(181)
Change in net assets	1,728	(4,432)	95,164	166	364	20,123	855	(12,511)	101,457
Net assets (deficit) at beginning of year	20,821	(20,059)	381,626	844	(10,805)	—	1,829	(23,583)	350,673
Net assets (deficit) at end of year	\$ 22,549	(24,491)	476,790	1,010	(10,441)	20,123	2,684	(36,094)	452,130

See accompanying independent auditors' report.

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

Combining Schedule – Special-Purpose Combined Balance Sheet Information – Obligated Group

September 30, 2021

(Amounts in thousands)

Assets	Silver Cross Health System	Silver Cross Hospital and Medical Centers	Eliminations	Obligated Group Combined
Current assets:				
Cash and cash equivalents	\$ 1,485	8,115	—	9,600
Short-term investments	—	2,219	—	2,219
Assets whose use is limited or restricted, required for current liabilities	—	63,000	—	63,000
Patient accounts receivable	—	64,479	—	64,479
Due from affiliates	21,515	68,523	(4,071)	85,967
Other receivables	208	263	—	471
Inventory	—	10,342	—	10,342
Prepaid expenses and other	416	4,535	—	4,951
Total current assets	<u>23,624</u>	<u>221,476</u>	<u>(4,071)</u>	<u>241,029</u>
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements and other	—	326,033	—	326,033
By board for self-insurance	33,481	—	—	33,481
Under bond indenture agreements – held by trustee	—	384	—	384
Pledges receivable	—	471	—	471
Donor-restricted investments	—	1,843	—	1,843
Beneficial interest in perpetual trusts	—	9,278	—	9,278
Total assets whose use is limited or restricted	<u>33,481</u>	<u>338,009</u>	<u>—</u>	<u>371,490</u>
Land, buildings, and equipment, net	—	402,618		402,618
Other assets:				
Land held for sale	—	23,035	—	23,035
Investment in unconsolidated subsidiary	22,650	—	(22,650)	—
Estimated excess insurance recovery receivables	4,858	—	—	4,858
Operating lease right of use assets	—	20,113	—	20,113
Other long-term assets	—	32,530	—	32,530
Total assets	<u>\$ 84,613</u>	<u>1,037,781</u>	<u>(26,721)</u>	<u>1,095,673</u>

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

Combining Schedule – Special-Purpose Combined Balance Sheet Information – Obligated Group

September 30, 2021

(Amounts in thousands)

Liabilities and Net Assets	Silver Cross Health System	Silver Cross Hospital and Medical Centers	Eliminations	Obligated Group Combined
Current liabilities:				
Current installments of long-term debt	\$ —	8,695	—	8,695
Current portion of operating lease liability	—	3,552	—	3,552
Accounts payable	65	43,461	—	43,526
Accrued salaries and wages	3,616	30,493	—	34,109
Accrued expenses	—	2,824	—	2,824
Estimated payables under third-party reimbursemen	—	77,333	—	77,333
Due to affiliates	38,377	15,798	(4,071)	50,104
Total current liabilities	42,058	182,156	(4,071)	220,143
Estimated self-insured professional and general liability claims	44,497	—	—	44,497
Long-term debt, excluding current installments and unamortized bond discounts and premiums	—	357,387	—	357,387
Long-term operating lease liability, net of current portior	—	16,809	—	16,809
Capital lease and other long-term liabilities, net of current portior	—	4,639	—	4,639
Total liabilities	86,555	560,991	(4,071)	643,475
Net assets (deficit):				
Net assets (deficit) without donor restrictions	(1,952)	465,197	(22,650)	440,595
Net assets with donor restrictions	10	11,593	—	11,603
Total net assets (deficit)	(1,942)	476,790	(22,650)	452,198
Total liabilities and net assets	\$ 84,613	1,037,781	(26,721)	1,095,673

See accompanying independent auditors' report.

