ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Advocate South Suburban Hospital –Establishment of Acute Mental Illness Category of Service (Relocation from Advocate Christ Medical Center)
Street Address: 17800 South Kedzie Avenue
City and Zip Code: Hazel Crest, Illinois 60429
County: Cook Health Service Area: 7 Health Planning Area: A-04

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital
Street Address: 17800 South Kedzie Avenue
City and Zip Code: Hazel Crest, Illinois 60429
Name of Registered Agent: Michael Kerns
Registered Agent Street Address: 3075 Highland Parkway
Registered Agent City and Zip Code: Downers Grove, Illinois 60515
Name of Chief Executive Officer: Sharon Otten
CEO Street Address: 17800 South Kedzie Avenue
CEO City and Zip Code: Hazel Crest, Illinois 604296
CEO Telephone Number: 708-799-8000

Type of Ownership of Applicants

At

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Sharon Otten
Title: Interim Leader
Company Name: Advocate South Suburban Hospital
Address: 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429
Telephone Number: 708-799-8000
E-mail Address: Sharon.Otten@aah.org
Fax Number:

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

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

Name: Renee Donaldson, MS, CADC
Title: VP Operations, IL Behavioral Health, Behavioral Service Line
Company Name: Advocate Health Care
Address: 3075 Highland Parkway, Downers Grove, Illinois 60515
Telephone Number: 309-275-0690
E-mail Address: renee.donaldson@aah.org
Fax Number:

Name: Kara Friedman/Anne Cooper
Title: Attorney
Company Name: Polsinelli PC
Address: 150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606
Telephone Number: 312-873-3639/312-873-3606
E-mail Address: kfriedman@polsinelli.com/acooper@polsinelli.com
Fax Number:

Facility/Project Identification

Facility Name: Advocate South Suburban Hospital –Establishment of Acute Mental Illness Category of Service
Street Address: 17800 South Kedzie Avenue
City and Zip Code: Hazel Crest, Illinois 60429
County: Cook Health Service Area: 7 Health Planning Area: A-04

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

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

Type of Ownership of Applicants

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

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Telephone Number: 708-799-8000
E-mail Address: Sharon.Otten@aah.org
Fax Number:

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Telephone Number: 847-721-0376
E-mail Address: myndee.balkan@aah.org
Fax Number:

Name: Renee Donaldson, MS, CADC
Title: VP Operations, IL Behavioral Health, Behavioral Service Line
Company Name: Advocate Health Care
Address: 3075 Highland Parkway, Downers Grove, Illinois 60515
Telephone Number: 309-275-0690
E-mail Address: renee.donaldson@aah.org
Fax Number:

Name: Kara Friedman/Anne Cooper
Title: Attorney
Company Name: Polsinelli PC
Address: 150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606
Telephone Number: 312-873-3639/312-873-3606
E-mail Address: kfriedman@polsinelli.com/acooper@polsinelli.com
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Facility/Project Identification

Facility Name: Advocate South Suburban Hospital –Establishment of Acute Mental Illness Category of Service
Street Address: 17800 South Kedzie Avenue
City and Zip Code: Hazel Crest, Illinois 60429
County: Cook Health Service Area: 7 Health Planning Area: A-04

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

Exact Legal Name: Advocate Aurora Health
Street Address: 750 West Virginia
City and Zip Code: Milwaukee, Wisconsin 53204
Name of Registered Agent: Michael Kerns
Registered Agent Street Address: 3075 Highland Parkway
Registered Agent City and Zip Code: Downers Grove, Illinois 60515
Name of Chief Executive Officer: James Skogsbergh
CEO Street Address: 3075 Highland Parkway, Suite 600
CEO City and Zip Code: Downers Grove, Illinois 60515
CEO Telephone Number: 630-572-9393

Type of Ownership of Applicants

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

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E-mail Address: renee.donaldson@aah.org
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Title: Attorney
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Telephone Number: 312-873-3639/312-873-3606
E-mail Address: kfriedman@polsinelli.com/acooper@polsinelli.com
Fax Number:

Post Permit Contact

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

Name: Scott Nelson
Title: VP, Planning, Design and Construction
Company Name: Advocate Aurora Health, Inc.
Address: 3075 Highland Parkway, Ste. 400, Downers Grove, IL 60515
Telephone Number: (630) 929-5575
E-mail Address:scott.nelson@aah.org
Fax Number:

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital
Address of Site Owner: 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429
Street Address or Legal Description of the Site: 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS <u>ATTACHMENT 2,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital
Address: 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429
☒ Non-profit Corporation ☐ Partnership ☐ For-profit Corporation ☐ Governmental ☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. o **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital, Advocate Health Care Network, and Advocate Aurora Health, Inc. (collectively, the "Applicants" or "Advocate") seek approval from the Illinois Health Facilities and Services Review Board (the "State Board") to establish a 27-bed acute mental illness ("AMI") unit for the management and treatment of patients requiring behavioral health services on an inpatient basis. This project involves the relocation of AMI services currently operated at Advocate Christ Medical Center ("ACMC") to Advocate South Suburban Hospital ("ASSH") located at 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429 (the "Project").

By way of background, ACMC, is the only Level I trauma center in Advocate Aurora Health's South Chicagoland Service Area ("AAH South Chicagoland Service Area"),[1] ensures that its emergency services are supported by 24-hour in-house coverage by general surgeons, and prompt availability of care in specialties including orthopedics, neurosurgery, anesthesiology, radiology, internal medicine, plastic surgery, oral/maxillofacial surgery, and adult and pediatric intensivists for critical care.

Due to its Level I trauma status and the broad array of specialized tertiary and advanced care services it offers, patients residing in the AAH South Chicagoland Service Area depend on ACMC for such care and it is the only hospital in the AAH South Chicagoland Service Area that can admit the most critically ill patients. As such, it continually operates above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity in three of the last four years. The COVID-19 pandemic has only exacerbated the need for additional medical/surgical beds at ACMC[2] and a shortage of beds creates access issues for patients requiring specialized care.

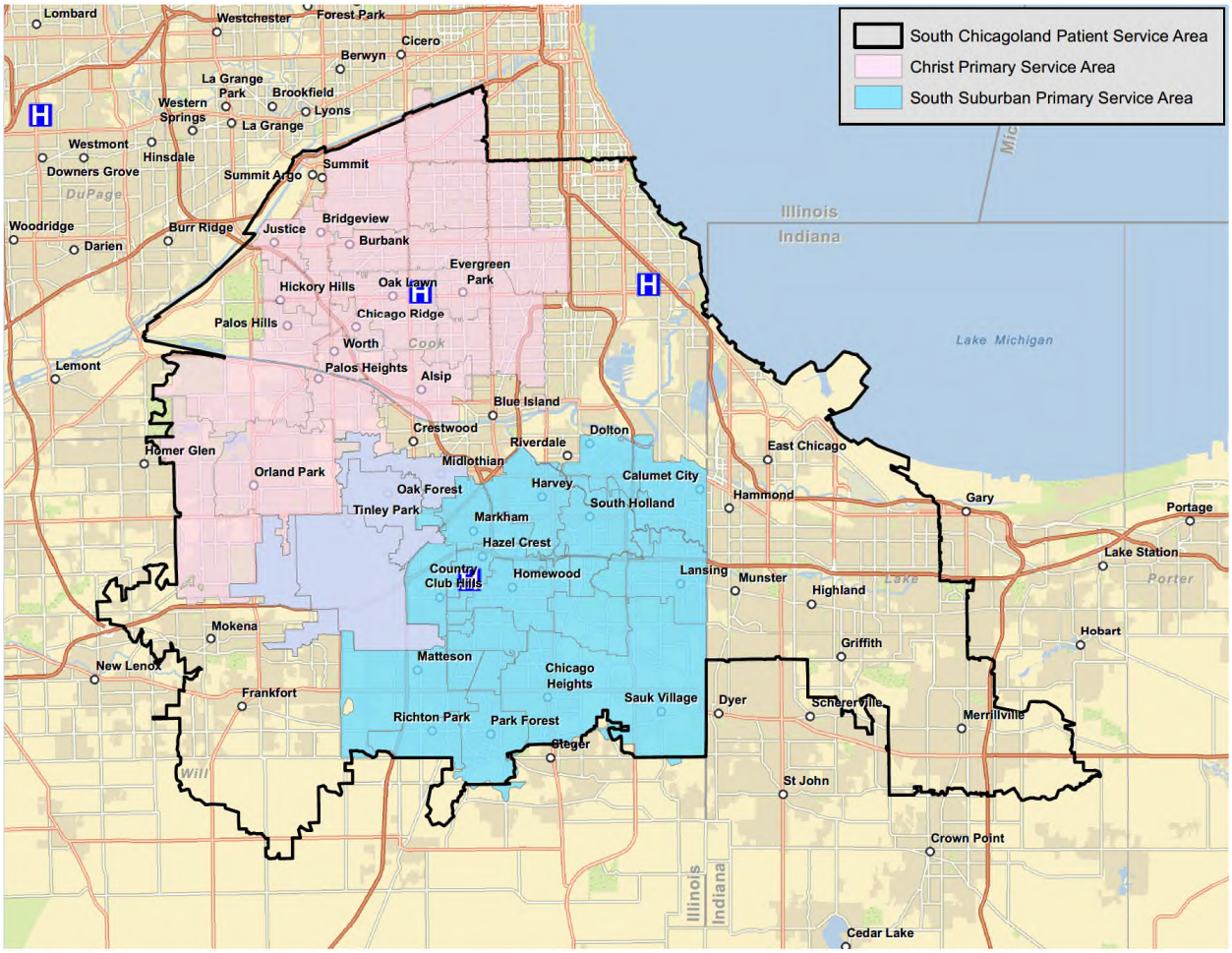
The relocation of inpatient behavioral health services to ASSH will improve access to mental health services to a community the Health Resources & Services Administration of the U.S. Department of Health and Human Services ("HRSA") has designated as a Mental Health Professional Shortage Area ("MHPSA"). At the same time, it will improve access to trauma care and other tertiary and critical care services to patients in the AAH South Chicagoland Service Area. As part of this transition, the Applicants will separately file a certificate of exemption application for the discontinuation of the AMI category of service at ACMC.

This project is classified as substantive because it proposes the establishment of the AMI category of service as ASSH. The total cost of the Project is $21,068,968.

[1] See AAH South Chicagoland Service Area Map on the following page.

[2] ACMC temporarily converted 13 of its acute mental illness beds to licensed medical/surgical beds to address the requirements of the pandemic. Even with COVID-19 in an endemic stage, ACMC anticipates an average of 30 medical/surgical beds will be needed on an ongoing basis solely to treat COVID-19 patients.

Advocate Aurora Health South Chicagoland Service Area Map



Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$ 228,224	$ 31,776	$ 260,000
Site Survey and Soil Investigation	$ -	$ -	$ -
Site Preparation	$ -	$ -	$ -
Off Site Work	$ -	$ -	$ -
New Construction Contracts	$ -	$ -	$ -
Modernization Contracts	$ 10,689,411	$ 1,488,285	$ 12,177,696
Contingencies	$ 928,639	$ 129,294	$ 1,057,933
Architectural/Engineering Fees	$ 1,023,550	$ 142,509	$ 1,166,059
Consulting and Other Fees	$ 1,219,245	$ 169,755	$ 1,389,000
Movable or Other Equipment (not in construction contracts)	$ 1,127,955	$ 157,045	$ 1,285,000
Bond Issuance Expense (project related)	$ 193,191	$ 26,898	$ 220,089
Net Interest Expense During Construction (project related)	$ 314,415	$ 43,776	$ 358,191
Fair Market Value of Leased Space or Equipment	$ -	$ -	$ -
Other Costs to Be Capitalized	$ 2,769,415	$ 385,585	$ 3,155,000
Acquisition of Building or Other Property (excluding land)	$ -	$ -	$ -
TOTAL USES OF FUNDS	$ 18,494,045	$ 2,574,923	**$ 21,068,968**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities			$ 3,461,841
Pledges			$ -
Gifts and Bequests			$ -
Bond Issues (project related)			$ 17,607,127
Mortgages			$ -
Leases (fair market value)			$ -
Governmental Appropriations			$ -
Grants			$ -
Other Funds and Sources			$ -
TOTAL SOURCES OF FUNDS			**$ 21,068,968**

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

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

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

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

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

Estimated start-up costs and operating deficit cost is $4,350,643

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 29, 2024

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

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance*
*Status may change if the Advocate Aurora Health Master Agreement is completed prior to permit approval.

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 (based on grant by HFSRB staff of extension)
☒ 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 departments 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]

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

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

Facility Bed Capacity and Utilization

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

FACILITY NAME: Advocate South Suburban Hospital	**CITY: Hazel Crest**				
REPORTING PERIOD DATES:	**From: January 1, 2021**		**to: December 31, 2021**		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	197	7,467	40,351	0	197
Obstetrics[3]	0	899	2,153	0	0
Pediatrics	0	0	0	0	0
Intensive Care	20	1,281	5,378	0	20
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	0	0	0	27	27
Neonatal Intensive Care					
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	217	9,647	47,882	0	244

[3]ASSH closed its obstetrics program effective July 31, 2022.

CERTIFICATION

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

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

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

James H. Skogsbergh
SIGNATURE

James H. Skogsbergh
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25TH day of July, 2022

Signature of Notary

Seal

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026
Commission No. 286069

William P. Santulli
SIGNATURE

William P. Santulli
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25TH day of July, 2022

Signature of Notary

Seal

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026
Commission No. 286069

*Insert the EXACT legal name of the applicant

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- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist).
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

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

James H. Skogsbergh
SIGNATURE

James H. Skogsbergh
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25th day of July 2022

Signature of Notary

Seal

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026
Commission No. 286069

William P. Santulli
SIGNATURE

William P. Santulli
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25th day of July, 2022

Signature of Notary

Seal

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026
Commission No. 286069

*Insert the EXACT legal name of the applicant

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- in the case of a sole proprietor, the individual that is the proprietor.

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SIGNATURE

James H. Skogsbergh
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25th day of July 2022

Signature of Notary

Seal

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026

SIGNATURE

William P. Santulli
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this _____ day of _____

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

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

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

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

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

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

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

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

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 11</u>, 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** the alternatives to the proposed project:

Alternative options **must** include:

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

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

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

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

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

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

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

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

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

3. Evidence that the shell space is being constructed due to:
    a. Requirements of governmental or certification agencies; or
    b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
    a. Historical utilization for the area for the latest five-year period for which data is available; and
    b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

ASSURANCES:

Submit the following:

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

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

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

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

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

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

C. Criterion 1110.210 - Acute Mental Illness and Chronic Mental Illness

1. Applicants proposing to establish, expand and/or modernize the Acute Mental Illness and Chronic Mental Illness categories of service must submit the following information:

2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
☒ **Acute Mental Illness**	**0**	**27**
☐ **Chronic Mental Illness**		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.210(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (Formula calculation)	X		
1110.210(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.210(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.210(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.210(b)(5) - Planning Area Need - Service Accessibility	X		
1110.210(c)(1) - Unnecessary Duplication of Services	X		
1110.210(c)(2) - Maldistribution	X		
1110.210(c)(3) - Impact of Project on Other Area Providers	X		
1110.210(d)(1), (2), and (3) - Deteriorated Facilities			X
1110.210(d)(4) - Occupancy			X
1110.210(e)(1) - Staffing Availability	X	X	
1110.210(f) - Performance Requirements	X	X	X

1110.210(g) - Assurances	X	X	
APPEND DOCUMENTATION AS ATTACHMENT 21, 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)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document those 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]:**

$3,461,841	a) Cash and Securities − statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion.
_____	b) Pledges − for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c) Gifts and Bequests − verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.
$17,607,127	d) Debt − a statement of the estimated terms and conditions (including the debt time, variable or permanent interest rates over the debt time, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated. 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate. 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc. 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment. 5) For any option to lease, a copy of the option, including all terms and conditions.

_____	e) Governmental Appropriations − a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent.
_____	f) Grants − a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.
_____	g) All Other Funds and Sources − verification of the amount and type of any other funds that will be used for the project.
$21,068,968	**TOTAL FUNDS AVAILABLE**

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

SECTION VIII. 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 the project's 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 IX. 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 the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

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

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									
* Include the percentage (%) of space for circulation									

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION X. SAFETY NET IMPACT STATEMENT

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

1. The project's material impact, if any, on essential safety net services in the community, ***including the impact on racial and health care disparities in the community,*** to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in each community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

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

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

Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, 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.

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

1. Applicant: _____
(Name) (Address)

_____
(City) (State) (ZIP Code) (Telephone Number)

2. Project Location: _____
(Address) (City) (State)

_____
(County) (Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (https://msc.fema.gov/portal/home) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the ***Go to NFHL Viewer*** tab above the map. You can print a copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

   If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes___ No ___?

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN?

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.
If the determination is being made by a local official, please complete the following:

FIRM Panel Number:_____ Effective Date:_____

Name of Official:_____ Title: _____

Business/Agency:_____ Address:_____

_____
(City) (State) (ZIP Code) (Telephone Number)

Signature:_____ Date: _____

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

84145666.4

Type of Ownership of Applicants

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

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

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

Attachment #1

File Number 1004-695-5

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* MAY *A.D.* 2022 .

Authentication #: 2213803568 verifiable until 05/18/2023
Authenticate at: http://www.ilsos.gov

Jesse White
SECRETARY OF STATE

Attachment #1, Exhibit #1

File Number 1707-692-2

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

Authentication #: 2213803670 verifiable until 05/18/2023
Authenticate at: http://www.ilsos.gov

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* MAY *A.D.* 2022 .

Jesse White

SECRETARY OF STATE

Attachment #1, Exhibit #2

File Number 7155-851-7

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE AURORA HEALTH, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 03, 2018, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

Authentication #: 2213803798 verifiable until 05/18/2023
Authenticate at: http://www.ilsos.gov

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* MAY *A.D.* 2022 .

Jesse White
SECRETARY OF STATE

Attachment #1, Exhibit #3

State Of Delaware

Entity Details

5/18/2022 5:51:20PM

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

Registered Agent Information

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

Attachment #1, Exhibit #4

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

APRIL 3, 2018 7155-851-7

CT CORPORATION SYSTEM
118 W EDWARDS #200
SPRINGFIELD IL 62704

RE ADVOCATE AURORA HEALTH, INC.

DEAR SIR OR MADAM:

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

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

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

SINCERELY,

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

Attachment #1, Exhibit #4

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

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

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

FILED
APR 03 2018
JESSE WHITE
SECRETARY OF STATE

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

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

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

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

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

2. a. State or Country of Incorporation: Delaware

   b. Date of Incorporation: December 4, 2017

   c. Period of Duration: Permanent

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

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

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

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

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

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

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

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

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

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

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

Attachment #1, Exhibit #4

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

See attached.

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

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

Dated April 1, 2018 , 2018
Month Day Year

Advocate Aurora Health, Inc.
Exact Name of Corporation

Any Authorized Officer's Signature

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

Vega

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

Attachment #1, Exhibit #4

7155-8517

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

Section 6: NAMES AND ADDRESSES OF DIRECTORS AND OFFICERS

Officers:

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

4835-2888-4064.2

Attachment #1, Exhibit #4

7155 8517

Directors:

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

7155-8517

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

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

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

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

7155-8517

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

Attachment #1, Exhibit #4

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital
Address of Site Owner: 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429
Street Address or Legal Description of the Site: 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429 **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 A APPLICATION FORM.

See Attachment #2

AdvocateAuroraHealth
3075 Highland Parkway
Suite 600
Downers Grove, Illinois 60515
T (630) 572-9393
advocateaurorahealth.com

#22-028

July 25, 2022

Mr. John Kniery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Advocate Health and Hospitals d/b/a
Advocate South Suburban Hospital
Establishment of Acute Mental Illness Category of Service

Dear Mr. Kniery:

This attestation letter is submitted to indicate that Advocate Health and Hospitals d/b/a Advocate South Suburban Hospital owns the site of the hospital located at 17800 Kedzie Avenue, Hazel Crest, Illinois 60429.

We trust this attestation complies with the State Agency Proof of ownership requirements indicated in the Permit application – June 2022 edition.

Respectfully,

William Santulli
Chief Operating Officer
Advocate Aurora Health, Inc.

Subscribed and sworn to me
This 25th day of July, 2022

Michael E. Kerns
Notary Public

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026
Commission No. 286069

Attachment – 2
Exhibit 1

Operating Identity/Licensee

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital
Address: 17800 South Kedzie Avenue Hazel Crest IL 60429

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

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

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

File Number 1004-695-5

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* MAY *A.D.* 2022 .

Authentication #: 2213803568 verifiable until 05/18/2023
Authenticate at: http://www.ilsos.gov

Jesse White
SECRETARY OF STATE

Attachment #3, Exhibit #1

File Number 1707-692-2

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* MAY *A.D.* 2022 .

Authentication #: 2213803670 verifiable until 05/18/2023
Authenticate at: http://www.ilsos.gov

Jesse White

SECRETARY OF STATE

Attachment #3, Exhibit #2

File Number 7155-851-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ADVOCATE AURORA HEALTH, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 03, 2018, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* MAY *A.D.* 2022 .

Authentication #: 2213803798 verifiable until 05/18/2023
Authenticate at: http://www.ilsos.gov

Jesse White
SECRETARY OF STATE

Attachment #3, Exhibit #3

State Of Delaware

Entity Details

5/18/2022 5:51:20PM

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

Registered Agent Information

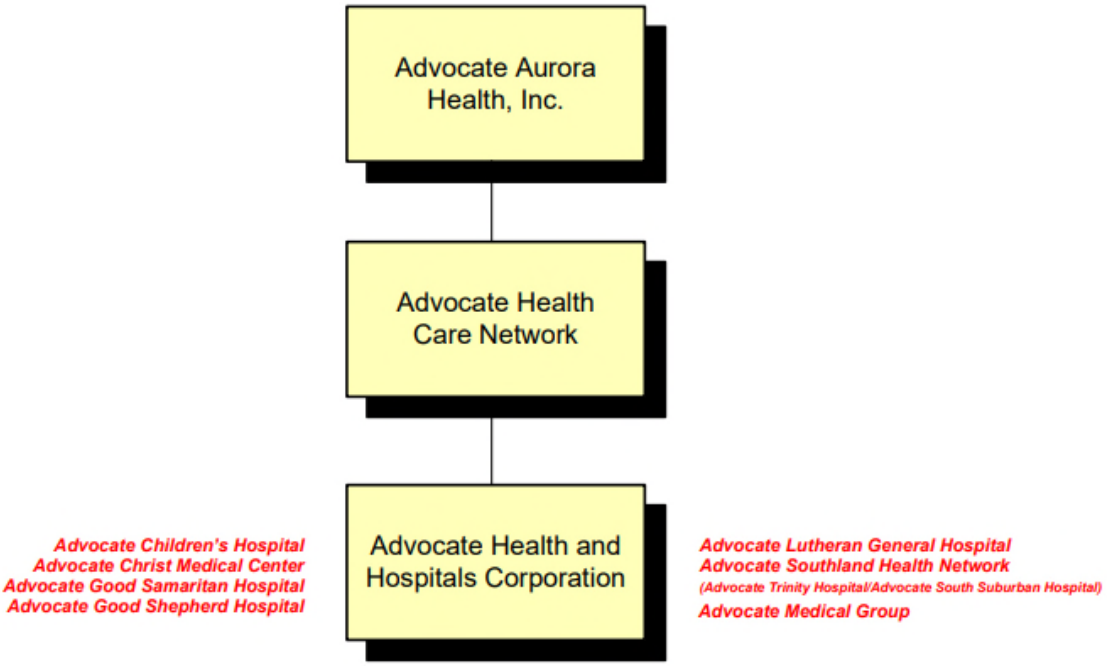
Name:	THE CORPORATION TRUST COMPANY		
Address:	CORPORATION TRUST CENTER 1209 ORANGE ST		
City:	WILMINGTON	Country:	
State:	DE	Postal Code:	19801
Phone:	302-658-7581		

Attachment #3, Exhibit #4

Organizational Relationships

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

See Attachment #4, Exhibit 1



Attachment #4, Exhibit 1

Flood Plain Requirements

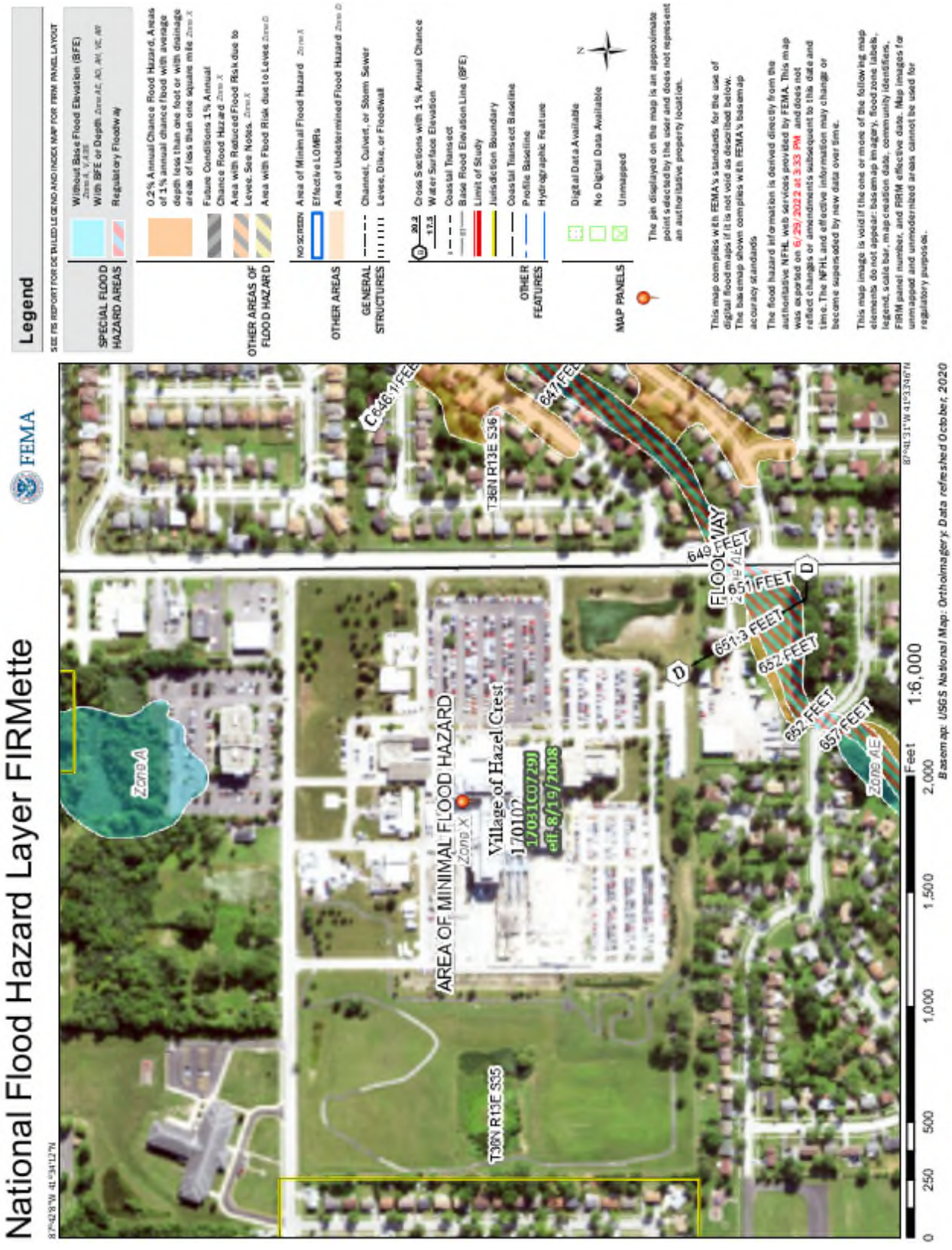
[Refer to application instructions.]

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

By their signatures on the certifications, the Applicants certify that the site for the proposed project is located in an area of minimal flood hazard, as shown in the interactive map for Panel 17031C0729J from the FEMA Flood Map Service Center.

See Attachment #5, Exhibit 1


National Flood Hazard Layer FIRMette
FEMA
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE)
With BFE or Depth
Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile
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
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
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 6/29/2022 at 3:33 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.
Zone A
AREA OF MINIMAL FLOOD HAZARD
Zone X
Village of Hazel Crest
17010
17031C0729J
eff. 8/19/2008
T36N R13E S35
T36N R13E S36
FLOODWAY
649 FEET
651 FEET
651.3 FEET
652 FEET
652 FEET
657 FEET
Zone AE
D
0
250
500
1,000
1,500
2,000
Feet
1:6,000
Basemap: USGS National Map: Orthoimagery. Data refreshed October, 2020

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.

The Applicants submitted a request for determination that the planned project is compliant with the Historic Preservation Act. A copy of the letter is attached at Attachment – 6, Exhibit 1.

POLSINELLI

150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606-1599 • 312.819.1900

July 13, 2022

Anne M. Cooper
(312) 873-3606
(312) 276-4317 Direct Fax
acooper@polsinelli.com

Via E-Mail

Carey Mayer
Deputy State Historic Preservation Officer
Illinois State Historic Preservation Office
Attn: Review & Compliance
1 Old State Capitol Plaza
Springfield, Illinois 62701

Re: Historic Preservation Act Determination
Advocate South Suburban Hospital Establishment of Acute Mental Illness Category of Service

Dear Ms Mayer:

This office represents Advocate Health and Hospitals Corporation d/b/a Advocate South Suburban Hospital, Advocate Health Care Network, and Advocate Aurora Health (collectively, the "Requestors"). Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act, Requestors seek a formal determination from the Illinois Historic Preservation Agency as to whether Requestors' proposed project to establish the acute mental illness category of service at an existing hospital (the "Proposed Project") affects historic resources.

1. Project Description and Address

The Requestor seeks a certificate of need from the Illinois Health Facilities and Services Review Board to establish an acute mental illness category of service at its existing hospital located at 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429. The Proposed Project will involve modifications of the interior of the building. No demolition or physical alteration of the building will occur as a result of the Proposed Project.

2. Topographical or Metropolitan Map

A metropolitan map showing the location of the Proposed Project is attached at Attachment 1.

POLSINELLI

3. Historic Architectural Resources Geographic Information System

A map from the Historic Architectural Resources Geographic Information System is attached at Attachment 2. The property is not listed on the (i) National Register, (ii) within a local historic district, or (iii) within a local landmark.

4. Photographs of Site

Photographs of the hospital are attached at Attachment 3.

5. Address for Building/Structure

The Proposed Project will be located at 17800 South Kedzie Avenue, Hazel Crest, Illinois 60429.

Thank you for your time and consideration of our request for Historic Preservation Determination. If you have any questions or need any additional information, please feel free to contact me at 312-873-3606 or acooper@polsinelli.com