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

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

Year ended September 30, 2021

(Amounts in thousands)

	Silver Cross Health System	Silver Cross Hospital and Medical Centers	Eliminations	Obligated Group Combined
Revenue:				
Net patient service revenue	\$ —	459,847		459,847
Other revenue	9,927	17,437	(8,517)	18,847
Total revenue	9,927	477,284	(8,517)	478,694
Expenses:				
Salaries and wages	6,571	150,491	—	157,062
Payroll taxes and fringe benefits	1,295	39,928	—	41,223
General and administrative	1,884	113,595	(8,517)	106,962
Supplies	—	95,948	—	95,948
Depreciation and amortization	—	30,556	—	30,556
Interest	—	14,062	—	14,062
Total expenses	9,750	444,580	(8,517)	445,813
Income from operations	177	32,704	—	32,881
Nonoperating gains (losses):				
Investment income, net	1,353	59,554	—	60,907
Loss on investment in unconsolidated subsidiary	(4,432)	—	—	(4,432)
Other, net	198	199	—	397
Total nonoperating gains (losses), net	(2,881)	59,753	—	56,872
Revenue and gains in excess (deficient) of expenses and losses	(2,704)	92,457	—	89,753
Other changes in net assets without donor restrictions:				
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	—	2,888	—	2,888
Increase (decrease) in net assets without donor restrictions	\$ (2,704)	95,345	—	92,641

See accompanying independent auditors' report.

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

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

Year ended September 30, 2021

(Amounts in thousands)

	<u>Silver Cross Health System</u>	<u>Silver Cross Hospital and Medical Centers</u>	<u>Eliminations</u>	<u>Obligated Group Combined</u>
Net assets without donor restrictions:				
Revenue and gains in excess (deficient) of expenses and losses	\$ (2,704)	92,457	—	89,753
Other changes in net assets without donor restrictions:				
Net assets released from restriction for land, building, and equipment acquisitions financed by net assets with donor restrictions	<u>—</u>	<u>2,888</u>	<u>—</u>	<u>2,888</u>
Increase (decrease) in net assets without donor restrictions	<u>(2,704)</u>	<u>95,345</u>	<u>—</u>	<u>92,641</u>
Net assets with donor restrictions:				
Contributions for specific purposes	—	1,909	—	1,909
Net realized and unrealized gains and losses on investments with donor restrictions	—	887	—	887
Net assets released from restriction for operating purposes	—	(89)	—	(89)
Net assets released from restriction for land, building, and equipment acquisitions	<u>—</u>	<u>(2,888)</u>	<u>—</u>	<u>(2,888)</u>
Decrease in net assets with donor restrictions	<u>—</u>	<u>(181)</u>	<u>—</u>	<u>(181)</u>
Change in net assets	<u>(2,704)</u>	<u>95,164</u>	<u>—</u>	<u>92,460</u>
Net assets at beginning of year	<u>762</u>	<u>381,626</u>	<u>(22,650)</u>	<u>359,738</u>
Net assets (deficit) at end of year	\$ <u>(1,942)</u>	<u>476,790</u>	<u>(22,650)</u>	<u>452,198</u>

See accompanying independent auditors' report.

Section VII
Attachment 35
Financial Feasibility
Financial Viability
Criterion 1120.130

Silver Cross Hospital will be funding its obligations under the Project from internal sources – specifically cash and cash equivalents and through a Space Lease and Ground Lease with the Landlord. Silver Cross Hospital also has an “A3” bond rating from Moody’s Investors Service and an “A-” rating from Fitch Ratings, which are attached at ATTACHMENT 35.

Thus, Silver Cross Hospital is entitled to a financial viability waiver pursuant to Criterion 1120.130(a)(1). Mr. Pryor’s Financial Viability Waiver Certification in support of this Criterion is attached at ATTACHMENT 35.

MOODY'S

INVESTORS SERVICE

CREDIT OPINION

24 July 2020

✓ Rate this Research

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Silver Cross Hospital & Medical Centers, IL

Update to credit analysis following upgrade to A3

Summary

Silver Cross' (A3 stable) consistently strong margins and liquidity will continue to improve leverage metrics, as shown over the last five years. Following strong market share gains over multiple years, revenue growth opportunities will come from service line expansion and clinical partnerships. Manageable capital spending, which will be funded with cash flow, will allow for liquidity growth. While expected to improve, debt metrics will likely be unfavorable for several years. Silver Cross' moderate size could present challenges with the presence of larger more tertiary competitors in the broader service area.