Sincerely,

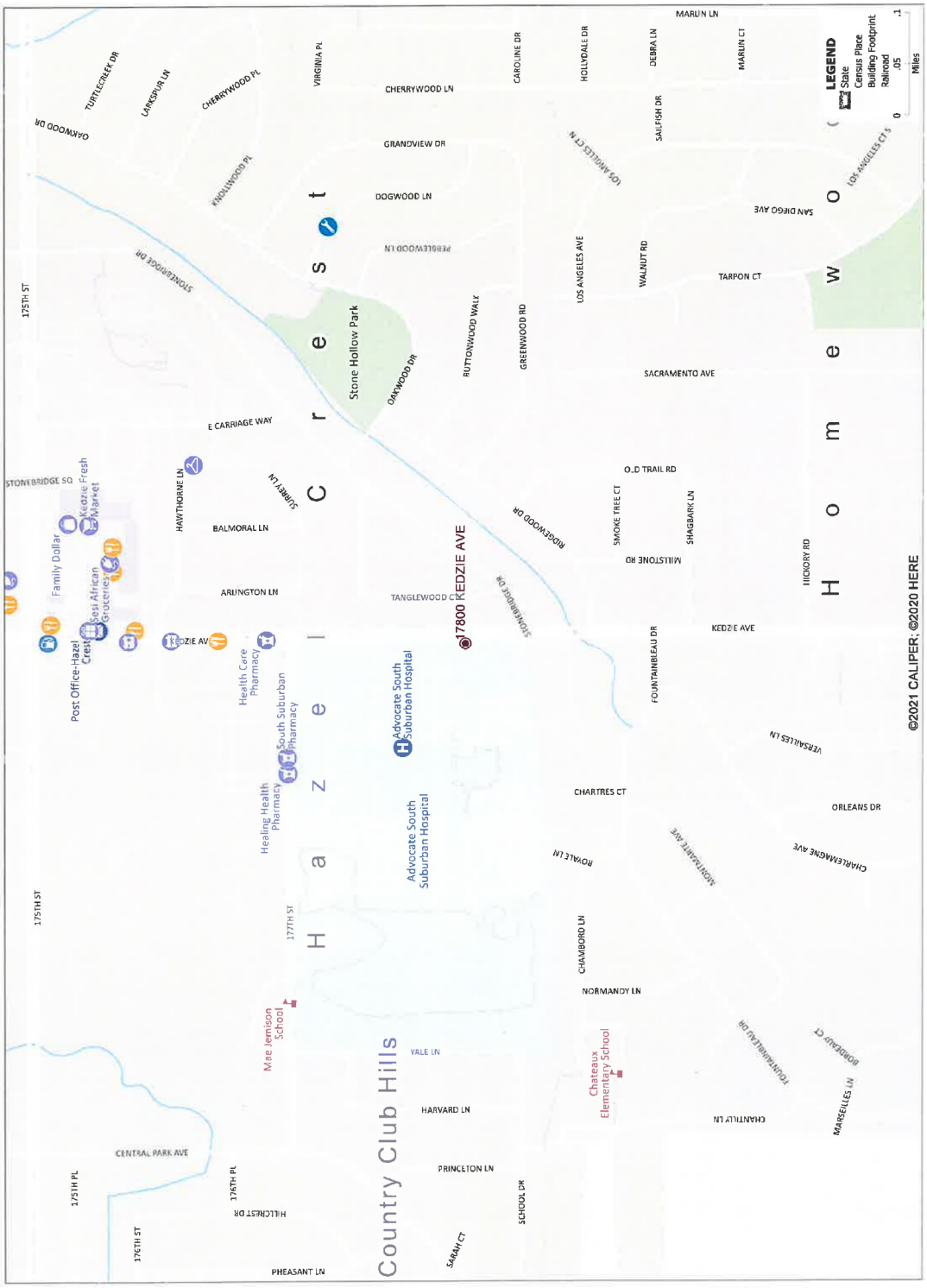
Anne M. Cooper

Attachments

84322208.1

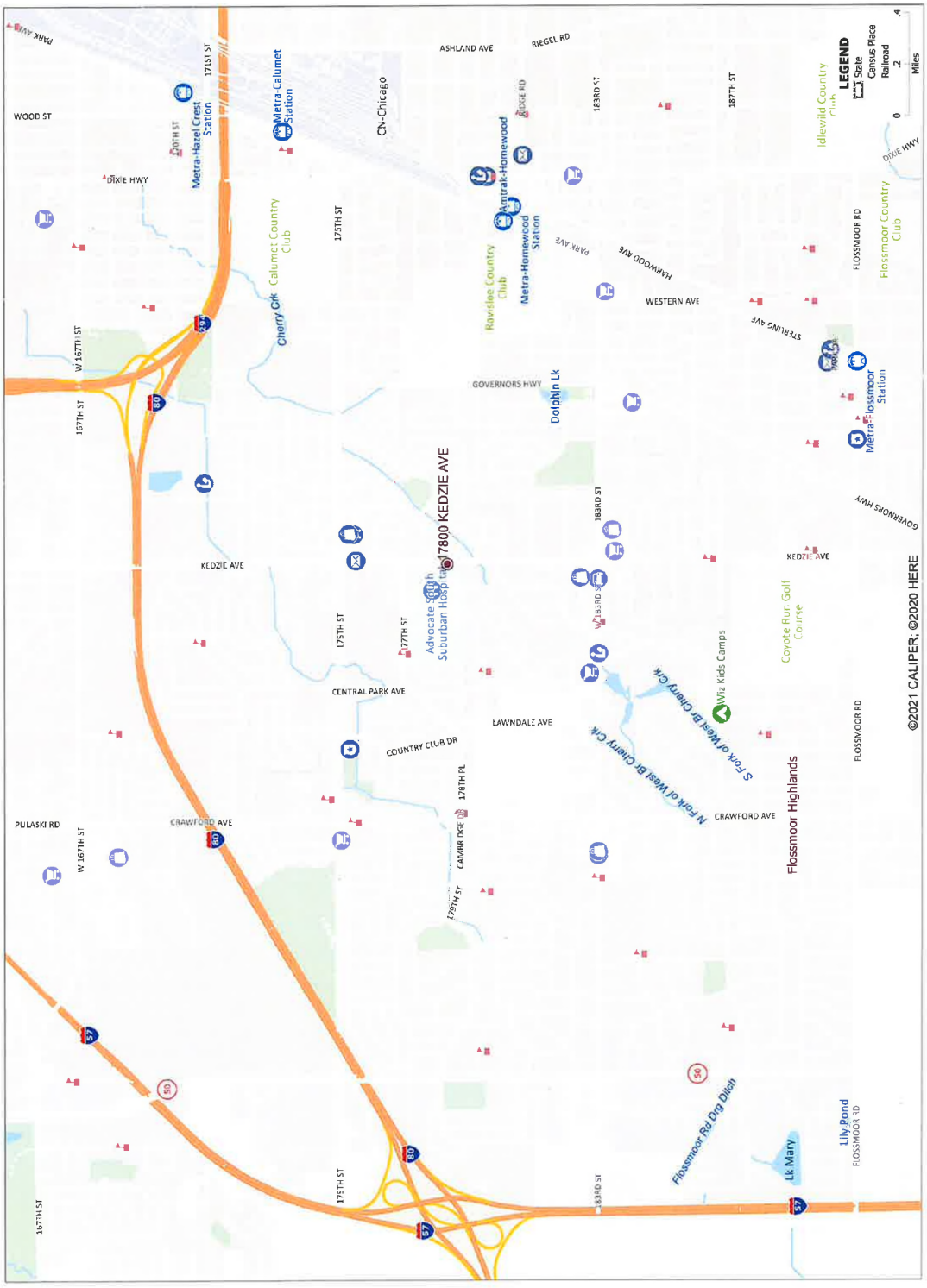
ATTACHMENT – 1

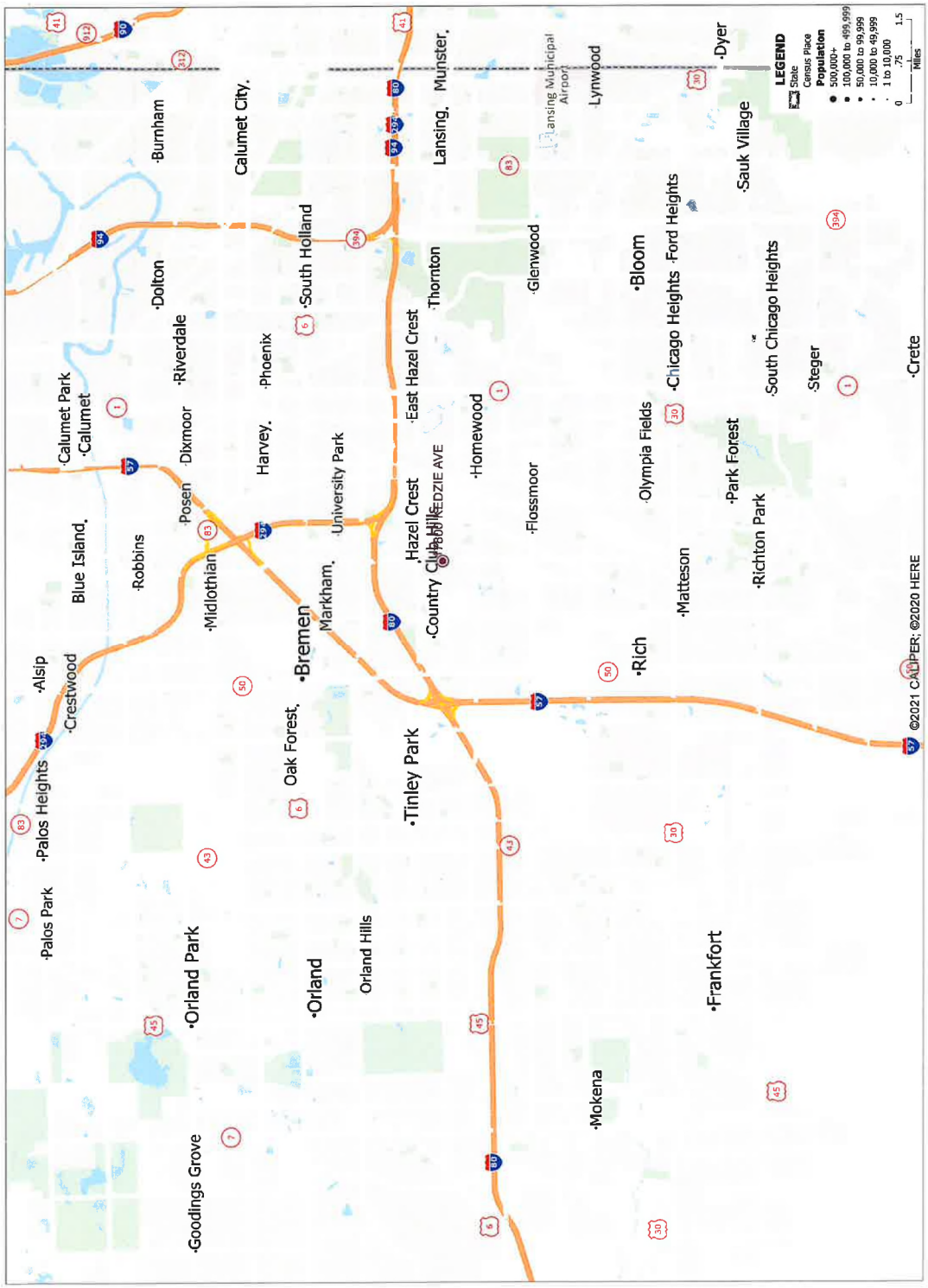
84322208.1


17800 KEDZIE AVE
Hazel Crest
Homewood
Country Club Hills
Stone Hollow Park
LEGEND
State
Census Place
Building Footprint
Railroad
0
.05
.1
Miles
©2021 CALIPER; ©2020 HERE
MARLIN LN
CAROLINE DR
HOLLYDALE DR
DEBRA LN
MARLIN CT
CHERRYWOOD LN
GRANDVIEW DR
DOGWOOD LN
SAILFISH DR
LOS ANGELES CT N
LOS ANGELES CT S
SAN DIEGO AVE
LOS ANGELES AVE
WALNUT RD
TARPON CT
SACRAMENTO AVE
RUTTONWOOD WALK
GREENWOOD RD
OAKWOOD DR
PEBBLEWOOD LN
VIRGINIA PL
CHERRYWOOD PL
LARKSPUR LN
TURTLECREEK DR
OAKWOOD DR
KNOLLWOOD PL
STONEBRIDGE DR
175TH ST
E CARRIAGE WAY
STONEBRIDGE SQ
HAWTHORNE LN
SURREY LN
BALMORAL LN
ARLINGTON LN
TANGLEWOOD CT
KEDZIE AVE
RIDGEWOOD DR
SMOKE TREE CT
SHAGBARK LN
MILLSTONE RD
O.D TRAIL RD
HICKORY RD
FOUNTAINBLEAU DR
VERSAILLES LN
CHARTRES CT
ORLEANS DR
ROYALE LN
MONTMARTE AVE
CHARLEMAGNE AVE
CHAMBORD LN
NORMANDY LN
YALE LN
HARVARD LN
PRINCETON LN
SCHOOL DR
SARAH CT
PHEASANT LN
CENTRAL PARK AVE
175TH PL
176TH PL
176TH ST
177TH ST
HILLCREST DR
FOUNTAINHEAD DR
CHANTILLY LN
MARSEILLES LN
BORDEAUX CT
Family Dollar
Kedzie Fresh Market
Jessi African Groceries
Post Office-Hazel Crest
Health Care Pharmacy
South Suburban Pharmacy
Healing Health Pharmacy
Advocate South Suburban Hospital
Advocate South Suburban Hospital
Mae Jemison School
Chateaux Elementary School

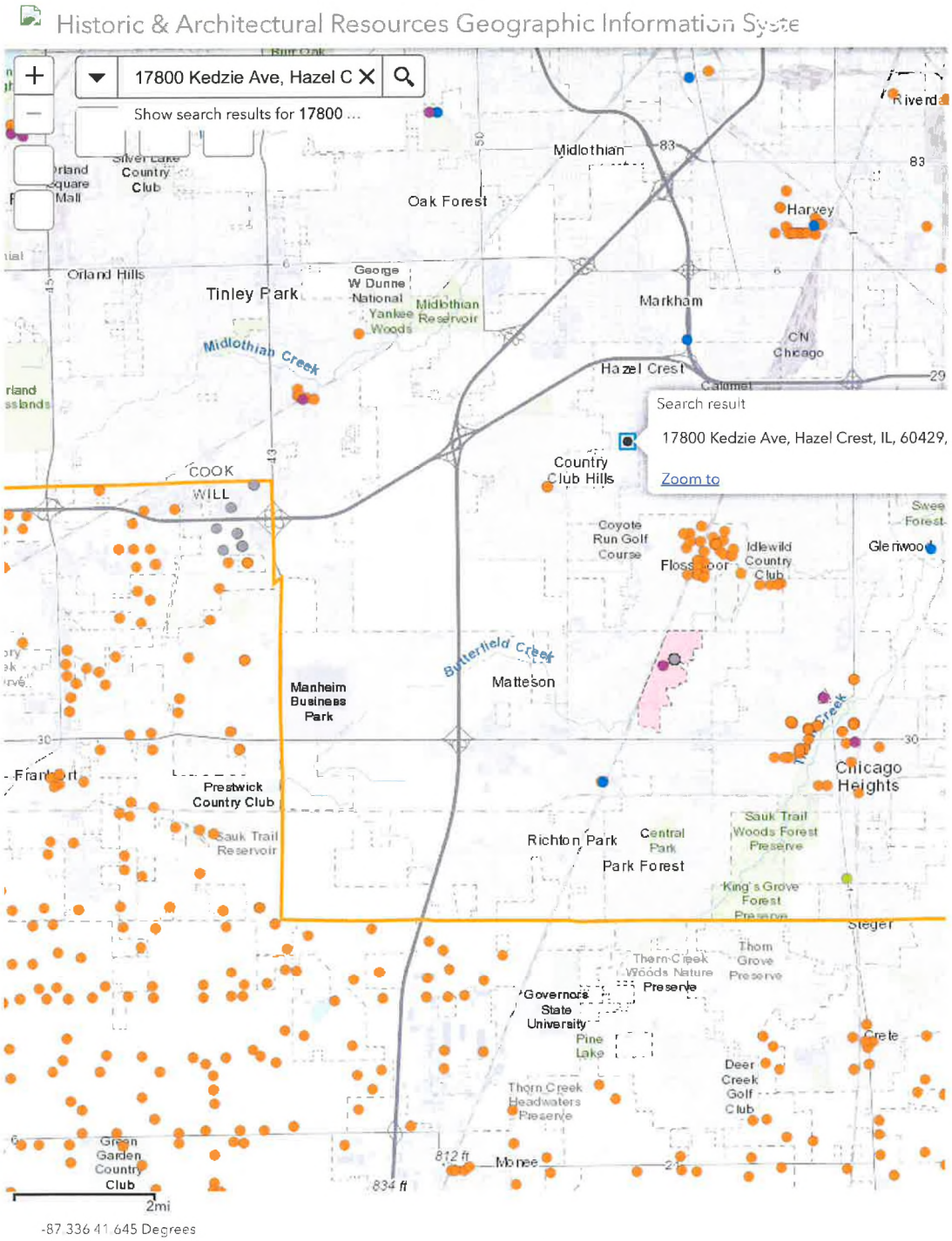

17800 KEDZIE AVE
LEGEND
State
Census Place
Railroad
Miles
©2021 CALIPER; ©2020 HERE
WOOD ST
DIXIE HWY
Metra-Hazel Crest Station
Metra-Calumet Station
CN-Chicago
ASHLAND AVE
RIEGEL RD
Amtrak-Homewood
Metra-Homewood Station
Ravisloe Country Club
Calumet Country Club
Cherry Crk
Idlewild Country Club
Flossmoor Country Club
FLOSSMOOR RD
HARWOOD AVE
WESTERN AVE
STERLING AVE
GOVERNORS HWY
Dolphin Lk
Metra-Flossmoor Station
KEDZIE AVE
Advocate South Suburban Hospital
Wiz kids Camps
Coyote Run Golf Course
CENTRAL PARK AVE
LAWNDALE AVE
COUNTRY CLUB DR
CRAWFORD AVE
PULASKI RD
CAMBRIDGE
Flossmoor Highlands
S Fork of West Br Cherry Crk
N Fork of West Br Cherry Crk
Flossmoor Rd Drg Ditch
Lk Mary
Lily Pond
W 167TH ST
167TH ST
175TH ST
177TH ST
179TH PL
183RD ST
187TH ST

84145666.4


LEGEND
State
Census Place
Railroad
Miles
7800 KEDZIE AVE
Metra-Calumet Station
Metra-Hazel Crest Station
Amtrak-Homewood
Metra-Homewood Station
Metra Flossmoor Station
Calumet Country Club
Ravisloo Country Club
Flossmoor Country Club
Idlewild Country Club
Coyote Run Golf Course
Wiz Kids Camps
Flossmoor Highlands
Dolphin Lk
Lk Mary
Lily Pond
Flossmoor Rd Drg Ditch
S Fork of West Br Cherry Crk
N Fork of West Br Cherry Crk
Advocate South Suburban Hospital
CN-Chicago
WOOD ST
DIXIE HWY
ASHLAND AVE
RIEGEL RD
WESTERN AVE
GOVERNORS HWY
KEDZIE AVE
CENTRAL PARK AVE
COUNTRY CLUB DR
LAWNDALE AVE
CRAWFORD AVE
PULASKI RD
FLOSSMOOR RD
175TH ST
183RD ST
187TH ST
©2021 CALIPER; ©2020 HERE


Burnham
Calumet City
Lansing
Munster
Lynwood
Dyer
Dolton
Riverdale
South Holland
Glenwood
Bloom
Sauk Village
Calumet Park
Calumet
Phoenix
Thornton
Chicago Heights
Ford Heights
Blue Island
Dixmoor
Harvey
East Hazel Crest
Olympia Fields
South Chicago Heights
Robbins
Posen
University Park
Homewood
Park Forest
Steger
Alsip
Midlothian
Markham
Hazel Crest
Flossmoor
Richton Park
Crete
Crestwood
Bremen
Country Club Hills
Matteson
Palos Heights
Oak Forest
Rich
Palos Park
Tinley Park
Orland Park
Orland
Orland Hills
Frankfort
Goodings Grove
Mokena
LEGEND
State
Census Place
Population
500,000+
100,000 to 499,999
50,000 to 99,999
10,000 to 49,999
1 to 10,000
0 .75 1.5
Miles
©2021 CAMPER; ©2020 HERE

ATTACHMENT – 2


Historic & Architectural Resources Geographic Information Syste
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17800 Kedzie Ave, Hazel Crest, IL, 60429,
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Midlothian
Oak Forest
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Orland Hills
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Midlothian Reservoir
Midlothian Creek
Markham
CN Chicago
Hazel Crest
Country Club Hills
COOK
WILL
Coyote Run Golf Course
Idlewild Country Club
Glenwood
Butterfield Creek
Matteson
Manheim Business Park
Chicago Heights
Prestwick Country Club
Sauk Trail Reservoir
Richton Park
Central Park
Park Forest
Sauk Trail Woods Forest Preserve
King's Grove Forest Preserve
Thorn Creek Woods Nature Preserve
Thorn Grove Preserve
Governors State University
Pine Lake
Crete
Deer Creek Golf Club
Thorn Creek Headwaters Preserve
Green Garden Country Club
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834 ft
Monee
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ATTACHMENT – 3

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Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$ 228,224	$ 31,776	$ 260,000
Site Survey and Soil Investigation	$ -	$ -	$ -
Site Preparation	$ -	$ -	$ -
Off Site Work	$ -	$ -	$ -
New Construction Contracts	$ -	$ -	$ -
Modernization Contracts	$ 10,689,411	$ 1,488,285	$ 12,177,696
Contingencies	$ 928,639	$ 129,294	$ 1,057,933
Architectural/Engineering Fees	$ 1,023,550	$ 142,509	$ 1,166,059
Consulting and Other Fees	$ 1,219,245	$ 169,755	$ 1,389,000
Movable or Other Equipment (not in construction contracts)	$ 1,127,955	$ 157,045	$ 1,285,000
Bond Issuance Expense (project related)	$ 193,191	$ 26,898	$ 220,089
Net Interest Expense During Construction (project related)	$ 314,415	$ 43,776	$ 358,191
Fair Market Value of Leased Space or Equipment	$ -	$ -	$ -
Other Costs to Be Capitalized	$ 2,769,415	$ 385,585	$ 3,155,000
Acquisition of Building or Other Property (excluding land)	$ -	$ -	$ -
TOTAL USES OF FUNDS	$ 18,494,045	$ 2,574,923	**$ 21,068,968**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities			$ 3,461,841
Pledges			$ -
Gifts and Bequests			$ -
Bond Issues (project related)			$ 17,607,127
Mortgages			$ -
Leases (fair market value)			$ -
Governmental Appropriations			$ -
Grants			$ -
Other Funds and Sources			$ -
TOTAL SOURCES OF FUNDS			**$ 21,068,968**

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

Itemization of Project Costs

Use of Funds	Total
Preplanning Costs	$260,000
Concept and Programming	$185,000
Pre-Construction Services	$75,000
Modernization Contracts	$12,177,696
Construction	$11,109,456
General Conditions/Temporary Utilities	$960,000
Insurance	$108,240
Contingencies	$1,057,933
Architectural/Engineering Fees	$1,166,059
Consulting and Other Fees	$1,389,000
CON Application & Fees	$100,000
Post Project Audit	$75,000
IDPH Plan Review	$24,000
Commissioning	$45,000
Building Inspections	$20,000
Permits/Testing	$300,000
Project Management	$210,000
Medical Equipment Planning	$225,000
Low Voltage Design	$75,000
Other	$315,000
Moveable and Other Equipment	$1,285,000
Major Medical	$105,000
Minor Medical	$520,000
IS/Telecommunications	$85,000
Television System	$25,000
Security System	$200,000
Other	$350,000
Bond Issuance Expenses	$220,089
Net Interest Expense During Construction	$358,191
Other Costs to be Capitalized	$3,155,000
Furnishings	$215,000
Signage	$35,000
Artwork	$50,000
Electrical Distribution – Life Safety	$425,000
Window Replacement	$325,000
Radiant Heating Panel System	$275,000
Owner Project Contingency	$1,830,000
Total	**$21,068,968**

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 29, 2024
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140): ☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies ☒ Financial Commitment will occur after permit issuance. *Status may change if the Advocate Aurora Health Master Agreement is completed prior to permit approval.

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 departments 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]

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Adult AMI Unit (27 beds)	$13,758,724	0	14,809	0	14,809	0	0
Consultations (3 rooms)	$268,504	0	289	0	289	0	0
Individual Therapies (6 rooms)	$657,788	0	708	0	708	0	0
Group Therapies (2 rooms)	$387,426	0	417	0	417	0	0
Dining / Activities / Lounge (2 rooms)	$780,426	0	840	0	840	0	0
ECT / Esketamine Treatment (2 rooms)	$ 2,641,178	0	3,084	0	3,084	0	0
Total Clinical	**$18,494,045**	**0**	**20,147**	**0**	**20,147**	**0**	**0**
NON-REVIEWABLE							
Administration	$ 321,908	0	443	0	443	0	0
General Circulation	$ 1,258,841	0	1,819	0	1,819	0	0
Public Waiting	$ 132,614	0	219	0	219	0	0
Staff Respite, Staff Lounge	$ 227,858	0	439	0	439	0	0
EVS	$ 46,670	0	119	0	83	36	0
Electrical	$ 214,536	0	124	0	124	0	0
Shaft	$ 0	0	246	0	0	246	0
Stair	$ 182,182	0	351	0	351	0	0
Elevators	$ 0	0	363	0	0	363	0
IS	$ 190,314	0	151	0	55	96	0
Total Non-clinical	**$ 2,574,923**	**0**	**4,274**	**0**	**3,533**	**741**	**0**
TOTAL	**$21,068,968**	**0**	**24,421**	**0**	**23,680**	**741**	**0**

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

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

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

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

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

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

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

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

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

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

ASSH, a community hospital serving Hazel Crest, Country Club Hills, Markham, Flossmoor, Homewood and other surrounding communities, is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the communities it serves. According to the 2021 US News and World Report rankings, ASSH was recognized as one of the top performing hospitals in Illinois, ranked 24th among all Illinois facilities. The hospital has also received public recognition for health care excellence in stroke care, heart care, diabetes care, knee and hip care, elderly care, surgical safety, and LGBTQ Health. Notably while ASSH provides a significant complement of hospital services, it is a community hospital by nature and does not operate the same tertiary and trauma care services as ACMC, its nearby affiliate.

1. Illinois Health Care Facilities Owned and Operated by Advocate Health and Hospitals Corporation.

Attachment 11 Exhibit 1 is the listing of all the Illinois facilities owned by Advocate Health Care Network. Exhibit 2 is the current state hospital license for Advocate South Suburban Hospital. Beyond those listed in Exhibit 1, there are no other Illinois hospitals owned by Advocate Aurora Health, Inc. in Illinois. The most recent DNV accreditation certificate for the Hospital is included as Attachment 11, Exhibit 3.

2. Certified Listing of Any Adverse Action Against Any Illinois Facility Owned or Operated by the Applicant

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

3. Authorization Permitting the State Board and IDPH to Access Necessary Documentation

Advocate Health and Hospitals Corporation, Advocate Health Care Network, and Advocate Aurora Health, Inc. hereby authorize the Health Facilities and Services Review Board and the Department of Public Health to access information in order to verify any documentation or information submitted in response to the requirements of this subsection, or to obtain any documentation or information which the State Board or Department of Public Health find pertinent to this subsection.

Facility	Location	License No.	DNV Accreditation No.
Advocate South Suburban Hospital	17800 South Kedzie Ave Hazel Crest, IL 60429	0004697	PRJC-409982-2012-MSL-USA

Additional Hospitals owned and operated as part of Advocate Health Care Network

Facility	Location	License No.	DNV Accreditation No.
Advocate Condell Medical Center	801 South Milwaukee Ave Libertyville, IL 60048	0000315	PRJC-492361-2013-AST-USA
Advocate Christ Medical Center	4440 West 95th St Oak Lawn, IL 60453	0005654	PRJC 435588-2012-MSL-USA
Advocate Good Samaritan Hospital	3815 Highland Ave Downers Grove, IL 60515	0005652	PRJC-369029-2012-MSL-USA
Advocate Good Shepherd Hospital	450 West Highway 22 Barrington, IL 60010	0003384	PRJC-369027-2012-MSL-USA
Advocate Illinois Masonic Medical Center	836 West Wellington Ave Chicago, IL 60657	0005165	PRJC-529782-2015-AST-USA
Advocate Lutheran General Hospital	1775 Dempster St Park Ridge, IL 60068	0004796	PRJC-369033-2012-MSL-USA
Advocate Sherman Hospital	1425 North Randall Rd Elgin, IL 60123	0005884	PRJC-496379-2013-MSL-USA
Advocate Trinity Hospital	2320 East 93rd Street Chicago, IL 60617	0004176	PRJC-408213-2012-MSL-USA

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

Facility	Location	License No.	Joint Commission Accreditation No/ Accreditation Association for Ambulatory Health Care, Inc.
Dreyer Ambulatory Surgery Center	1220 N. Highland Ave, Aurora, IL	7001779	AAAHC

Illinois Department of PUBLIC HEALTH

HF 124035

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
12/31/2022		0004697

General Hospital

Effective: 01/01/2022

Advocate Southland Health Network
dba Advocate South Suburban Hospital
17800 S Kedzie Avenue

Hazel Crest, IL 60429

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 12/31/2022

Lic Number 0004697

Date Printed 10/13/2021

Advocate Southland Health Network
dba Advocate South Suburban Hospita
17800 S Kedzie Avenue
Hazel Crest, IL 60429

FEE RECEIPT NO.

Attachment #11, Exhibit 2

DNV

HEALTHCARE CERTIFICATE

Certificate no.:	Initial certification date:	Valid:
10000426828-MSC-CMS-USA	11 December, 2012	11 December, 2021 – 11 December, 2024

This is to certify that the management system of

Advocate Trinity Hospital
2320 East 93rd Street, Chicago, IL, 60617, USA

has been found to comply with the requirements of the:

NIAHO® Hospital Accreditation Program

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

Place and date:
Milford, OH, 12 January, 2022

ACCREDITED Hospital

CMS CENTERS FOR MEDICARE & MEDICAID SERVICES

For the issuing office:
DNV Healthcare USA Inc.
400 Techne Center Drive, Suite 100,
Milford. OH. 45150. USA

Patrick Horine
Management Representative

Lack of fulfilment of conditions as set out in the Certification Agreement may render this Certificate invalid.
ACCREDITED UNIT: DNV Healthcare USA Inc., 400 Techne Center Drive, Suite 100, Milford, OH, 45150, USA - TEL: +1 513-947-8343. www.dnvhealthcare.com

Attachment #11, Exhibit 3

DNV

January 12, 2022

Rashard Johnson
Chief Executive Officer
Advocate Trinity Hospital
2320 East 93rd Street
Chicago, IL 60617

Program: Hospital
CCN: 140048
Survey Type: Medicare Recertification/DNV Reaccreditation
Certificate #: 10000426828-MSC-CMS-USA
Survey Dates: October 26-29, 2021
Accreditation Decision: Full accreditation
Date Acceptable Plan of Correction Received: 12/20/2021
Method of Follow-up: Acceptable Plan of Correction, Self- Attestation, Document Review
Effective Date of Accreditation: 12/11/2021
Expiration Date of Accreditation: 12/11/2024
Term of Accreditation: Three (3) years

Dear Mr. Johnson:

Pursuant to the authority granted to DNV Healthcare USA Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Advocate Trinity Hospital is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482) and awarded full accreditation for a three (3) year term effective on the date referenced above DNV Healthcare USA Inc. is recommending your organization for continued deemed status in the Medicare Program.

This accreditation is applicable to all facilities operating under the above-referenced CCN number at the following address(es):

Advocate Trinity Hospital - 2320 East 93rd Street - Chicago, IL 60617
Advocate Trinity Hospital Wound Care Center - 8751 S. Greenwood Avenue Suite 100 – Chicago, IL 60019
Advocate South Suburban Hospital - 17800 S Kedzie Avenue – Hazel Crest, IL 60429

This accreditation requires an annual survey and the organization's continual compliance with the DNVHC Accreditation Process. Failure to complete these actions or otherwise comply with your Management System Certification/Accreditation Agreement may result in a change in your organization's accreditation status.

Congratulations on this significant achievement.

Sincerely,

Patrick Horine
President
cc: CMS CO and CMS RO V (Chicago)

Criterion 1110.110(b)

PURPOSE OF PROJECT

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

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

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

10. Cite the sources of the documentation.

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

12. 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.

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

While utilization of various programs, e.g., pediatrics and obstetrics, at ASSH have declined in recent years, AAH is committed to ensure the programs at ASSH reflect the needs of the communities it serves. Over the past four years, Advocate Aurora Health ("AAH") invested nearly $100 million on the modernization and expansion of ASSH, which included replacing the 45-year-old surgical suites with nine technically advanced operating rooms, five endoscopy and bronchoscopy rooms, and three cardiac catheterization labs to serve the aging population. The planned relocation of the ACMC inpatient behavioral health program to ASSH is part of that commitment. This realignment of services within the same planning area will better allocate health care resources within the AAH South Chicagoland Service Area. See Attachment – 12, Exhibit 1. As further discussed below, ACMC needs to expand its medical/surgical capacity to maintain access to tertiary care services for residents of the AAH South Chicagoland Service Area, including patients at ASSH, who require transfer to ACMC for specialized care that is not otherwise available in the service area, while Hazel Crest, which is located in a mental health professional shortage area, needs better access to behavioral health services. The planned project will better align health care services to where they are most needed.

ACMC, an 802-bed teaching hospital, is the region's only tertiary referral center. It is the only Level I trauma center in the AAH South Chicagoland Service Area offering 24-hour in-house coverage by general surgeons, and prompt availability of care in specialties such as trauma and orthopedic surgery, neurosurgery, anesthesiology, emergency medicine, radiology, internal medicine, plastic surgery, oral and maxillofacial, pediatric and critical care. See Attachment – 12, Exhibit 2. These services are essential for:

- Traumatic brain injuries
- Blunt force trauma including falls
- Gun shot and stab wounds
- Serious burns
- Serious auto accidents

And due to its specialization, its trauma patients have a high survival rate despite complications like rising cases of multiple-shot shooting victims.

ACMC was just rated by U.S. News and World Report as the 5th best hospital in the State of Illinois for 2022-2023. Patients requiring a higher level of care who initially present at ASSH are often transferred to ACMC. Due to its tertiary and Level I trauma status, ACMC is the only hospital in the AAH South Chicagoland Service Area that can admit the most critically ill patients and continually operates above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity in three of the last four years. See Table 1110.11(b). The COVID-19 pandemic has only exacerbated the need for additional medical/surgical beds at ACMC. It temporarily converted 13 of its AMI beds to licensed medical/surgical beds to address the requirements of the pandemic. Even with COVID-19 in an endemic stage, ACMC anticipates an average of 30 medical/surgical beds will be needed on an ongoing basis to treat COVID-19 patients. Considering these factors, additional medical/surgical beds are needed to adequately address the acute care needs in the AAH South Chicagoland Service Area.

Table 1110.11(b)
Advocate Christ Medical Center
Medical/Surgical Utilization 2015 – Projected 2024

	2015	2016	2017	2018	2019	2020	2021	Projected 2024
Beds	394	394	394	394	394	394	394	394
Admissions	23,669	24,307	25,483	25,666	25,388	24,222	23,284	
Inpatient Days	118,598	131,055	136,234	142,417	145,141	136,923	146,997	161,197
Observation Days	980	2,211	2,316	3,149	2,760	3,590	3,992	5,498
Average Length of Stay	5.1	5.5	5.4	5.7	5.8	5.8	6.5	7.2
Average Daily Census	327.6	364.1	379.6	398.8	405.2	383.9	413.7	456.7
Utilization	83.1%	92.4%	96.3%	100+%	100+%	97.4%	100+%	100+%
Beds Justified	**364**	**405**	**422**	**443**	**450**	**427**	**460**	**507**

ACMC routinely analyzes options to address growing demand for ACMC services in the service area, including expanding programs at other area Advocate facilities; however, neither of the nearby hospitals operates as a trauma center and with differences in medical staff specialization neither hospital has the ability to treat certain categories of critically ill patients. Centralizing tertiary care and other specialized services at a single hospital has the clear benefit of providing for robust medical staff coverage and specialized nursing staff as well as provides for optimal utilization of expensive specialized medical equipment.

To improve access to mental health services to a medically underserved community while improving access to tertiary and other critical care services to patients in the AAH South Chicagoland Service Area, the Applicants decided it is essential to convert AMI beds to medical/surgical beds at ACMC. The relocation of the AMI services is essential due to physical plant limitations, and the only viable option is to discontinue the AMI category of service at ACMC and convert 20 of those beds to a medical/surgical unit at ACMC.[4] Relocation of the AMI unit to nearby ASSH keeps the program in the same behavioral health planning area as ACMC.

As stated above, the planned project will improve access to mental health services in the AAH South Chicagoland Service Area. As shown in the following table, the population residing in the service area is highly diverse. According to a recent study, there are racial disparities in the rates of untreated mental illness which negatively impact African-American, Hispanic and Asian populations, and the disparity between treatment use appears to demonstrate growing health care access inequities with certain populations receiving only 50% of the treatment as non-diverse groups.[5] Barriers to treatment include: (1) perceived need for treatment, which is lower among Asian and Hispanic populations; (2) attitudinal barriers, i.e., stigma, perception that treatment will be ineffective, and desire to handle problems on one's own, which is highest among African-Americans, and structural barriers, i.e., convenience, cost and availability of treatment and linguistic barriers.[6] While providers can address these barriers to care through greater attention to cultural perceptions of mental health need as well as culturally informed approaches to outreach and engagement in intervention, access cannot improve without a sufficient number of mental health clinicians to treat patients. Importantly, HRSA has designated Hazel Crest as a Mental Health Professional Shortage Area ("MHPSA"). See Attachment – 12, Exhibit 3. Relocating mental health services from ACMC, which is not located within a MHPSA, to ASSH will improve access and address the shortage of mental health services in Hazel Crest where ASSH is located.

South Chicagoland PSC Demographics					
Ethnicity/Race	**2021 Population**	**2026 Population**	**2021 % of Total**	**Population Change**	**Population Change**
Asian	35,693	40,225	1.8%	4,532	12.7%
American Indian	6,957	7,110	0.4%	153	2.2%
Black	802,419	770,729	40.9%	(31,690)	-3.9%
Pacific Islander	510	499	0.0%	(11)	-2.2%
White	865,326	847,646	44.1%	(17,680)	-2.0%
Other Race	198,595	204,988	10.1%	6,393	3.2%
Multiple Races	51,649	55,430	2.7%	3,781	7.3%
TOTAL	**1,961,149**	**1,926,627**	**100.0%**	**(34,522)**	**1.8%**
Hispanic	**455,389**	**475,936**	**23.2%**	**20,547**	**4.5%**

[4] See Advocate Christ Medical Center Discontinuation Certificate of Exemption Application to discontinue acute mental illness category of service.

[5] Jennifer Greif Green et al, *Barriers to Mental Health Service use and Predictors of Treatment Drop Out: Racial/Ethnic Variation in Population-Based Study*, 47 Adm. Policy Ment. Health 606 (2020) *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7260099/pdf/nihms-1563875.pdf (last visited Jul. 12, 2022).

[6] *Id*.

Source: Esri 2021

As noted above, the planned project proposes the relocation of inpatient behavioral health services from ACMC to ASSH. To right-size the transitioning unit, the Applicants analyzed utilization for the most recent three years prior to the COVID-19 pandemic (2017 – 2019). The average daily census during that period was 24.9 patients, which justifies the 27 acute mental illness beds proposed by the Applicants. Accordingly, the Applicants anticipate the ASSH acute mental illness unit will exceed target utilization by the second year after project completion.

Advocate Christ Medical Center
Acute Mental Illness Utilization 2017 – 2019

	2017	2018	2019	Average 2017 - 2019
Beds	39	39	39	39
Admissions	1,459	1,394	1,192	1,348
Inpatient Days	9,616	9,532	8,172	9,107
Observation Days	-	-	-	-
Average Length of Stay	6.6	6.8	6.9	6.8
Average Daily Census	26.3	26.1	22.4	24.9
Utilization	67.6%	67.0%	57.4%	64.0%
Beds Justified	29	29	25	28

Further, the ASSH behavioral health program at ASSH will be a contemporary state of the art program in the AAH South Chicagoland Service Area encompassing 27 bed single occupancy rooms, living environment promoting safety and ligature risk mitigation strategies, evidence-based color design themes promoting holistic healing, and the latest technology platforms for ASSH's therapeutic milieu. AAH focuses on helping people live well. The patients it serves today present with similar but also different needs from patients it has historically served. Patient presentations in acuity and medical co-morbidities have increased. As such, the shift to a single room occupancy care delivery model will enhance team members' ability to address the unique needs of each patient, while promoting a safe and private environment for patients to process what is needed to start their journey of healing. In addition to establishing the AMI unit, the Applicants plan to expand behavioral health services in and around ASSH to include:

- Partial Hospitalization Program, which helps patients reduce or stabilize symptoms while living at home and among family. Patients receive education about their condition, practice skills needed to anticipate and manage symptoms, and meet others with similar conditions and struggles

- Intensive Outpatient Program, which can be utilized as a step-down from partial hospitalization or as focused intervention to provide a foundation to build in a traditional outpatient setting.

- Electroconvulsive Therapy, which is a specialized procedure that uses electricity to treat severe depression and other psychiatric illnesses.

- Esketamine Therapy, which is administered intranasally under the supervision of a health care provider and used in conjunction with oral antidepressants. It is an innovative therapy approved by the Food and Drug Administration in 2019 for the treatment of drug resistant depression and suicidal ideation in adults.

- Expansion of the crisis worker coverage via in-person and/or telehealth consults.

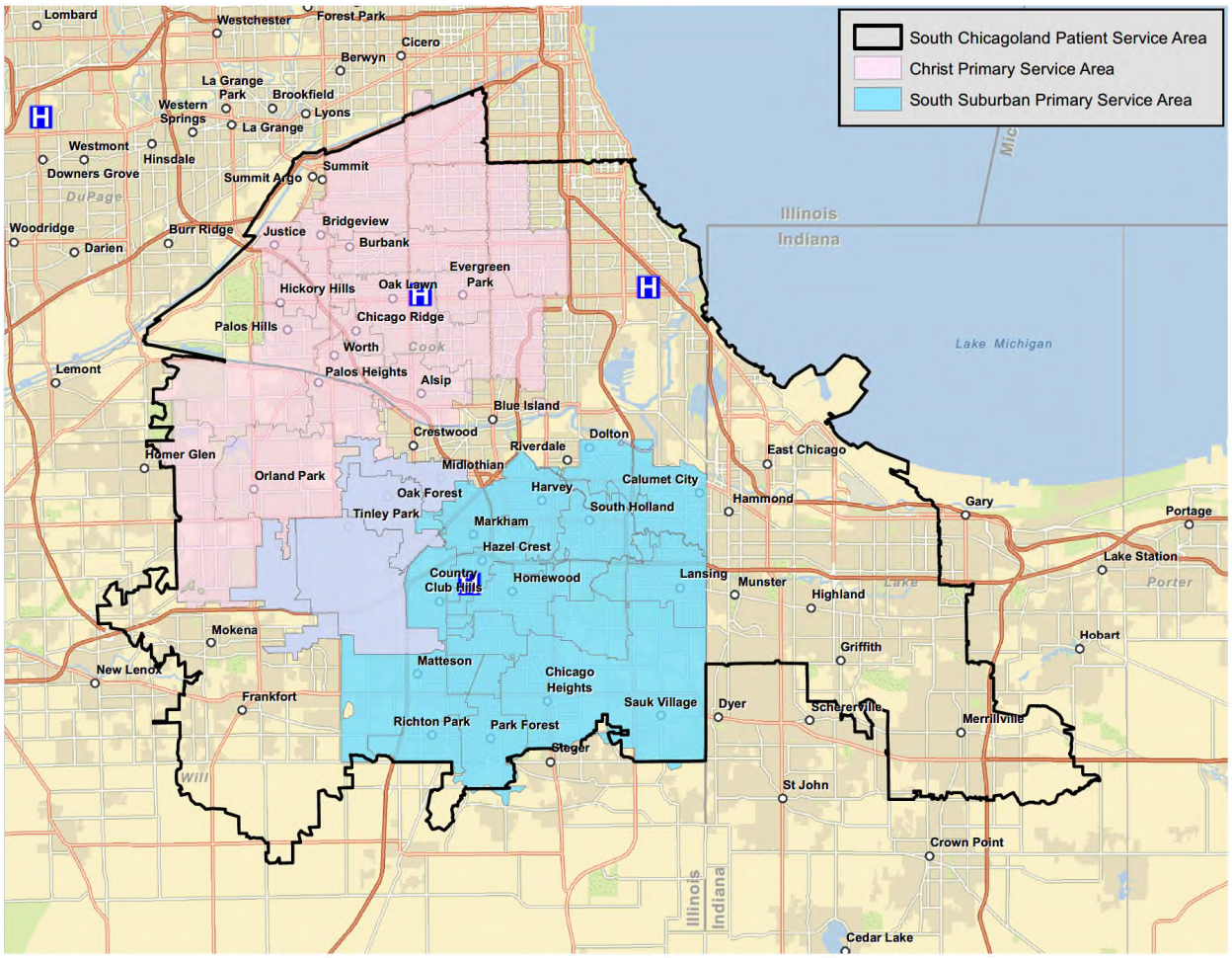
- Complimenting Services are Being Developed in AMG Primary Care Clinics. Advocate is also expanding behavioral health resources throughout the markets it serves by implementing early intervention in outpatient settings to avoid crisis admissions. This is a behavioral health integration program in the primary care setting aimed to provide early intervention to prevent the need for inpatient crisis care when possible. The program identifies triggers for referrals[7] for mental health services including:

    - Screening and assessment of potential behavioral health and social needs
    - Emotional wellness coaching
    - Care navigation and follow up for behavioral health
    - Referrals to appropriate community resources
    - Targeted telehealth psychotherapy
    - Case collaboration with psychiatry for medication recommendations
    - Therapist collaboration with PCP for patient's mental health needs behavioral health integration in primary care clinics via in-person or telehealth consults.

    Results from the pilot program show measured clinical improvement. Patients are going from moderative/severe down to mild; patient satisfaction is higher (NCR); physician satisfaction is higher. Patients saw an 86% improvement in access, from 86 days to access care to 9 days.

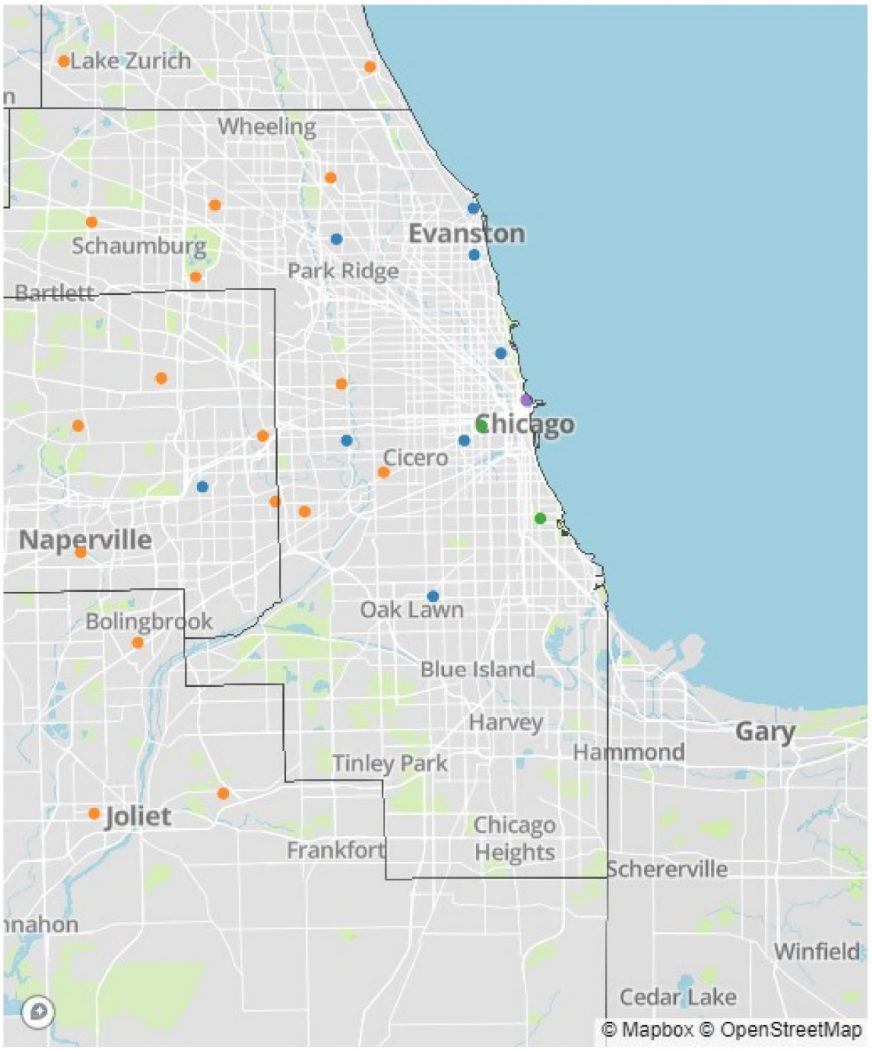
[7] Practitioners will identify patients for behavioral health services referral when they demonstrate:
- Poorly managed chronic health conditions
- Patient in need of community resources
- Assistance needed with medication management of a behavioral health condition
- Designed for patients 18 years and older with patients age 14-17 seen on a case-by-case basis
- Patients scoring over a 5 on PHQ-9, or any score other than zero on question 9, or score over a 5 on the GAD-7 would be referred to BHI.