The most immediate social risk is the impact of COVID-19, which drove volume and short-term operating losses earlier this year. Though volumes have rebounded since Silver Cross' has resumed non-essential procedures, the pandemic is ongoing and creates some uncertainty about volumes. However, the organization's robust margins prior to COVID-19 and relief funding from the CARES Act will largely mitigate margin pressure from COVID in fiscal 2020. We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Credit strengths

- » Leading market position will be supported by the expansion of services, outpatient access and physician recruitment
- » Double-digit operating cash flow margins will be sustained by a favorable payor mix, growth strategies and a continued focus on cost containment
- » Moderate capital spending needs will drive further liquidity growth
- » Majority fixed rate debt and defined contribution pension plan will limit liquidity needs

Credit challenges

- » Despite expected improvement, leverage metrics will be unfavorable for several years
- » Moderate size of hospital could present challenges with larger tertiary competitors in the broader service area
- » Although COVID recovery is strong, uncertainty related to potential resurgence is a risk

Rating outlook

The stable outlook reflects our expectation that Silver Cross will maintain robust margins that allow for maintenance of strong liquidity and continued deleveraging of all debt measures.

Factors that could lead to an upgrade

- » Material enterprise growth
- » Continued reduction in leverage relative to operations and the balance sheet
- » Maintenance of strong margins and liquidity metrics

Factors that could lead to a downgrade

- » A sustained decline in operating performance
- » New debt issuance or weakening of debt metrics
- » Deterioration of wealth and liquidity

Key indicators

Exhibit 1

Silver Cross Hospital and Medical Centers, IL

	2015	2016	2017	2018	2019	8M 2020 Annualized
Operating Revenue (\$'000)	348,804	366,917	385,645	396,293	418,432	426,681
3 Year Operating Revenue CAGR (%)	6.6	4.3	3.5	4.3	4.5	3.6
Operating Cash Flow Margin (%)	15.9	16.0	15.7	16.0	15.7	14.6
PM: Medicare (%)	41.1	41.4	43.6	44.0	44.8	N/A
PM: Medicaid (%)	11.1	10.9	10.3	9.5	9.7	N/A
Days Cash on Hand	207	230	239	257	273	306
Unrestricted Cash and Investments to Total Debt (%)	43.2	50.6	56.4	64.5	73.1	85.2
Total Debt to Cash Flow (x)	6.1	5.7	5.5	5.0	4.7	4.7

Based on audited financials for Silver Cross Health System and Affiliates fiscal year ended September 30 investments smoothed at 5%
Source: Moody's Investors Service

Profile

Silver Cross Hospital is an independent, not-for-profit health care provider serving Will County and southwest suburban communities since 1895. With over 4,500 employees, physicians and volunteers, Silver Cross operates a 300-bed acute care hospital and 6 satellite facilities providing outpatient services and physician offices.

Detailed credit considerations

Market position: growing market share in a demographically attractive service area

Silver Cross will further grow its leading market position by continuing to execute expansion strategies, which drove a notable increase in market share over the last two years. According to management, market share in the PSA has grown in each of the last two years to 41.2% from 38.4% in 2018. In 2018, Silver Cross started an open heart program which has exceeded volume projections in its first year and helped grow the system's Cardiac Surgery market share by 8.6%. Clinical and strategic partnerships will continue to support market share and volume growth as well. Specifically, the hospital has partnered with University of Chicago Medical Center (A1 stable) for oncology, Lurie Children's Hospital for deliveries, and Rehabilitation Institute of Chicago for rehab. Silver Cross' partnership with

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Innovista Health Solutions in 2018 will support the coordination of population health management and physician contracting. Though Silver Cross employs a small number of physicians, the partnership will provide a network of over 1200 doctors.

Despite a leading position, Silver Cross will continue to face competition from larger regional providers as they look to grow. According to data provided by management, Presence St. Joseph Hospital (member of Aa2 stable Ascension Health Alliance), maintains 24.7% of market share down from 28.8% in 2016. Other competitive pressures stem from Palos Community Hospital (Palos) which captures only 6.4% of market share; the rest of the hospitals in Silver Cross' PSA capture less market share than Palos.

Operating performance, balance sheet, and capital plans: strong margins and limited capital needs will drive further liquidity growth

The organization will maintain double digit cash flow margins in fiscal 2020 owing to good financial momentum prior to the shutdown of non essential procedures during COVID and CARES Act grants. We expect margins to remain strong in fiscal 2021 although the ongoing spread of the Coronavirus does raise uncertainty that volumes may remain below pre-COVID levels in certain departments, like the emergency room. Also, the likelihood of a resurgence is unclear. However, we anticipate that Silver Cross will maintain its trend of good volumes following containment. Most recently the organization started an open heart program which has beat targeted volume projections; Silver Cross' partnerships with various academic medical centers (AMCs) and other healthcare organizations (described above) will also contribute to positive revenue growth and consistent margins. Additionally, Silver Cross benefits from the Medicaid assessment program which will contribute approximately \$13 million to the bottom line annually

The impact of COVID-19 will be manageable based on a relatively rapid recovery and we expect margins will remain strong through year-end. Silver Cross temporarily suspended all non-essential services in mid-March 2020 which caused significant volume declines across most service lines; the suspension of non-essential services was a State mandate. In mid-May, the State lifted the ban and Silver Cross was able to slowly restart services. Management reports that volumes are returning, and are at nearly 100% for most departments. The emergency room is still significantly below prior levels but this is consistent with trends seen across the country. Through unaudited annualized eight months of fiscal 2020 (May 31) the system reported a 3.8% operating margin and 14.6% operating cash flow margin, these margins include approximately \$22 million of CARES Act funding which was received in April and May. Silver Cross received approximately \$11 million of additional CARES Act funding in July.

Liquidity

Cash reserves will continue to grow given limited capital needs over the next several years. Silver Cross plans to spend approximately one times depreciation in fiscal 2020 and 2021. Key projects include expansion of labor and delivery rooms, the addition of several ambulatory sites and investments in IT infrastructure. Projects will be funded with cash flow.

At May 31, 2020, the system reported \$350 million in unrestricted cash and investments providing for 335 days cash on hand. Silver Cross received approximately \$48 million of Medicare Accelerated payments in April 2020 which has temporarily boosted cash, repayment of funds begins in August of 2020. We expect cash on hand will decline through year-end as a result of the repayment but will remain very strong at approximately 296 days. Investments are fairly liquid, allocated to 48% equities, 45% cash and fixed income and 7% real estate.

Silver Cross has also closed on two one-year lines of credit for \$25 million each with PNC bank and First Midwest Bank. Although Silver Cross has no plans to draw on either line, this provides the organization an additional liquidity source during the pandemic.

Debt structure and legal covenants: debt metrics will continue to strengthen but remain elevated in the medium-term

While the organization will continue to improve leverage metrics, leverage will remain high for several years. At FYE 2019, Silver cross had 90% debt to operating revenue compared to a high of 119% in 2015. Other measures of leverage include 73% cash to debt, 4.7X debt to cash flow and 2.9x Moody's adjusted maximum annual debt service coverage. We expect these metrics to improve through fiscal 2020, as a result of debt paydown through year-end, liquidity growth and robust margins.

Silver Cross will maintain ample room to its covenants. Covenants under the Master Trust Indenture require the obligated group to maintain a minimum of 80 days cash on hand (measured March 31 and September 30) and 1.1 times MADS coverage (measured September 30).

Legal security

The bonds are secured by a joint and several gross revenue pledge of the Obligated Group and a mortgage pledge. The Obligated Group includes the Silver Cross parent and Hospital. The obligated group represents over 90% of Silver Cross total assets and revenues.

Debt structure

Debt structure risks will be limited with the majority of debt fixed rate (92%), however, approximately 20% of the fixed rate portion is comprised of synthetic floating-rate notes. The remaining is comprised of variable rate private placements with staggered tender dates, although there is some bank concentration risk as the majority is placed with First Midwest Bank.