Advocate South Chicagoland Service Area

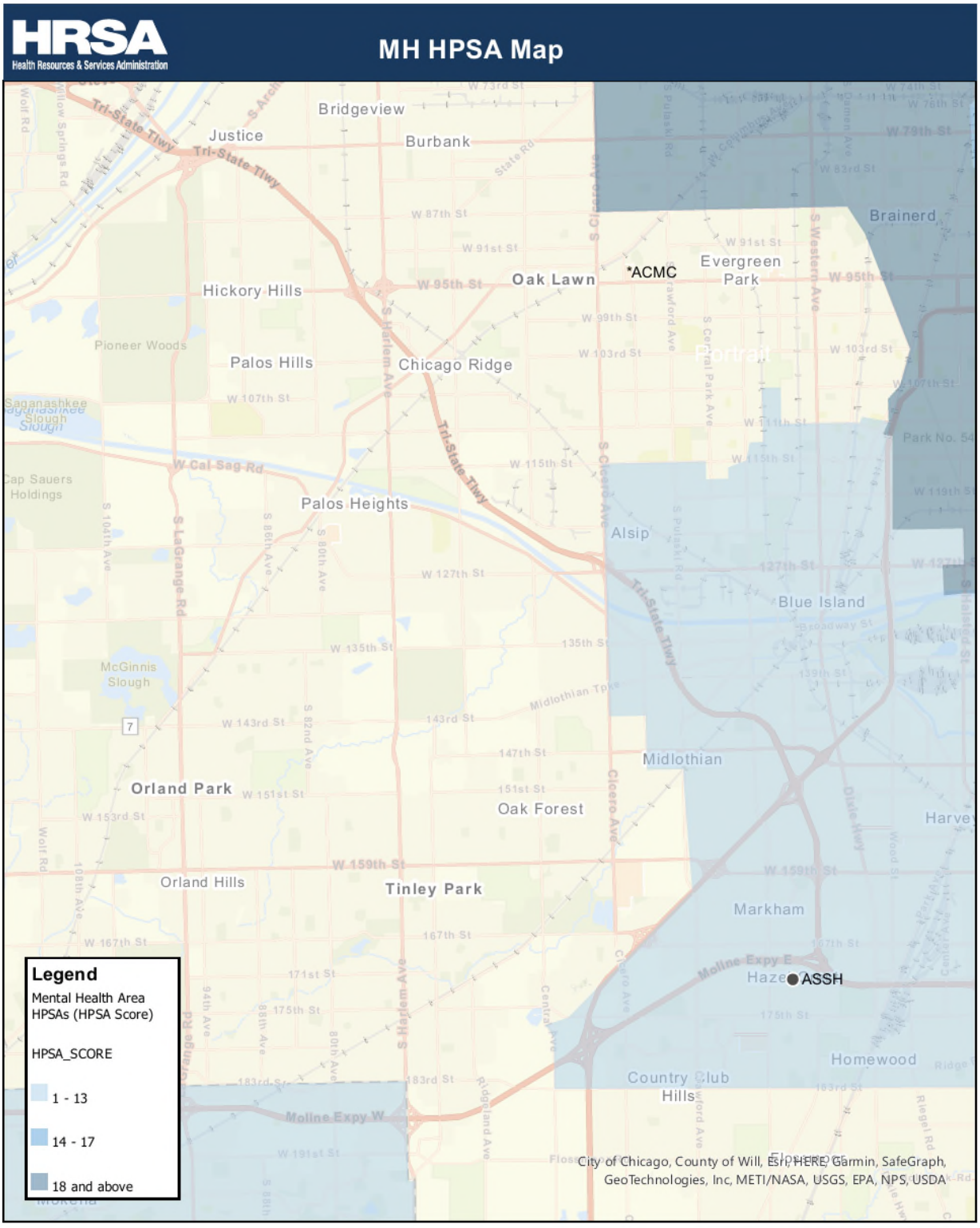


Attachment – 12, Exhibit 1

Illinois Trauma Centers



Attachment – 12, Exhibit 2



data.HRSA.gov

Prepared by:
Division of Data and Information Services
Office of Information Technology
Health Resources and Services Administration

Created on: 7/12/2022

Attachment – 12, Exhibit 3

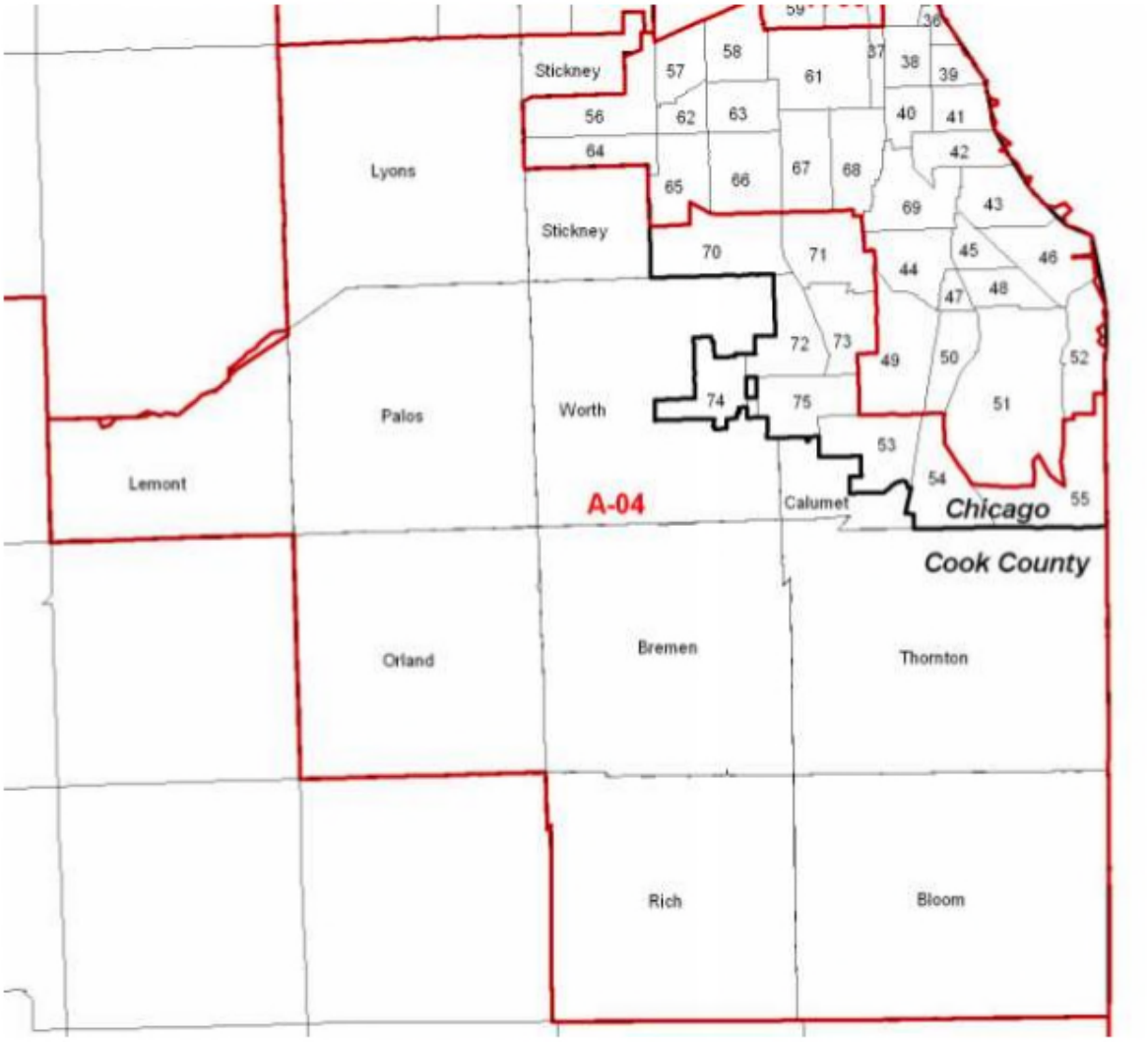
84145666.4

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

ASSH serves the southwest Chicago suburbs in Hazel Crest. The hospital is located in the State Board Planning Area A-04 as shown in Attachment 12, Exhibit 4.

The primary market area is very similar to State Board Planning Area A-01. The AAH South Chicagoland Service Area extends farther southwest into Will County to include Mokena and Frankfort and east into Indiana and does not include City of Chicago Community Areas as part of its service area. Attachment 12, Exhibit 1 provides a map of the AAH South Chicagoland Service Area.

Map of Planning Area A-04



Note: Advocate South Suburban Hospital is located in Bremen township.

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

As discussed more fully above, the planned project will address two issues: (1) high utilization of specialty medical programs and the associated medical-surgical beds at ACMC and (2) shortage of mental health services in Hazel Crest and surrounding areas, where ASSH is located.

ACMC is a tertiary referral center, teaching hospital. It is the only Level I trauma center in the AAH South Chicagoland Service Area and there is high demand for these services. Due to its tertiary and Level I trauma status, ACMC is the only hospital in the AAH South Chicagoland Service Area that can admit the most critically ill patients and continually operates above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity in three of the last four years. See Table 1110.11(b). The COVID-19 pandemic has only exacerbated the need for additional medical/surgical beds at ACMC. To address the requirements of the COVID patient surges AMI mental illness beds to licensed medical/surgical beds. Even with COVID-19 in an endemic stage, ACMC anticipates an average of 30 medical/surgical beds will be needed on an ongoing basis to treat COVID-19 patients. Considering these factors, additional medical/surgical beds are needed to adequately address the acute care needs in the AAH South Chicagoland Service Area.

Further, HRSA designated Hazel Crest as a mental health professional shortage area. Accordingly, there is a need for additional mental health services in areas surrounding ASSH.

4. Cite the sources of the documentation.

Jennifer Greif Green et al, *Barriers to Mental Health Service use and Predictors of Treatment Drop Out: Racial/Ethnic Variation in Population-Based Study*, 47 Adm. Policy Ment. Health 606 (2020) *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7260099/pdf/nihms-1563875.pdf (last visited Jul. 12, 2022).

Esri, Demographic and Income Profile Forecasts for 2021 and 2026 (Jul. 14, 2021).

Illinois Health Facilities and Services Review Board, Hospital Data Profiles 2015 – 2020 *available at https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Pages/default.aspx* (last visited Jul. 12, 2022).

Health Resources & Services Administration, Map Tool *available at* https://data.hrsa.gov/maps/map-tool/ (last visited Jul. 12, 2022).

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

The planned project proposes the relocation of ACMC inpatient behavioral health program to ASSH, which will better allocate health care resources within the AAH South Chicagoland Service Area. As discussed more fully above, the ACMC medical/surgical bed units consistently operate at maximum capacity. The relocation of the ACMC inpatient behavioral health unit from ACMC to ASSH will improve access to specialized

care at ACMC and maintain access to acute care services to patients in the AAH South Chicagoland Service Area while improving access to behavioral health services at ASSH, which is located in a MHPSA.

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

- Expand emergency department crisis services at ASSH emergency department by adding 2 FTE clinicians.
- Restructure child/adolescent services at ASSH and materially enhance the number of annual visits by recruiting 2 licensed clinical psychologists and 1 licensed clinical social worker.
- Integrate behavioral health into several targeted Advocate Medical Group primary care clinics via in-person and/or telehealth visits.

Criterion 1110.110(d)

ALTERNATIVES

1) Identify **ALL** 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.

The Applicants considered three options prior to determining relocate inpatient behavioral health services from ACMC to ASSH. The options considered are as follows:

1. Maintain Status Quo/Do Nothing

2. Establish a Stand-Alone Behavioral Health Hospital.

3. Relocate Inpatient Behavioral Health Services from ACMC to ASSH.

After exploring these options, which are discussed in more detail below, the Applicants determined to relocate inpatient behavioral health services to ASSH. A review of each of the options considered and the reasons they were rejected follows.

Maintain Status Quo/Do Nothing

The Applicants considered the option to do nothing. ACMC is a tertiary referral center, teaching hospital. It is the only Level I trauma center in the AAH South Chicagoland Service Area. Due to its tertiary and Level I trauma status, ACMC is the only hospital in the service area that can admit the most critically ill patients and continually operates above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity in three of the last four years. The COVID-19 pandemic has only exacerbated the

need for additional medical/surgical beds at ACMC. ACMC temporarily converted 13 of its AMI beds to licensed medical/surgical beds to address the critical hospitalization needs of the pandemic. Even with COVID-19 in an endemic stage, ACMC anticipates an average of 30 medical/surgical beds will be needed on an ongoing basis to treat COVID-19 patients. Considering these factors, additional medical/surgical beds are needed to adequately address the acute care needs in the AAH South Chicagoland Service Area.

Further, behavioral health services are needed in the ASSH immediate area to address the mental health professional shortage. Diverse populations constitute 55% of people residing in the AAH South Chicagoland Service Area. According to a recent study, the rates of untreated mental illness are higher among African-Americans, Hispanics and Asians than Whites, and the disparity between treatment use appears to be growing with certain populations receiving only 50% of the treatment as non-diverse groups.[8] Mental health disparities will only be acerbated due to the shortage of mental health professionals.

Maintaining the status quo will neither address the growing need for tertiary care services at ACMC nor the mental health professional shortage in the area surrounding ASSH. Accordingly, the Applicants rejected this alternative.

There is no capital cost for this alternative.

Establish a Stand-Alone Behavioral Health Hospital

The Applicants considered establishing a stand-alone behavioral health hospital. The COVID-19 pandemic not only exposed gaps in the behavioral health care system that existed prior to the pandemic, but it exacerbated them. Elevated incidences of mental health and substance abuse will remain high due to COVID-19 pandemic stressors. With virtual behavioral health services, e.g., telehealth, clinical apps, and remote monitoring, anticipated to accelerate over the next decade and beyond and a greater focus on outpatient mental health and substance abuse services to address mental health conditions and disorders before reaching a crisis point where hospitalization is needed, the Applicants wanted to right-size the ASSH unit. To do so, the Applicants analyzed utilization for the most recent three years prior to the COVID-19 pandemic (2017 – 2019). The average daily census during that period was 24.9 patients, which justifies the 27 acute mental illness beds.

Given the space is available to establish a 27-bed acute mental illness unit within ASSH and the cost to build and operate a stand-alone behavioral health hospital would be higher than a unit within the hospital, the Applicants determined a stand-alone behavioral health hospital is not warranted at this time. If inpatient behavioral health volumes increase in the coming years, such that capacity in the planned acute mental health unit needs to be expanded, the Applicants will re-evaluate this option.

The cost of this alternative is $116.3 million.

[8] Jennifer Greif Green et al, *Barriers to Mental Health Service use and Predictors of Treatment Drop Out: Racial/Ethnic Variation in Population-Based Study*, 47 Adm. Policy Ment. Health 606 (2020) *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7260099/pdf/nihms-1563875.pdf (last visited Jul. 12, 2022).

Relocate Inpatient Behavioral Health Services from ACMC to ASSH

As discussed throughout this application, ACMC is a tertiary referral center, teaching hospital. It is the only Level I trauma center in the AAH South Chicagoland Service Area. Due to its tertiary and Level I trauma status, ACMC is the only hospital in the service area that can admit the most critically ill patients and continually operates above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity in three of the last four years. The COVID-19 pandemic has only exacerbated the need for additional medical/surgical beds at ACMC. ACMC temporarily converted 13 of its AMI beds to licensed medical/surgical beds to address the requirements of the pandemic. Even with COVID-19 in an endemic stage, ACMC anticipates an average of 30 medical/surgical beds will be needed on an ongoing basis to treat COVID-19 patients. Considering these factors, additional medical/surgical beds are needed to adequately address the acute care needs in the AAH South Chicagoland Service Area.

Further, behavioral health services are needed in the ASSH immediate area to address the mental health professional shortage. Diverse populations constitute 55% of people residing in the AAH South Chicagoland Service Area. According to a recent study, the rates of untreated mental illness are higher among African-Americans, Hispanics and Asians than Whites, and the disparity between treatment use appears to be growing with certain populations receiving only 50% of the treatment of non-diverse groups.[9] Mental health disparities will be acerbated due to the shortage of mental health professionals.

The relocation of inpatient behavioral health services from ACMC to ASSH will address both issues, overutilization of medical/surgical services at ACMC by adding 20 medical/surgical beds as well as the mental health professional shortage by establishing inpatient behavioral health services as ASSH.

The cost of this alternative is $21,068,968.

[9] Jennifer Greif Green et al, *Barriers to Mental Health Service use and Predictors of Treatment Drop Out: Racial/Ethnic Variation in Population-Based Study*, 47 Adm. Policy Ment. Health 606 (2020) *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7260099/pdf/nihms-1563875.pdf (last visited Jul. 12, 2022).

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:

3. 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.**

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

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

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

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

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

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

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

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

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Adult AMI Unit (27 beds)	14,809	440-560 dgsf/Bed (27 x 440-560 = 11,880-15,120)	0	Yes
Consultations (3 rooms)	289	NA	NA	NA
Individual Therapies (6 rooms)	708	NA	NA	NA
Group Therapies (2 rooms)	417	NA	NA	NA
Dining / Activities / Lounge (2 rooms)	840	NA	NA	NA
ECT / Esketamine Treatment (2 treatment rooms)	3,084	NA	NA	NA

PROJECT SERVICES UTILIZATION:

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

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

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

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

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION 123 FORM.

By the first full year of operation, annual utilization of the proposed behavioral health unit will meet or exceed the State Board's utilization standard of 85%. As discussed more fully in Section 1110.110(b), the project proposes the relocation of inpatient behavioral health services from ACMC to ASSH. Accordingly, patients formerly admitted to ACMC for behavioral health services will be admitted to ASSH. Based on historical utilization at ACMC, the Applicants anticipate average utilization at ASSH of 9,107 inpatient days by the second year following project completion, which is sufficient to justify the 27 acute mental illness beds at ASSH.

UTILIZATION					
YEAR	**DEPT./ SERVICE**	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MEET STANDARD?**
2017 ACMC	AMI – 39 beds	9,616 Days	N/A	12,100 Days	No
2018 ACMC	AMI – 39 beds	9,532 Days	N/A	12,100 Days	No
2019 ACMC	AMI – 39 beds	8,172 Days	N/A	12,100 Days	No
2025 Projected ASSH	AMI – 27 beds	N/A	9,107 Days	8,377 Days	Yes

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

6. Evidence that the shell space is being constructed due to:
    a. Requirements of governmental or certification agencies; or
    b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
    c. Historical utilization for the area for the latest five-year period for which data is available; and
    d. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

Not Applicable

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.