Debt-related derivatives

We do not expect any changes to Silver Cross' swap program. In 2018, the system entered into a total return swap for its Series 2008A Bonds. The swap converted approximately \$72 million of fixed rate debt to synthetic floating rate debt for an initial five year-term through 2023. The counterparty to the swap is Barclays.

Pensions and OPEB

Silver Cross' modest debt equivalents will continue to be a credit positive and provide some balance given the high direct debt load. Silver Cross sponsors a defined contribution pension plan and the debt equivalent of leases (using a four time multiplier) was \$28 million at September 30, 2019.

ESG considerations**Environmental**

Environmental considerations are not a material rating factor.

Social

The most significant social consideration is currently the impact of COVID-19. Silver Cross suspended elective procedures in early March but has since resumed elective services system wide. At this time, we expect that the impact of the loss of cases and the cost of treating COVID-19 patients is offset by the system's strong volumes and operating performance prior to COVID-19 as well as CARES Act funding. Though volume losses were significant during shutdown, the system has since seen significant ramp up and rebound of most service lines. However, fiscal 2021 remains uncertain with expectations that volumes may remain below pre-COVID levels. Moreover, if the service area experiences a surge in COVID positive patients there could be additional volume and operating disruptions.

Silver Cross benefits from a favorable payor mix with limited Medicaid and self-pay exposure. The organization will also continue to benefit from the Medicaid assessment which is expected to provide approximately \$13 million in net benefit annually.

Governance

Management is stable. Disclosure practices are standard.

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REPORT NUMBER 1239182

FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Silver Cross (IL) Revenue Bonds and IDR to 'A-'; Outlook Revised to Stable

Mon 28 Jun, 2021 - 9:47 AM ET

Fitch Ratings - New York - 28 Jun 2021: Fitch Ratings has upgraded Silver Cross Health System Issuer Default Rating (IDR) to 'A-' from 'BBB+'. Fitch has also upgraded the long-term rating to 'A-' from 'BBB+' on series 2008A and series 2015C bonds issued by the Illinois Finance Authority on behalf of Silver Cross.

The Rating Outlook is revised to Stable from Positive.

SECURITY

The bonds are secured by a gross revenue pledge and a mortgage on certain property, including the hospital campus.

ANALYTICAL CONCLUSION

The upgrade to 'A-' reflects Silver Cross's improved financial profile, with strong cash flow generation combined with more moderate capital needs have contributed to solid liquidity growth. The rating also reflects Silver Cross's leading and growing market position in a

stable service area. Strong cost flexibility through the pandemic contributed to a fiscal 2020 operating EBITDA margin of over 16%, comparable to recent years.

Fitch's five-year forward-looking scenario analysis shows continued operating strength as utilization continues to perform following the pandemic, supported by Silver Cross's strategic outpatient growth, improved access, and the strength of their core service lines. Silver Cross's financial profile is consistent with the 'A' rating category when applying revenue stress and a portfolio sensitivity analysis. The revision to a Stable Outlook reflects Fitch's expectation that Silver Cross will maintain ample financial flexibility and strong financial results over the medium term, with operating EBITDA margins at or exceeding 12%.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'

Leading Market Share in Stable Service Area

Silver Cross, located about 35 miles southwest of Chicago, has a leading market position and a growing market share of close to 44% (primary service area) in a service area with good demographic characteristics. Silver Cross has a favorable payor mix with Medicaid and self-pay accounting for under 13% of gross revenue in fiscal 2020.

Competition stems primary from Amita St. Josephs (located about nine miles to the west) with about 23% market share. In addition, there are several academic medical centers located in the broader secondary service area. Silver Cross benefits from a large independent and employed medical staff and several affiliations with leading Chicago area health systems. The hospital is now in the second year of its open-heart and cardiac surgery program, capturing about 19% market share in the total service area, compared to 9% in fiscal 2019. A Level III neo-natal intensive care unit (NICU) anticipated for FY22 should enhance the obstetrics service line. Management continues to focus on growth through increasing access points and enhancing key service lines.