Not Applicable

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

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

C. Criterion 1110.210 - Acute Mental Illness and Chronic Mental Illness

1. Applicants proposing to establish, expand and/or modernize the Acute Mental Illness and Chronic Mental Illness categories of service must submit the following information:

2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
☒ **Acute Mental Illness**	**0**	**27**
☐ **Chronic Mental Illness**		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.210(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (Formula calculation)	X		
1110.210(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.210(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.210(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.210(b)(5) - Planning Area Need - Service Accessibility	X		
1110.210(c)(1) - Unnecessary Duplication of Services	X		
1110.210(c)(2) - Maldistribution	X		
1110.210(c)(3) - Impact of Project on Other Area Providers	X		
1110.210(d)(1), (2), and (3) - Deteriorated Facilities			X
1110.210(d)(4) - Occupancy			X
1110.210(e)(1) - Staffing Availability	X	X	

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.210(f) - Performance Requirements	X	X	X
1110.210(g) - Assurances	X	X	
APPEND DOCUMENTATION AS ATTACHMENT 21, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

b) Planning Area Need – Review Criterion

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (Formula Calculation)

A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

The planned project proposes the transition of acute mental illness services from ACMC to ASSH. Accordingly, 39 acute mental illness beds will be discontinued at ACMC and 27 acute mental illness beds will be established at ASSH, resulting in a net decrease of 12 acute mental illness beds in HPA A-04.

2) Service to Planning Area Residents

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

The planned project will improve access to mental health services in the AAH South Chicagoland Service Area. The population residing in the AAH South Chicagoland Service Area is highly diverse and access in the immediate community of Hazel Crest will be enhanced for African-American individuals suffering from mental illness. According to a recent study, there are racial disparities in the rates of untreated mental illness which negatively impact African-American and other diverse populations, and the disparity between treatment use appears to demonstrate growing health care access inequities with certain populations receiving only 50% of the treatment as non-diverse groups.[10] Barriers to treatment include: (1) perceived need for treatment, which is lower among Asian and Hispanic populations; (2) attitudinal barriers, i.e., stigma, perception that treatment will be ineffective, and desire to handle problems on one's own, which is highest among African-Americans, and structural barriers, i.e., convenience, cost and

[10] Jennifer Greif Green et al, *Barriers to Mental Health Service use and Predictors of Treatment Drop Out: Racial/Ethnic Variation in Population-Based Study*, 47 Adm. Policy Ment. Health 606 (2020) *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7260099/pdf/nihms-1563875.pdf (last visited Jul. 12, 2022).

availability of treatment and linguistic barriers.[11] AAH providers are addressing these barriers to care through greater attention to cultural perceptions of mental health need as well as culturally informed approaches to outreach and engagement in intervention, access cannot improve without a sufficient number of mental health clinicians to treat patients. Importantly, HRSA has designated Hazel Crest as a MHPSA. See Attachment – 12, Exhibit 2. Relocating mental health services from ACMC, which is not located within a MHPSA, to ASSH will improve access and address the shortage of mental health services in Hazel Crest where ASSH is located.

B) Applicants proposing to add beds to an existing AMI and/or CMI service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.

C) Applicants proposing to expand an existing AMI and/or CMI service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

Not Applicable

3) Service Demand – Establishment of AMI and/or CMI

The number of beds proposed to establish a new AMI and/or CMI service is necessary to accommodate the service demand experienced by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and subsection (b)(3)(B) or (C).

A) Historical Referrals
If the applicant is an existing facility, the applicant shall document the number of referrals to other facilities, for each proposed category of hospital bed service, for each of the latest 2 years. Documentation of the referrals shall include: patient origin by zip code; name and specialty of referring physician; name and location of the recipient hospital.

B) Projected Referrals
An applicant proposing to establish a new AMI and/or CMI service or establish a new hospital shall submit the following:

i) Physician referral and/or DHS-funded mental health provider (59 Ill. Adm. Code 132) letters that attest to the total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application;

ii) An estimated number of patients the physician and/or DHS-funded mental health provider will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's and/or mental health provider's documented historical caseload;

iii) The physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty; and

iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

[11] *Id.*

Advocate Christ Medical Center
4440 West 95th Street || Oak Lawn, IL 60453 || T 708.684.8000 || advocatehealth.com

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

RE: Documentation of Projected Referrals to Advocate South Suburban Hospital for Establishment of Acute Mental Illness (AMI) Unit

Dear Ms. Savage:

I am the Medical Director of Emergency Services at Advocate Christ Medical Center ("ACMC") and this letter documents the historical case volume of patients who have presented at the Emergency Department of ACMC and who were admitted for inpatient care at ACMC for treatment of their acute mental health needs and which we would expect to be admitted to the planned AMI unit planned for Advocate South Suburban Hospital ("ASSH"), our nearby affiliated hospital. Relatedly, this letter expresses my support of the Certificate of Need permit application to the Illinois Health Facilities and Services Review Board ("HFSRB") for the relocation of the ACMC inpatient behavioral health services from ACMC to ASSH. This shift in the inpatient behavioral health program will improve the ability of our health system to meet the ongoing needs of the communities we serve.

Notably, ACMC operates a Level 1 Trauma Center – the highest-level designation possibly by the State of Illinois. This designation is based on our state-of-the-art emergency services with strong resources and the high number of patients we treat. ACMC has the busiest Level I Trauma Center in Illinois with a trauma surgery team available on site, around the clock and a dedicated inpatient trauma unit. The patients who present in the emergency department who are experiencing mental health crisis are in need of immediate care with dedicated behavioral health resources. The medical needs of these patients are typically of a different nature than those of the critically ill patients requiring our trauma care resources and of other patients we serve in the emergency department. Realigning the location of the inpatient behavioral health unit between our hospital locations will better allow our staff to focus on the discrete needs of our different types of patients continuing our mission to provide the highest quality of care to all of our patients. I support this plan and look forward to elevating our service levels especially in the face of new mental health challenges many of our community members face with the problems the pandemic brought home.

From January 1, 2020 to December 31, 2020, ACMC admitted 749 patients to its inpatient behavioral health unit. From January 1, 2021 to December 31, 2021, 770 patients were admitted to the ACMC inpatient behavioral health unit. A list of those patients who received inpatient behavioral health care at ACMC by zip code of residence is attached hereto as

Advocate Christ Medical Center
4440 West 95th Street || Oak Lawn, IL 60453 || T 708.684.8000 || advocatehealth.com

Attachment – 1. With the relocation of behavioral health services, patients who present to the ACMC emergency department requiring inpatient behavioral health services will be transferred to ASSH. As one might imagine, we currently accept transfers from other Advocate area hospitals that don't currently operate an AMI unit-ASSH and Trinity. As such, the patient transfers to ASSH will be similar to those we currently accept from these other area hospitals.

Consistent with Section 1100.360 of the HFSRB rules, the new AMI unit at ASSH will provide contemporary facilities in accord with all recognized standards of design, construction, operation and which represent the best alternative for the provision of quality care. In the context of inpatient behavioral health services, this provides for state-of-the-art practices for the elimination of ligature risks as well as for a therapeutic, healing environment.

These patient referrals have not been used to support another pending or approved certificate of need application. The information in this letter is true and correct to the best of my knowledge.

I support the proposed establishment of inpatient acute mental illness services at ASSH.

Sincerely,

Brian M Sayger, D.O.

Medical Director

Department of Emergency Medicine

Advocate Christ Medical Center
4440 West 95th Street
Oak Lawn, Illinois 60453

Subscribed and sworn to me
This 18th day of July, 2022

Notary Public

ERIN M. BLOUGH
OFFICIAL SEAL
Notary Public - State of Illinois
My Commission Expires Jan 14, 2025

ATTACHMENT 1 to Dr. Savage Behavioral Health Admissions Letter
AMI Patients Admitted to ACMC

Zip Code	Cases
00823	1
14221	1
36610	1
46307	1
46311	1
46324	2
46360	1
46368	3
46383	1
46401	1
46410	1
46705	1
48111	1
49506	1
53934	1
60002	3
60013	2
60016	1
60025	1
60030	1
60031	2
60035	1
60042	1
60045	1
60046	2
60047	1
60048	3
60050	1
60051	2
60053	1
60060	1
60061	2
60062	1
60070	1
60073	4
60077	1
60084	1
60085	2

Zip Code	Cases
60087	2
60099	3
60102	1
60110	4
60118	2
60120	2
60123	3
60153	1
60177	1
60181	1
60201	1
60301	1
60302	1
60403	1
60404	1
60406	10
60409	4
60411	5
60415	23
60419	2
60422	2
60423	2
60425	3
60426	1
60428	2
60429	8
60430	14
60433	1
60435	1
60436	1
60438	2
60439	3
60441	1
60442	1
60443	3
60445	8
60448	1
60449	1
60451	2
60452	10

Zip Code	Cases
60453	89
60455	21
60456	5
60457	3
60458	7
60459	36
60462	7
60463	3
60464	2
60465	1
60466	2
60467	1
60469	2
60471	2
60472	3
60477	10
60478	8
60480	1
60481	1
60482	3
60487	4
60491	3
60501	2
60504	2
60515	1
60517	3
60521	2
60523	6
60525	3
60526	1
60544	1
60545	1
60559	1
60561	1
60608	1
60609	9
60610	1
60611	1
60612	7
60613	1
60614	3

Zip Code	Cases
60615	2
60616	1
60617	29
60619	19
60620	18
60621	3
60623	3
60625	3
60626	4
60628	13
60629	33
60631	1
60632	4
60633	5
60634	2
60636	7
60637	7
60638	12
60639	1
60640	2
60641	1
60643	27
60644	1
60645	2
60647	1
60651	1
60652	23
60653	1
60655	13
60657	2
60660	1
60680	1
60706	4
60707	1
60714	1
60803	42
60804	2
60805	7
60827	6
60914	1
61107	1

Zip Code	Cases
61701	1
62294	1
62301	1
71635	1
85323	2
90028	1
90650	1

5) Service Accessibility
The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions
The applicant shall document that at least one of the following factors exists in the planning area:

i) The absence of the proposed service within the planning area;

ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;

iii) Restrictive admission policies of existing providers;

iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The planned project will improve access to mental health services in the AAH South Chicagoland Service Area and, importantly, HRSA has designated Hazel Crest where ASSH is located as a MHPSA. See Attachment – 12, Exhibit 2. Relocating mental health services from ACMC, which is not located within a MHPSA, to ASSH will improve access and address the shortage of mental health services in Hazel Crest. The population residing in the AAH South Chicagoland Service Area is diverse. According to a recent study, there are racial disparities in the rates of untreated mental illness which negatively impact African-American and other diverse populations, and the disparity between treatment use appears to demonstrate growing health care access inequities with certain populations receiving only 50% of the treatment as non-diverse groups.[12] Barriers to treatment include: (1) perceived need for treatment, which is lower among Asian and Hispanic populations; (2) attitudinal barriers, i.e., stigma, perception that treatment will be ineffective, and desire to handle problems on one's own, which is highest among African-Americans, and structural barriers, i.e., convenience, cost and availability of treatment and linguistic barriers.[13] While providers can address these barriers to care through greater attention to cultural perceptions of mental health need as well as culturally informed approaches to outreach and engagement in intervention, access cannot improve without a sufficient number of mental health clinicians to treat patients.

[12] Jennifer Greif Green et al, *Barriers to Mental Health Service use and Predictors of Treatment Drop Out: Racial/Ethnic Variation in Population-Based Study*, 47 Adm. Policy Ment. Health 606 (2020) *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7260099/pdf/nihms-1563875.pdf (last visited Jul. 12, 2022).
[13] *Id*.

c) Unnecessary Duplication/Maldistribution − Review Criteria

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site;

A list of all zip codes as well as the 2020 population estimates for each zip code located within ten miles of ASSH is provided in Table 1110.210(c)(1)(A).

Table 1110.210(c)(1)(A)
Population within 10-Mile Radius of ASSH

Zip Code	City	Population
60428	Markham	12,067
60422	Flossmoor	9,355
60429	Hazel Crest	15,393
60430	Homewood	19,728
60478	Country Club Hills	16,573
60461	Olympia Fields	4,677
60469	Posen	5,482
60425	Glenwood	8,965
60476	Thornton	2,313
60426	Harvey	27,863
60472	Robbins	4,968
60452	Oak Forest	27,605
60471	Richton Park	13,875
60473	South Holland	22,187
60443	Joliet	21,698
60411	Chicago Heights	56,862
60466	Park Forest	20,856
60445	Midlothian	15,998
60406	Blue Island	25,849
60477	Tinley Park	36,843
60419	Dolton	22,289
60475	Steger	9,782
60827	Riverdale	28,327
60487	Tinley Park	26,822
60803	Alsip	22,447
60409	Calumet City	36,229
60448	Mokena	25,878
60438	Lansing	28,291
60463	Palos Heights	14,556
60628	Chicago Heights	65,008

Table 1110.210(c)(1)(A) Population within 10-Mile Radius of ASSH		
Zip Code	**City**	**Population**
60467	Orland Park	26,056
60643	Chicago	48,572
60484	University Park	6,658
60655	Chicago	27,771
Total		**757,843**

Source: U.S. Census Bureau, Census 2020, 2020 American Community Survey: 5-Year Estimates Data Profile *available at* https://data.census.gov/cedsci/table?q=United%20States&g=0100000US&tid=ACSDP1Y2018.DP05 (last visited June 30, 2022).

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and

See Table 1110(c)(1)(A).

C) The names and locations of all existing or approved health care facilities located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) from the project site that provide the categories of bed service that are proposed by the project.

A list of existing or approved health care facilities providing acute mental illness services is provided in Table 1110.210(c)(1)(C).

Table 1110.210(c)(1)(C) Hospitals Providing Acute Mental Illness Services within 10-Mile Radius of ASSH				
Hospital	**Address**	**City**	**AMI Beds**	**Straight-Line Distance (Miles)**
Ingalls Memorial Hospital	1 Ingalls Drive	Harvey	78	3.35
Roseland Community Hospital	45 W 111th Street	Chicago	30	9.46
Palos Community Hospital	12251 S 80th Ave	Palos Heights	40	9.47
Total			**148**	

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, bed and services characterized by such factors as, but not limited to:

A) A ratio of beds to population that exceeds one and one-half times the State average;

As shown in Table 1110.210(c)(2)(A), the ratio of acute mental illness beds to population is 59.5% of the State average. Accordingly, there is not a maldistribution of acute mental illness beds in the geographic service area.

Table 1110.210(c)(2)(A)) Ratio of Acute Mental Illness Beds to Population			
	Population	**AMI Beds**	**AMI Beds to Population**
Geographic Service Area	757,843	148	1:5,121
State	12,716,164	4,176	1:3,045

3) The applicant shall document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

The planned project will transition behavioral health services (also known as acute mental illness services) from ACMC to ASSH. Patients to be served at ASSH would historically receive inpatient acute mental illness services at ACMC. Accordingly, this Project will not lower the utilization of other area hospitals below the State Board's occupancy standards.

B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

The planned project is the relocation of AMI services from ACMC to ASSH. Patients to be served as ASSH would historically receive inpatient acute mental illness services at ACMC. Accordingly, this Project will not lower, to a further extent, the utilization of other area hospitals below the State Board's occupancy standards.

e) Staffing Availability – Review Criterion

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

ASSH evaluated the staffing needs and does not expect any issues meeting the licensure and accreditation staffing requirements as a result of the proposed project. The hospital's ability to attract and place nurses has historically been strong.

The behavioral health unit will be staffed as follows:

- Physicians
  - Psychiatrist (1 FTE)
  - PRN Psychiatrist
- Advanced Practice Nurse (1 FTE)
- RN Leads/CPS = 4.6 FTEs
  - 2 Day Shift Leads (1.8 FTEs)
  - 2 Night Shift Leads (1.8 FTEs)
  - 1 CPS (1.0 FTE)
- RN Total = 33.5 FTEs
  - RN Day Shift = 17.0 FTEs (7 RNs per shift – 1 charge nurse, 1 ITU, 4 floor nurses)
  - RN Night Shift = 16.5 FTEs (7 RNs per shift – 1 charge nurse, 1 ITU, 4 floor nurses)
- MHC/CIMS = 19.1 FTEs (4 total per shift – 2 floor, I CIMS, 1 ITU)
- UMS = 2 FTEs
- Social Worker/Clinical Therapist = 3.8 FTEs
- ECT = 3.3 FTEs

Advocate Aurora Health offers a competitive salary and benefits package for its clinicians and other support staff and also has a dedicated team of Recruiters and Sourcing Specialists. If there is a significant staff need anywhere in the system, resources are shifted quickly to address the situation. The staffing consultants at Advocate Aurora Health work in a collaborative manner.

An additional source for ASSH's applicant pool comes from active partnerships with local nursing programs. ASSH has continually benefited from the strong reputation of AAH as an excellent place of employment, as evidenced by consistently being named as one of the Top 100 Places to work in Illinois.

f) Performance Requirements − Bed Capacity Minimums

1) The minimum unit size for a new AMI unit within an MSA is 20 beds.

2) The minimum unit size for a new AMI unit outside an MSA is 10 beds.

ASSH will have 27 acute mental illness beds, exceeding the State's minimum standard for a hospital located within an MSA.

g) Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

By the signatures on the Certification pages, the applicants attest that by the second year of operation after project completion the ASSH acute mental illness unit will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100.

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)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document those 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]:**

$3,461,841	a) Cash and Securities − statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion.
_____	b) Pledges − for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c) Gifts and Bequests − verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.
$17,607,127	d) Debt − a statement of the estimated terms and conditions (including the debt time, variable or permanent interest rates over the debt time, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated. 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate. 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc. 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment. 5) For any option to lease, a copy of the option, including all

	terms and conditions.
_____	e) Governmental Appropriations − a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent.
_____	f) Grants − a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.
_____	g) All Other Funds and Sources − verification of the amount and type of any other funds that will be used for the project.
$21,068,968	**TOTAL FUNDS AVAILABLE**

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

This criterion is not applicable. Attached at Attachment – 34 are Advocate Aurora Health's bond ratings from Fitch, Standard and Poors, and Moody's documenting an AA long-term bond rating (Fitch and Standard and Poors) and Aa3 long-term bond rating (Moody's).

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Advocate Aurora Health's (IL) IDR at 'AA'; Outlook Stable

Mon 02 Aug, 2021 - 11:49 AM ET

Fitch Ratings - Chicago - 02 Aug 2021: Fitch Ratings has affirmed Advocate Aurora Health's (AAH) Issuer Default Rating (IDR) at 'AA'. Fitch has also affirmed the outstanding revenue bonds issued by the Wisconsin Health and Educational Facilities Authority, Illinois Finance Authority, and Illinois Health Facilities Authority on behalf of AAH as well as taxable fixed-rate bonds issued directly by AAH at 'AA'. Finally, AAH's 'F1+' Short-Term Rating on variable rate debt and CP debt supported by AAH's self-liquidity has been affirmed.

The Rating Outlook is Stable.

SECURITY

Bonds are unsecured joint and several obligations of the obligated group, which consists of the vast majority of AAH hospitals, the AAH parent, and the Advocate Health Care Network and AAH physician practices.

ANALYTICAL CONCLUSION

AAH's 'AA' IDR rating is driven by the system's very strong financial profile assessment, leading market position over a broad and diversified service area covering the population centers of two states, and expectations for a return to strong operating margins over time, as Fitch believes the system's fundamental operating platform remains strong.

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

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'

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

AAH is the largest health system in both Illinois and Wisconsin with a broad market reach operating in multiple markets across the major population centers of both states. The system benefits from a generally favorable payor mix.

Operating Risk: 'a'

Track-Record of Strong Operating Results; Margins Expected to Continue to Rebound

AAH's operating risk profile remains strong. The system has a track-record of generating an operating EBITDA margin in the 10% range. Fitch expects long-term margins should be consistent with a strong assessment, despite financial pressure presented over the last year by the coronavirus pandemic. Capital spending plans are elevated but manageable.

Financial Profile: 'aa'

Strong Capital-Related Ratios

AAH's financial profile is strong. Capital-related ratios should remain strong in Fitch's forward-looking scenario analysis, even in a stress case.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

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

RATING SENSITIVITIES

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

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

--Considerable growth in unrestricted cash levels leading to superlative cash-to-adjusted debt.

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

--Unexpectedly prolonged compression in operating margins, such that the operating EBITDA margin is expected to remain at 7% or lower for a sustained period beyond what Fitch currently expects, which would lead to an operating

risk profile more consistent with a midrange assessment;

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

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of 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.

CREDIT PROFILE

AAH is the result of the April 2018 merger between Advocate Health Care (IL) (Advocate) and Aurora Health Care (WI) (Aurora). The system includes 24 acute care hospitals and one behavioral health hospital (totaling more than 5,100 staffed beds), approximately 3,600 employed physicians, and operates roughly 500 outpatient locations and 100 retail clinics in contiguous markets stretching from the Chicago metro area north through Milwaukee, to Marinette, WI in the north. AAH is the largest healthcare provider in both Illinois and Wisconsin. Combined, AAH recorded more than $13 billion in operating revenue in audited fiscal 2020 (Dec. 31 year-end).

A system of AAH's size and scope of operations is constantly evaluating its portfolio of assets. Most recently, in 2020 the system sold two central Illinois hospitals (the former Advocate BroMenn Medical Center in Normal, IL and Advocate Eureka) to the Carle Foundation (AA-).

REVENUE DEFENSIBILITY

AAH's payor mix is well under the 25% threshold for a midrange assessment. Combined Medicaid and self-pay consistently account for approximately 17% of gross revenue (including 17.5% in fiscal 2020). Illinois expanded Medicaid under the Affordable Care Act (ACA), while Wisconsin did not expand Medicaid under the ACA guidelines, the state did expand eligibility in prior years.

AAH operates in multiple markets covering a contiguous service area stretching from northeastern Illinois (Chicago area) through Milwaukee to northeastern Wisconsin. AAH is the market share leader in both states. Despite the leading position, the system operates in many competitive service areas, notably Chicago (where AAH is the market leader in a crowded market) and Milwaukee, the population hubs of the combined service area. AAH's largest competitor is Ascension Health (AA+), which also operates multiple facilities in both the Milwaukee and Chicago markets. AAH also has one of the largest and most sophisticated physician integration models in the industry with broad population health management capabilities, including employing approximately 3,600 physicians, and nearly three million unique lives.

AAH operates in varying service area demographic profiles, as expected from a large and geographically diverse health system. AAH's service area characteristics are generally stable supporting a midrange assessment. Much of suburban Chicago (e.g., Lake County), suburban Milwaukee, and other markets such as Brown County, WI (Green Bay) demonstrate generally favorable characteristics such as median household income levels in-line with or better than the national average and low poverty rates. Fitch does not expect AAH's payor mix to change materially in the near term.

OPERATING RISK

AAH has a track-record of strong operating margins, with the operating EBITDA margin averaging 10.1% between fiscals 2016 and 2019. The margin compressed to 7.3% in fiscal 2020, as the system contended with the coronavirus pandemic. These results do not include nonrecurring operating expenses in recent years (e.g., early retirement incentive plans, one-time Epic EMR upgrade/installation costs, and one-time merger costs, etc.).

Management estimates that the pandemic cost AAH approximately $900 million in fiscal 2020 in terms of revenue loss and increased PPE costs, not to mention added labor costs and other disruptions. These pressures were balanced in part by the receipt of $847 million of CARES Act and related stimulus funding grants (which AAH recorded in 2020).

Despite the considerable challenges presented by the coronavirus pandemic, Fitch expects that long term the system maintains a robust operating platform and margins will return to a level consistent with a strong operating risk profile, with an operating EBITDA margin in the 9% range. Management has budgeted an operating margin of approximately 2.2% in fiscal 2021, which would translate to an operating EBITDA margin in the 7.5% range. In fiscal Q12021, AAH recorded an operating margin of 2.0% and operating EBITDA margin of 7.1% (excluding nonrecurring expenses of approximately $13 million).

Fitch expects AAH's capital spending will continue at a measured pace. The system has nearly $1.3 billion in capex budgeted for fiscal 2021, which translates to a capital spending ratio of more than 2x. Beyond that, management expects to maintain a capital spending ratio of around 1.5x. Fitch expects, however, that under a strained economic or operating environment AAH would defer or cut capex, as the system did during the early months of the pandemic and related economic recession in 2020.

Key projects are aligned with AAH's Transformation 2025 strategy, and include continued expansion of AAH's ambulatory network with a focus on consumer-driven access, as well as upgrades in certain markets. AAH has maintained a healthy pace of capex in recent years, as the capital spending ratio averaged approximately 1.3x over the last five years, and the average age of plant measured a comfortable 9.2 years at FYE 2020.

While AAH does not have formal new money debt plans in the near term, Fitch expects a system of AAH's size and scale to access the capital markets from time-to-time. Also, in September 2020 the system increased the authorization of its CP program to a maximum amount of $1 billion, although only $50 million was outstanding as of March 31, 2021.

FINANCIAL PROFILE

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

AAH has nearly $3.9 billion of debt outstanding, inclusive of operating leases (which are now captured on the balance sheet). Unrestricted cash and investments measured almost $10.5 billion at FYE 2020.

AAH's debt equivalents are manageable. AAH has two frozen defined benefit (DB) pension plans. The plans combined were approximately $200 million underfunded compared to a projected benefit obligation (PBO) of roughly $2.6 billion at FYE 2020, translating to a funded ratio of 92%. Because the pension plan is more than 80% funded, Fitch does not include the underfunded status in calculating adjusted debt, and as a result AAH's adjusted debt is equal to its direct debt. AAH's net adjusted debt (adjusted debt minus unrestricted cash and investments) is favorably negative, measuring -$6.6 billion at FYE 2020. Fitch expects net adjusted debt to remain favorably negative in the coming years, even in the stress case of Fitch's scenario analysis.

Per Fitch's forward-looking scenario analysis, AAH's capital-related ratios should be consistent with the broad 'AA' category, even in a stress case. Based on fiscal 2020 results, AAH's net adjusted debt-to-adjusted EBITDA was favorably negative at better than negative 4x and cash-to-adjusted debt was about 270% at FYE 2020. Looking forward, net adjusted debt-to-adjusted EBITDA is negative in every year of the scenario analysis, including the stress case, and cash-to-adjusted debt never drops below 270% in the base case or 230% in the stress case.

The 'F1+' short-term rating is based on AAH maintaining a long-term rating of at least 'AA-'. AAH maintains sufficient discounted internal liquid resources (composed of cash, U.S. Treasuries, municipal bonds, and corporate bonds) and has implemented written procedures to fund any un-remarketed put on the $1.2 billion of theoretical maximum potential debt supported by self-liquidity. AAH's self-liquidity supported demand debt is comprised of its puttable VRDO bonds not supported by standby bond purchase agreements (SBPAs) as well as the $1 billion maximum authorized under the taxable CP program (increased from a maximum of $500 million in September 2020, although only $50 million was outstanding as of March 31, 2021). AAH had "eligible" cash, U.S. Treasuries, municipal bonds and corporate bonds in excess of the 125% threshold of its maximum self-liquidity funding exposure for assignment of the 'F1+' rating.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

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

The senior management team is deep and is comprised of members of both the legacy Advocate and Aurora systems. AAH added a new Chief Strategy Officer in spring 2021, and the former CSO is now the President of the system's AAH Enterprises. The system also appointed a new Chief Government Relations Officer in 2020. No significant senior management retirements are planned in the near term, although the board is engaged on succession planning.

AAH has nearly $3.9 billion of debt outstanding (including operating leases). The system has a CP program in place and other variable rate debt supported by internal liquidity. Most VRDO bonds are supported by SBPAs, which expire between January 2024 and September 2025. Maximum annual debt service (MADS) is approximately $227 million, based on smoothing debt service (actual MADS is just over $820 million, based on a bullet payment in 2050). MADS coverage based on fiscal 2020 results is strong at approximately 6x and does not pose an asymmetric risk. The MTI includes a minimum historical debt service coverage covenant of 1.10x.

AAH had just over 310 days cash on hand at FYE 2020 and just over 315 days at unaudited March 31, 2021 (excluding Medicare advance payment funds and deferred employer FICA tax), and therefore days cash does not pose an asymmetric risk.

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

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

ESG CONSIDERATIONS

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
Advocate Aurora Health, Inc. (WI)	LT IDR	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable
• Advocate Aurora Health, Inc. (WI) /General Revenues/1 LT	LT	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable
• Advocate Health Care Network (IL)	LT	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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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

Advocate Health and Hospitals Corporation	EU Endorsed, UK Endorsed

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US Public Finance Healthcare and Pharma North America United States

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Advocate Aurora Health's Aa3; outlook positive

13 Aug 2021

New York, August 13, 2021 -- Moody's Investors Service has affirmed the Aa3, Aa3/VMIG 1, and Aa3/P-1 ratings assigned to Advocate Aurora Health's (AAH) outstanding debt, which includes the obligations of legacy borrower Aurora Health Care, Inc., WI. The outlook is positive. AAH has approximately $3.55 billion of debt outstanding.

RATINGS RATIONALE

Affirmation of the Aa3 reflects AAH's leading market positions across two regions, business line breadth and strong financial discipline. After achieving lower but still solid operating cash flow (OCF) margins in fiscal 2020 and YTD 2021 amid pandemic related volume disruptions, AAH will likely return to and sustain OCF margins at pre-pandemic expectations of 9% to 10%. This would be supported by ongoing recovery in volume and strategic growth but will likely take longer than anticipated when the positive outlook was first assigned due to COVID related volume disruptions and staffing challenges. Operating and balance sheet leverage will remain moderate with management expecting to maintain current levels of debt and well-funded frozen and highly hedged pension plans. A return to pre-pandemic levels of operating cash flow and ongoing improvement in cash levels, however, would help contribute to cash to total debt, total debt to cash flow and days cash metrics that would be more in line with a higher rating. In addition to intensifying wage issues, offsets include strong competition in rapidly consolidating markets and ongoing payer pressures.

The affirmation of the short-term P-1 rating is supported by Moody's market access cash flow approach to longer-term variable rate instruments and our estimation of AAH's ability to pay the purchase price of a mandatory tender when due at the end of the mandatory tender "window" as well as AAH's strong liquidity. Moody's expects that AAH will be able to access the market given its strong revenue bond rating and the system's frequency of market participation. Affirmation of the VMIG 1 reflects the presence of standby bond purchase agreements and the creditworthiness of AAH.

RATING OUTLOOK

The positive outlook reflects Moody's view that AAH will likely be able to return to and sustain OCF margins at levels expected pre-pandemic while increasing absolute cash levels (excluding Medicare Advances and FICA deferrals). This would allow AAH to achieve or exceed stronger days cash, cash to debt and debt to cash flow metrics as forecasted.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Able to recover to pre-pandemic OCF levels in the 9% to 10% range and demonstrate durability

- Evidence that operating leverage as measured by debt to cash flow will be sustained at or below 2.0 times

- Ability to show ongoing improvement in cash to debt and days cash

- Unenhanced ST rating: Not applicable

- Enhanced ST rating: Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sustained decline in solid operating cash flow margins

- Meaningful decline in days cash or cash to debt metrics

- Additional debt resulting in less favorable leverage metrics

- Unenhanced ST rating: downgrade by Moody's of AAH's long-term rating below A2 or material adverse changes to AAH's access to the capital markets

- Enhanced ST ratings: downgrade by Moody's of the short-term Counterparty Risk Assessment of the banks that provide the SBPAs or the long-term rating of AAH

LEGAL SECURITY

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

PROFILE

Advocate Aurora Health, Inc. (AAH; $13.1 billion revenue in FY 2020), provides a continuum of care through its 24 acute care hospitals, an integrated children's hospital and a psychiatric hospital, which in total have 6,475 licensed beds, primary and specialty physician services with approximately 3,600 employed physicians, outpatient centers, physician office buildings, pharmacies, behavioral health care, rehabilitation, home health and hospice care in northern Illinois, eastern Wisconsin and the upper peninsula of Michigan.

METHODOLOGY

The principal methodology used in the long-term ratings was Not-For-Profit Healthcare published in December 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1154632 . The principal methodology used in the short-term underlying rating was Short-term Debt of US States, Municipalities and Nonprofits Methodology published in July 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1210749 . The principal methodology used in the short-term enhanced ratings was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1057134 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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Rationale

Stable Outlook

Credit Opinion

Enterprise Profile: Very Strong

Financial Profile: Very Strong

Credit Snapshot

Related Research

Advocate Aurora Health, Illinois; CP; System

Credit Profile		
Illinois Finance Authority, Illinois		
Advocate Aurora Health, Illinois		
Illinois Fin Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Current

Rationale

S&P Global Ratings' long-term rating on Advocate Health and Hospitals Corp. (AHHC), Ill.'s various series of taxable debt and its long-term ratings on the Illinois Finance Authority's (IFA) and the Wisconsin Health and Education Facilities Authority's various series of fixed-rate, tax-exempt revenue bonds is 'AA'. S&P Global Ratings' long-term component of its dual ratings ('AA/A-1+' and 'AA/A-1'), where applicable, on the IFA's various series of variable-rate demand bonds (VRDBs) is also 'AA'. Finally, S&P Global Ratings' short-term rating on AHHC's commercial paper (CP) program (authorized to $1 billion from $500 million with $50 million outstanding) is 'A-1+'. All bonds were issued for AHHC and the related obligated group (known as Advocate Aurora Health credit group, or AAH). The outlook, where applicable, is stable. Our analysis of AAH reflects the consolidated system.

The 'A-1+' short-term component of the rating on the issuer's series 2008C-3A bonds and the 'A-1' short-term component of the rating on the series 2008C-1 and 2008C-2B bonds reflect our view of the standby bond purchase agreements (SBPAs) in effect from various financial institutions. They further reflect our view of the likelihood of payment of tenders, and our view of liquidity facilities that cover all of the bond series. The 'A-1+' short-term component of the rating on the issuer's CP and series 2011B bonds reflects our view of the credit strength inherent in the 'AA' long-term rating on AAH's debt and the sufficiency of AAH's unrestricted reserves to provide liquidity support for the bonds.

Credit overview

Specifically, the 'AA' rating reflects AAH's excellent enterprise profile and solid market position in the broad Chicagoland and eastern Wisconsin markets as well as its solid financial profile, including sound performance, healthy coverage, low debt, and favorable unrestricted reserves and operational liquidity. Increasingly, nonoperating income, primarily investment income, has helped support cash flow as operating cash flow has weakened slightly even before the pandemic. Key enterprise strengths include considerable size and scale with more than $13 billion in annual operating revenue, servicing of a large population base (albeit with some mixed economics and demographics in certain service areas, particularly Illinois), the expansive footprint of the care continuum (including inpatient and outpatient services), and physician integration models that should support value-based reimbursement as that transition continues. While operating in Illinois (compared with Wisconsin) presents some ongoing challenges given the state and payer environment, the diversity of facilities and the broad geographic region help offset some of that risk.

While operating margins are rebounding after a challenging fiscal 2020 related to COVID-19, they have lightened over

the past few years from highs in the 4% area. In the past year and a half margin declines have largely been due to COVID-19, but since the merger in 2018 AAH has absorbed operating investments for the new system and various operating pressures related to industry transitions. Management expects operating margins to be stable for the remainder of 2021 and continues to focus on identifying further areas of improvement over time , which will help support credit stability.

AAH took advantage of the Medicare Advance and Accelerated Payment program and received approximately $773 million from that program and $787 million of CARES Act funds in fiscal 2020. No additional support was received in fiscal 2021, and management has recognized all of the CARES Act funds that it received in 2020. AAH shored up additional liquidity during 2020, including establishing a $1.2 billion line (nothing outstanding at the end of 2020 or in fiscal 2021), and increased its authorized CP amount to $1 billion but with no plans to use additional CP.

AAH continues to implement its strategic plan to support financial health, growth, and delivery of quality integrated care, while positioning for the out-years with a focus on wellness and value-based payments. To that end, AAH invested in Quartz for a Medicare Advantage plan and fully acquired Senior Helpers on April 1, 2021 (a franchise-based home health entity), helping diversify revenue and positioning itself for value-based payments and patients' increasingly choosing care outside the hospital. AAH continues to have a healthy capital appetite, including both information technology and capital building projects using primarily operating cash flow and potentially some modest debt.

The 'AA' long-term rating reflects our view of AAH's:

- Broad and diverse position across two states, including the broad Chicago metro and eastern Wisconsin markets, coupled with enterprise strengths around clinical integration, employed physician models, and sound accountable care organization (ACO) and risk-based payer strategies;
- Leading and stable position in the market as a whole although AAH operates in competitive markets;
- Healthy balance sheet measures with light debt, including leverage of 20%, unrestricted reserves to long-term debt of more than 3x, and unrestricted reserves of 320 days' cash on hand; and
- Sound maximum annual debt service coverage (smoothed) returning to more than 6x in interim fiscal 2021 (after dipping in fiscal 2020) as a result of improving operating margins, very good investment returns, and a low debt burden.

Partly offsetting the above strengths, in our view, are AAH's:

- Operating margins that, while improving in 2021, are still at lower-than-historical levels;
- Strong competition in almost all of the markets in which it operates--from other systems and large academic medical centers--coupled with broader volume pressures related to both the health care industry and the economy; and
- Continued exposure to Illinois Medicaid (through legacy Advocate Health Care).

The stable outlook reflects our view of AAH's healthy business position in core markets coupled with a sound balance sheet flexibility and improving margins. The stable outlook also reflects expectations of minimal new money debt over

the next couple of years and a disciplined management team that, while generating lower-than-historical operating margins, continues to balance cash flow with execution of strategic and capital spending plans while managing expenses and looking to diversify revenue and grow.

Environmental, social, and governance factors

We view AAH's governance risks as in line with the sector and note that AAH has successfully brought two large enterprises together with minimal operating challenges; we attribute the latter to good management and governance. Additionally, the board will return to a self-perpetuating board in the next year. (Following the merger, legacy health system members populated the board evenly for four years.) We view environmental risk as line with the industry as a whole given the dispersion of facilities in a broad service area covering northern Illinois and eastern and northeastern Wisconsin with limited environmental challenges. The team is focused on reducing its environmental footprint, which we believe could benefit the organization if future regulations come into play. Social risks also remain in line with the sector, but we monitor COVID-19 and the recent variant that could cause operating pressures in case of sustained challenges in caring for these patients as a result of increased costs from supplies, labor, and or equipment or reduced revenue stemming from patients' forgoing care for safety reasons. In addition, AAH's exposure to Illinois Medicaid payer mix presents increased social risk given AAH's slightly higher Medicaid levels (relative to peers), although its diversified footprint helps offset this risk.

Stable Outlook

Downside scenario

We could revise the outlook to negative or lower the rating in case AAH records operating margins of less than 3% for a sustained period, particularly if the balance sheet weakens. Any significant issuance of debt could also result in rating pressure, as the strong balance sheet is a key credit strength.

Upside scenario

We are not likely to raise the rating over the next two years given the increased capital spending and lower-than-historical lighter margins. Over time, we could raise the rating if AAH executes on system strategies and demonstrates meaningful multiyear improvement to its financial profile with financial ratios commensurate with a higher rating.