Feedback

Operating Risk: 'aa'

0139

Strong and Stable Operating Profitability

Silver Cross's has demonstrated strong operating cost flexibility through the pandemic with a very strong operating EBITDA margin of about 16% in fiscal 2020, which is consistent with historical performance and includes \$25.5 million in CARES funding. Operating performance remains strong through the first half of 2021 with an operating EBITDA margin of close to 12%, which does not include an additional \$7 million in CARES funding that is expected to be realized in the second half of fiscal 2021. Strong margins reflect the efficiencies of operating in a relatively new facility, combined with Silver Cross's labor and productivity practices. Utilization has rebounded to pre-pandemic levels in most services, and Fitch expects Silver Cross to maintain strong profitability with operating EBITDA margins averaging around 12% in our forward-looking analysis.

Capex requirements are manageable and supported by cash flow with an average age of plant just under 10 years. Capex averaged about 80% of depreciation over the past four years and with expenditures increasing to about 100% of depreciation in fiscal 2019 and 2020 with the build out of the cardiac program. Capital expenditures are expected to average about 120% of depreciation over the next five years with strategic focus on access points, expanding inpatient capacity by 24 beds, and technology. The capital plan is flexible with ability to scale back in stress years.

Financial Profile: 'a'

Moderating Leverage Supported by Strong Cash Flow

Silver Cross's consistently strong cash flow generation and moderate capital needs have resulted in continued improvement in the financial and leverage profile. Total adjusted debt of \$412.8 million in fiscal 2020 includes \$37 million in debt equivalents related to operating leases (calculated at a 5x multiple). Cash to adjusted debt improved to 81% in fiscal 2020, compared to just over 50% in fiscal 2018. The financial profile demonstrates continued improvement in the five-year forward look, and demonstrates ample financial flexibility in Fitch's stress case, with cash to adjusted debt exceeding 80% by year four, consistent with

Feedback

the 'A' rating category given Silver Cross's mid-range revenue defensibility and strong operating risk assessment.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

No asymmetric risk factors were applied in this rating determination.

RATING SENSITIVITIES

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

--Positive rating action over the medium or longer term would require continued strong operating performance with operating EBITDA margins consistently exceeding 12% and a financial profile with cash to adjusted debt sustained at over 100% in Fitch's stress scenario.

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

--A weakening of the financial profile where cash to adjusted debt remains below 75% in Fitch's stress scenario;

--While not expected, compression in operating margins, particularly if the operating EBITDA margin falls below 8% for a sustained period.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure 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>.

Silver Cross operates a 300-bed acute care hospital located approximately 35 miles southwest of downtown Chicago. The health system successfully transitioned into its replacement hospital in New Lenox, IL in February 2012 from its original hospital in Joliet, IL. The new hospital has allowed Silver Cross to capitalize on a growing market, improve efficiencies, and enhance service offerings through its various clinical partnerships. Total consolidated operating revenue equaled \$442 million in fiscal 2020.

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

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
-------------	--------	-------

ENTITY/DEBT	RATING		PRIOR	
Silver Cross Health System (IL)	LT	A- Rating Outlook Stable	Upgrade	BBB+ Rating Outlook Positive
● Silver Cross Health System (IL) /General Revenues/1 LT	LT	A- Rating Outlook Stable	Upgrade	BBB+ Rating Outlook Positive

VIEW ADDITIONAL RATING DETAILS

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Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**

U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub. 18 Nov 2020)
(including rating assumption sensitivity)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 23 Feb 2021) (including
rating assumption sensitivity)

APPLICABLE MODELS

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

Portfolio Analysis Model (PAM), v1.3.2 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Illinois Finance Authority (IL)

EU Endorsed, UK Endorsed

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US Public Finance Healthcare and Pharma North America United States

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ga('set', '732-ckh-767', 'USER_ID');

June 6, 2022

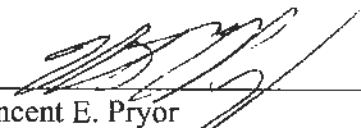
Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Criterion 1120.130(a) Financial Viability Waiver Certification
(Silver Cross Orland Park Medical Office Building)

Dear Mr. Constantino:


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

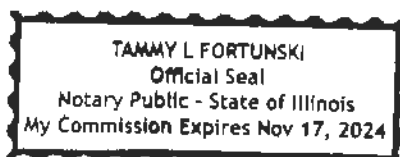
Sincerely,



Vincent E. Pryor
Executive Vice President & CFO
Silver Cross Hospital & Medical Centers

SUBSCRIBED AND SWORN
to before me this 6th day
of June, 2022.



Notary Public

Section VIII
Attachment 37
Economic Feasibility
Criterion 1120.140

Criterion 1120.140(a), Reasonableness of Financing Arrangements

Silver Cross will be funding the Project through a Space Lease and Ground Lease with the Landlord. Silver Cross will be using cash and cash equivalents for anything not covered by the Space Lease or Ground Lease. See Mr. Pryor's Affidavit of Available Funds in support of this Criterion is attached at ATTACHMENT 34. See also Mr. Pryor's Space Lease and Ground Lease Affidavits at ATTACHMENT 7.

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

1. The construction cost (i.e., tenant buildout costs) per gross square foot for the clinical portions of the Project is \$56.40. There are no contingency costs associated with this Project. The clinical portions of the Project encompass 20,589 building gross square feet. The construction and contingency costs for the clinical portions of the Project total \$1,176,514.

**COST AND BUILDING GROSS SQUARE FEET
(CLINICAL PORTIONS OF PROJECT)**

Department (list below)	A Cost/Building Gross Foot	B Square Foot	C Building Sq. Ft. (Clinical Only)	D Gross Portions	E Building Sq. Ft.	F Gross	G Const. \$ (Clinical Portions Only)	H Mod. \$	Total Cost (Clinical Portions Only)
	NEW	MOD	NEW	CIRC	MOD	CIRC	(A x C)	(B x E)	(G + H)
Medical Office Building (Clinical Portions)	\$56.40	---	20,589		---	---	\$1,176,514	---	\$1,176,514
Construction Total	\$56.40	---	20,589		---	---	\$1,176,514	---	\$1,176,514
Contingencies	\$0.00	---	20,589		---	---	\$0.00	---	\$0.00
Construction & Contingencies Total	\$56.40	---	20,589		---	---	\$1,176,514	---	\$1,176,514

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

Project Costs			
USE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts (Tenant Buildout Costs)	\$1,176,514	\$1,223,486	\$2,400,000
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees	\$49,021	\$50,979	\$100,000
Movable or Other Equipment (not in construction contracts)	\$7,221,344	\$2,020,968	\$9,242,312
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Space Lease	\$6,765,704	\$7,035,820	\$13,801,524
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$15,212,584	\$10,331,252	\$25,543,836

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

Project Item	Project Cost (Clinical Parts Only)	Section 1120 Norm	Project Cost Compared to Section 1120 Norm
Preplanning Costs	\$0	1.8% * (Construction Costs + Contingencies + Equipment)	Below Section 1120 Norm.
Site Survey, Soil Investigation and Site Preparation	\$0	5% * (Construction Costs + Contingencies)	Below Section 1120 Norm.
Construction Contracts and Contingencies (i.e., tenant buildout costs) The midpoint of construction will occur in 2023	\$1,176,514/20,589 GSF = \$56.40 per GSF	\$287.76 per GSF	Below Section 1120 Norm.
Contingencies	\$0	10% * (Construction Costs)	Below Section 1120 Norm.
Architectural and Engineering Fees	\$0	8.66% * (Construction Costs + Contingencies)	Below Section 1120 Norm.
Consulting and Other Fees	\$49,021	No Section 1120 Norm	Reasonable as compared to other approved projects.
Equipment	\$7,221,344	No Section 1120 Norm	Reasonable as compared to other approved projects.
Leased Space	\$6,765,704	No Section 1120 Norm	Reasonable as compared to other approved projects.

Criterion 1120.140(d), Projected Operating Costs

1. The projected operating costs for the Silver Cross Orland Park Medical Office Building (attributable to the Applicants) in 2025 should be zero. An affiliate of Silver Cross manages PMSG. The Applicants will ultimately sublet the space assigned to PMSG or charge the space back to PMSG as the various PMSG doctors and offices are relocated to the Silver Cross Orland Park Medical Office Building.
2. The remaining parts of this Project are not subject to this Criterion.

Criterion 1120.140(e), Total Effect of the Project On Capital Costs (in 2025)

Total Projected Annual Capital Costs in 2025 = \$0

Total Projected Annual Capital Costs Per Visit/Procedure in 2025: \$0

Section X
Attachment 39
Charity Care Information

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

	FY 2018	FY 2019	FY 2020	FY 2021
Total Net Patient Revenue	\$378,810,000	\$401,798,000	\$394,504,000	\$459,847,000
Amount of Charity Care (Charges)	\$28,492,000	\$26,316,000	\$24,296,000	\$18,846,000
Cost of Charity Care	\$7,612,000	\$7,606,000	\$7,605,000	\$5,594,000

In total, Silver Cross Hospital provided over \$42,008,313 in charity care and other community benefits in FY 2021.

Section XI
Attachment 40
Flood Plain Compliance

1. As set forth in ATTACHMENT 5, the Silver Cross Orland Park Medical Office Building will be located in flood plain Zone X, which is designated as an area of low flood risk not requiring flood insurance.
2. See Flood Insurance Rate Map No. 17031C0703K (revised November 1, 2019), which is attached at ATTACHMENT 5.
3. See attached flood plain determination form (completed) at ATTACHMENT 40.

87°51'16"W 41°35'9"N




SPECIAL FLOOD HAZARD AREAS


Without Base Flood Elevation (BFE)
Zone A, V, AE
With BFE or Depth Zone AE, AO, AH, VE, AP
Regulatory Floodway


OTHER AREAS OF FLOOD HAZARD

0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone C



**Future Conditions 1% Annual
Chance Flood Hazard Zone X**

 Area with Reduced Flood Risk due to Levee. See Notes. Zone X

 Area with Flood Risk due to Level Zone D

NO SCREEN Area of Minimal Flood Hazard Zone X

Area of Undetermined Flood Hazard Zone

OTHER AREAS


GENERAL STRUCTURES

- - - - Channel, Culvert, or Storm Sewer
 ||||| Levee, Dike, or Floodwall

323

20.2 Cross Sections with 1% Annual Chance
 17.5 Water Surface Elevation

- - - Coastal Transect
 ~~~~~ Base Flood Elevation Line (BFE)

 Limit of Study  
 Jurisdiction Boundary

--- Coastal Transect Baseline  
- Profile Baseline

5 | Hydrographic Feature

## OTHER FEATURES

☐ Digital Data Available  
☐ No Digital Data Available  
☒ Unmapped

## MAP PANELS

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

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

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 1/17/2022 at 10:46 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

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



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

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| 3                    | Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | 31      |
| 4                    | Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.                  | 32-33   |
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| 6                    | Historic Preservation Act Requirements                                                                 | 39-42   |
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| 8                    | Financial Commitment Document if required                                                              | N/A     |
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|                      | <b>Service Specific:</b>                                                                               |         |
| 19                   | Medical Surgical Pediatrics, Obstetrics, ICU                                                           | N/A     |
| 20                   | Comprehensive Physical Rehabilitation                                                                  | N/A     |
| 21                   | Acute Mental Illness                                                                                   | N/A     |
| 22                   | Open Heart Surgery                                                                                     | N/A     |
| 23                   | Cardiac Catheterization                                                                                | N/A     |
| 24                   | In-Center Hemodialysis                                                                                 | N/A     |
| 25                   | Non-Hospital Based Ambulatory Surgery                                                                  | N/A     |
| 26                   | Selected Organ Transplantation                                                                         | N/A     |
| 27                   | Kidney Transplantation                                                                                 | N/A     |
| 28                   | Subacute Care Hospital Model                                                                           | N/A     |
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