Credit Opinion

Enterprise Profile: Very Strong

AAH maintains expanded market position with focus on changes for its future state

AAH maintains a strong presence in its various markets, but has outlined goals it believes it needs to meet over the next five years as part of its 2025 strategic plan to maintain that strength. Key supporting areas of the credit include a large revenue base supported by a broad service area across two states (with a service area population of more than 11 million) and healthy business position in its core markets. Most of its entities operate well, but Trinity remains a

challenge given a challenging payer mix. As expected, AAH divested BroMenn and Eureka hospitals in central Illinois. AAH has a full complement of inpatient and outpatient services (including tertiary and quaternary care), a wide geographic network of clinics and outpatient centers, a large employed physician and advanced practitioner base, and other post-acute-care services across the service area. AAH also has a small joint venture insurance plan in Wisconsin that is small and is in conjunction with Anthem. We also view the diversification from payers (including different Medicaid programs) and from the demographics and economies of two states (and multiple markets) as a positive for the credit, particularly given the state pressures in Illinois.

AAH's strategies over the next several years are aimed at improving its overall position in its markets by broadening its patient base through improvement of access, quality and costs of care, and the customer experience. In the markets in which it operates, AAH maintains very solid and often leading market shares, though the markets remain competitive with a host of competitors. We believe that, overall, competition in the Chicago metropolitan statistical area is increasing partly as a result of recent consolidations. While competition in the Chicagoland market is much tighter, trends are evolving in Wisconsin, as Ascension appears to be downsizing some of its facilities in the northern region.

AAH has a number of physician integration models and continues to expand those across the system and push the organization toward value-based care models. We believe that the mix of physician and payer models, including various pilot projects such as those that incorporate Medicare Advantage, allows AAH to experiment and learn what works best with which markets and populations. These strategies should help achieve the goals in AAH's 2025 strategic plan, assuming that the projects are undertaken and evaluated in a disciplined manner. More specifically, in the Illinois market AAH benefits from a clinically integrated network (Advocate Physician Partner, or APP) with both its employed (Advocate Medical Group) and independent physicians. In the Wisconsin market, AAH has a stronger physician employment model. AAH has also had success in its various Medicare ACO models, so we expect it to continue to build on that. Additionally, legacy AHCN has accepted full and partial risk (capitation) on certain commercial and Medicare advantage contracts directly and through APP. Legacy AHC has had a history of working directly with employers.

While volume recovery continues in fiscal 2021, inpatient volumes prior to the pandemic were flat to slightly down given shifts to outpatient as well as the competitive market and stable population. Outpatient volumes have historically increased with a focus on access and physician growth. AAH continues to expand its ambulatory network, but market and industry dynamics (including the impact from COVID-19) lead us to believe that growth will likely depend on AAH's ability to capture additional market share and lives under risk-based contracts, including Medicare Advantage.

While continuing to recover, AAH continues to implement initiatives for the 2025 strategic plan

We believe AAH has a very strong and capable management team with considerable bench strength throughout the organization and a history of financial discipline and strategic focus that we believe will serve the organization well as it enters a period of increased challenges both related to industry pressures as well as COVID-19 recovery. We also view favorably AAH's ability to operate from a position of strength, particularly in a challenging state and payer environment for the facilities in Illinois.

One board oversees AAH, evenly populated with legacy AHC and AHCN board members. While we view self-perpetuating boards as best practice, we also recognize that AAH will transition to a self-perpetuating board in the

next year.

Management is moving forward on its strategic plan. While core strategies focus on financial health, customer service, and safety and quality, the far years of the 2025 strategic plan begin to pivot the organization toward managing under different reimbursement models including a focus on health and wellness as demonstrated by its recent investments mentioned above. Efforts around clinical integration and decreased variability in care across the organization will continue to play a role as the organization targets its 2025 goals.

Table 1

Advocate Health Care Network and Subsidiaries Utilization

	--Three months ended March 31--	--Fiscal year ended Dec. 31--		
	2021*	2020	2019	2018
Inpatient admissions§	56,025	236,526	258,468	260,516
Equivalent inpatient admissions	155,859	630,121	707,393	551,304
Emergency visits	182,284	812,533	806,276	794,037
Inpatient surgeries	14,738	55,382	67,790	68,666
Outpatient surgeries	38,204	134,882	162,245	157,212
Medicare case mix index	N.A.	1.9617	1.8959	1.8213
FTE employees	64,000	64,000	63,000	61,000
Active physicians	9,400	9,500	9,800	8,900
Medicare (%)†	29	31	32	30
Medicaid (%)†	12	12	11	11
Commercial/Blues (%)†	57	54	54	56

*Giving recent release of second-quarter 2021 financial results, enterprise statistics reflect first-quarter 2021. §Excludes normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. †Based on net revenue. FTE--Full-time equivalent. N.A.--Not available.

Financial Profile: Very Strong

Recovery in fiscal 2021 with nonoperating revenue providing healthy support to cash flow

AAH generated steady improvement to operating margins through the first six months of fiscal 2021 following a weaker fiscal 2020. That said margins remain lighter than historical highs of around 3.5% to 4.0%. Fiscal 2020 result, while positive, were of course affected by COVID-19 and reduced volumes. In addition, AAH didn't reduce the number of full-time equivalent employees or furlough any employees to support care givers, and was further affected by higher agency costs in late 2020 and early 2021, as were many providers. Interim results through the second quarter are showing recovery and are beating budget as a result of good revenue yield, volume recovery, and ongoing expense management. While management expects no significant changes in the near term related to its payer contracts, the team is focused on trying to find solutions in value-based care in partnership with its payers over the medium term. AAH maintains some risk through capitated revenue and shared savings programs, among other modest initiatives. The team remains committed to managing expenses as well as identifying opportunities to further improve the cost structure. While all of AAH's markets are fairly competitive, we believe that Illinois is more challenging and believe that some of the growth, payer, and market trends in Wisconsin will continue to benefit AAH's operating performance. Growth and revenue diversification will remain focus, as the aforementioned acquisitions and investments indicate.

Healthy nonoperating income, particularly investment income, has helped support cash flow considerably in recent years as operating cash flow has lightened a bit. Nonoperating income, along with good cash flow, contributed to good maximum annual debt service coverage on a smoothed basis through interim 2021. The actual debt service schedule is slightly more uneven and includes a number of bullets.

The team is focused on targeting closer-to-historical operating margins over time with steady improvement over the next couple of years, but industry trends--including a muted payer environment, increased labor expense pressures, and the lingering impact of COVID-19--could challenge this.

Healthy liquidity support capital spending and strategic priorities

Unrestricted reserves have recovered since our previous review given the taxable debt issuance, healthy investment returns, and the sale of AAH's central Illinois assets in mid-2020. (AAH excludes some self-insurance reserves from its unrestricted reserve calculation, so we believe that overall cash on hand could be slightly stronger but not materially different.) Through the first half of 2021, despite good investment returns, reserve growth slowed to about 4% given ongoing capital expenditures and the acquisition of Senior Helpers.

AAH's investment allocation mix has a reduced equities exposure of only 30% but a fair amount of exposure to alternatives at about 50%, meaning that AAH has given up some liquidity with the goal of solid returns with less volatility. That said, we view overall liquidity as healthy given AAH's $781 million of cash and cash equivalents, which includes MAAP (Medicare Accelerated and Advance Payment) funds of around $700 million, a $1.2 billion syndicated line of credit, and an authorized $1.0 billion of its commercial paper program. Within its investments, AAH maintains good liquidity with about $5.3 billion (excluding MAAP funds) available in 30 days.

Capital spending was lower than expected in fiscal 2020 as projects slowed in the spring 2020 but picked up in late summer and early fall. Key projects that continued include legacy AHCN's large Epic implementation whose completion was slightly delayed but was completed in early 2021, a new enterprise resource planning system that is to be completed in fall 2022, ongoing spending at Illinois Masonic Medical Center (IMMC), a replacement facility in Sheboygan, and construction of an AAH inpatient facility and two ambulatory facilities in the Racine/Kenosha market. Management will use the 2020A proceeds to help support those projects as well as cash flow. Capital spending was around $700 million in fiscal 2020 compared with a budgeted $1 billion-plus and around $650 million in 2019. Through June 30, 2021, capital spending is slightly less than prior-year levels, excluding the acquisition of Senior Helpers and likely to be well below the $1.2 billion full year capital budget as a result of timing of projects and payments.

AAH had increased unfunded commitments on its investment portfolio of about $14 billion for its private equity and real estate partnership investments as of Dec. 31, 2020 (to be funded over the next seven years), which we view as manageable given its more than $10 billion in unrestricted reserves. Management reports that it should have no sizable calls in the next year but will monitor that.

Low debt with diversified structure supports rating but some risks in remarketing and bullets

AAH's long-term debt remains low with modest debt service relative to revenue, thus providing some ongoing flexibility. However, we note several bullets and tenders over the 34-year schedule that will have to be refinanced or paid along with some remarketing and renewal risks.

Other than the bullets and a small amount of contingent debt, we believe AAH's debt structure is reasonable, given its balance sheet profile and investment allocation. More specifically, about 80% of AAH's debt is fixed, excluding swaps, and the remainder is in some type of variable-rate mode (such as index rate bonds, floating-rate notes, VRDBs, and CP).

AAH's long-term operating lease liability is about $243 million with a commensurate operating lease right-of-use assets on June 30, 2021. We have historically incorporated lease risk into lease-adjusted debt service coverage, and we believe this continues to capture risk associated with lease exposure. Including the operating lease liability in our calculation of leverage brings debt as a percentage of capitalization to about 22%.

Based on AAH's liquidity analysis provided to our funds group, the system can amply cover its total $120 million self-liquidity-backed VRDBs and CP ($50 million outstanding).

While we don't view the bank debt as a significant risk given AAH's healthy financial profile, key rating and financial covenants related to the bank-held debt are maintenance of a credit rating of 'BBB' or higher and coverage of 1.1x or higher. Total contingent debt (as calculated by S&P Global Ratings and including other VRDBs) is about 30% of debt outstanding.

AAH maintained five floating- to fixed-rate swaps with a total notional amount of $351.6 million as of June 30, 2021 (including two that are not tied to any specific debt). Counterparties vary, and as of that date the liability on the swaps was $98.5 million with no collateral posting required in recent years.

We view AAH's defined benefit plans as being of minimal risk given the good funding and legacy AHCN's active plan's status a church plan. Legacy AHCN also has an Employee Retirement Income Security Act of 1974 plan that is frozen. Legacy AHC also maintains a defined benefit plan that is well funded (more than 90%) and frozen to new benefits and entrants (as of 2012). Together, the plans have been well funded at more than 90% for the past several years. Management is also considering investment strategies that could limit the need for future funding.

Table 2

Advocate Health Care Network and Subsidiaries Financial Summary

	--Six months ended March 31--	--Fiscal year ended Dec. 31--			'AA' rated health care system medians
	2021	2020	2019	2018*	2019
Financial performance					
Net patient revenue ($000s)	6,239,207	11,337,814	11,925,131	8,569,463	4,050,320
Total operating revenue ($000s)	6,717,433	13,068,012	12,743,703	9,186,580	4,887,899
Total operating expenses ($000s)	6,522,452	12,969,315	12,385,102	8,888,922	MNR
Operating income ($000s)	194,981	98,697	358,601	297,658	MNR
Operating margin (%)	2.90	0.76	2.81	3.24	4.40
Net nonoperating income ($000s)	158,269	(25,506)	205,956	243,543	MNR
Excess income ($000s)	353,250	73,191	564,557	541,201	MNR
Excess margin (%)	5.14	0.56	4.36	5.74	6.60
Operating EBIDA margin (%)	7.91	5.90	8.12	8.60	9.80
EBIDA margin (%)	10.03	5.72	9.58	10.96	12.70

Table 2

Advocate Health Care Network and Subsidiaries Financial Summary (cont.)

	--Six months ended March 31--	--Fiscal year ended Dec. 31--			'AA' rated health care system medians
	2021	2020	2019	2018*	2019
Net available for debt service ($000s)	689,769	745,532	1,240,827	1,033,376	603,513
MADS ($000s)	223,783	223,783	223,783	223,783	MNR
MADS coverage (x)	6.16	3.33	5.54	6.16	7.60
Operating-lease-adjusted coverage (x)	4.58	2.45	3.92	3.87	4.90
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	10,946,323	10,497,642	8,812,556	7,544,843	4,057,238
Unrestricted days' cash on hand	320.1	308.8	272.2	243.6	335.5
Unrestricted reserves/total long-term debt (%)	315.6	301.7	292.9	255.0	283.1
Unrestricted reserves/contingent liabilities (%)	1,108.4	1,063.0	849.5	773.7	863.5
Average age of plant (years)	9.6	9.2	8.7	9.5	10.5
Capital expenditures/depreciation and amortization (%)	92.3	125.6	114.6	134.6	153.8
Debt and liabilities					
Total long-term debt ($000s)	3,468,185	3,480,061	3,008,901	2,958,931	MNR
Long-term debt/capitalization (%)	20.7	22.2	20.8	22.8	20.8
Contingent liabilities ($000s)	987,592	987,592	1,037,353	975,171	MNR
Contingent liabilities/total long-term debt (%)	28.5	28.4	34.5	33.0	43.2
Debt burden (%)	1.63	1.72	1.73	1.78	1.80
Defined benefit plan funded status (%)	N.A.	92.29	91.14	96.59	85.60
Miscellaneous					
Medicare accelerated and advance payments ($000s)§	703,000	773,000	N/A	N/A	MNR
Short-term borrowings ($000s)§	0	0	0	0	MNR
CARES Act ($000s)	-	786,655	N/A	N/A	MNR
Other stimulus funds	-	37,000	N/A	N/A	MNR
Total net special funding ($000s)	N.A.	232,533	199,859	156,061	MNR

*Only nine months of data. §Excluded from unrestricted reserves, long-term debt, and contingent liabilities. MADS--Maximum annual debt service. MNR--Median not reported. N/A--Not applicable. N.A.--Not available.

Credit Snapshot

- Security: The rated bonds are the general, unsecured joint and several obligations of the obligated group.
- Group rating methodology status: The rating reflects our view of AAH's group credit profile and the obligated group's core status. Accordingly, we rate the obligated group at the level of the AAH group credit profile.
- Credit overview: AAH operates across northern Illinois and eastern Wisconsin with more than 25 acute care hospitals, more than 3,600 employed physicians, and numerous clinics and outpatient settings. The system also includes two ACOs, Advocate Physician Partners (a clinically integrated network), and a joint venture insurance company in Wisconsin with Anthem. AAH also includes long-term teaching affiliations with the University of Illinois at Chicago Health Sciences Center, Rosalind Franklin University, and Midwestern University. As part of these affiliations, AAH trains about 600 residents in 31 residency programs.
- Self-liquidity rating: The 'A-1+' short-term component of the rating on the $70 million series 2011B windows bonds and $50 million CP program reflects our view of the credit strength inherent in the 'AA' long-term rating on AAH's debt and the sufficiency of AAH's unrestricted reserves to provide liquidity support for the bonds. Our Fund Ratings and Evaluations Group assesses the liquidity of AAH's unrestricted investment portfolio to determine the adequacy and availability of these funds to guarantee the timely purchase of the bonds tendered in the event of a failed remarketing. We monitor the liquidity and sufficiency of AAH's investment portfolio monthly. AAH identified approximately $800 million of discounted assets as of June 30, 2021, to provide self-liquidity. The assets are invested in highly rated money market funds, Treasuries, agencies, investment-grade debt, speculative-grade debt, and domestic equities, providing sufficient coverage in the event of a failed remarketing. Management has established clear and detailed procedures to ensure the maintenance of sufficient asset coverage and to meet liquidity demands on a timely basis. We will monitor the liquidity and sufficiency of assets pledged by AAH on a monthly basis. In addition, and as relates to the CP program, management has a restriction of only $50 million coming due within a seven-day period, but this may change depending on what management ends up using in that program.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of September 1, 2021)

Advocate Aurora Health taxable bnds		
Long Term Rating	AA/Stable	Current
Advocate Aurora Health taxable comm pap nts ser 2019 dtd 02/25/2019 due 08/01/2019		
Short Term Rating	A-1+	Current
Illinois Finance Authority, Illinois		
Advocate Aurora Health, Illinois		
Illinois Finance Authority (Advocate Aurora Health) rev bnds rmktd 02/12/2020 (Advocate Hlth Care Network)		
Long Term Rating	AA/Stable	Current
Illinois Finance Authority (Advocate Aurora Health) rev bnds rmktd 1/15/2020 (Advocate Hlth Care Network) ser 2008A-1 dtd 04/23/2008 due 11/01/2030		

Ratings Detail (As Of September 1, 2021) (cont.)		
Long Term Rating	AA/Stable	Current
Illinois Fin Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Current
Illinois Fin Auth (Advocate Aurora Health Credit Group) VRDO sys		
Long Term Rating	AA/A-1+/Stable	Current
Illinois Fin Auth (Advocate Aurora Health Credit Group) VRDO sys		
Long Term Rating	AA/A-1/Stable	Current
Illinois Fin Auth (Advocate Aurora Health Credit Group) VRDO sys		
Long Term Rating	AA/A-1+/Stable	Current
Illinois Hlth Fac Auth, Illinois		
Advocate Aurora Health, Illinois		
Illinois Hlth Fac Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Current
Illinois Hlth Fac Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth, Wisconsin		
Advocate Aurora Health, Illinois		
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) rev bnds		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) rev bnds		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) rev bnds		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) (AGM)		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) (MBIA) (National)		
Long Term Rating	NR	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds rmkted 4/8/2021 (Advocate Aurora Health) ser 2018C-1 dtd 08/16/2018 due 08/15/2054		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds (Advocate Hlth Care) ser 2018C-2		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds (Advocate Hlth Care) ser 2018C-3		
Long Term Rating	AA/Stable	Current
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds (Advocate Hlth Care) ser 2018C-4		
Long Term Rating	AA/Stable	Current

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 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.

This criterion is not applicable. Attached at Attachment – 34 are Advocate Aurora Health's bond ratings from Fitch, Standard and Poors, and Moody's documenting an AA long-term bond rating (Fitch and Standard and Poors) and Aa3 long-term bond rating (Moody's).

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

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

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									
* Include the percentage (%) of space for circulation									

D. Projected Operating Costs

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

F. Total Effect of the Project on Capital Costs

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

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

See Attachment – 37

Attachment – 37

AdvocateAuroraHealth
3075 Highland Parkway
Suite 600
Downers Grove, Illinois 60515
T (630) 572-9393
advocateaurorahealth.com

#22-028

July 25, 2022

Mr. John Kniery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Advocate Health and Hospitals d/b/a
Advocate South Suburban Hospital
Establishment of Acute Mental Illness Category of Service

Dear Mr. Kniery:

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

Respectfully,

William Santulli
Chief Operating Officer
Advocate Aurora Health, Inc.

Subscribed and sworn to me
This 25th day of July, 2022

Michael E. Kerns
Notary Public

"OFFICIAL SEAL"
MICHAEL E. KERNS
Notary Public, State Of Illinois
My Commission Expires 05/26/2026
Commission No. 286069

Attachment – 37
Exhibit 1

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (List below)	A Cost/Square Foot New	B Cost/Square Foot Mod.	C Gross Sq. Ft New	D Gross Sq. Ft Circ*	E Gross Sq. Ft Mod.	F Gross Sq. Ft Circ*	G Const. $ (A x C)	H Mod. $ (B x E)	Total Cost** (G + H)
REVIEWABLE									
Adult AMI Unit (27 beds)		$ 537			14,809			$ 7,952,433	$ 7,952,433
Consultations (3 rooms)		$ 537			289			$ 155,193	$ 155,193
Individual Therapies (6 rooms)		$ 537			708			$ 380,196	$ 380,196
Group Therapies (2 rooms)		$ 537			417			$ 223,929	$ 223,929
Dining / Activities / Lounge (2 rooms)		$ 537			840			$ 451,080	$ 451,080
ECT / Esketamine Treatment (2 rooms)		$ 495			3,084			$ 1,526,580	$ 1,526,580
Total Clinical	**NA**	**$ 531**	**0**		**20,147**		**0**	**$ 10,689,411**	**$ 10,689,411**
NON REVIEWABLE									
Administration		$ 420			443			$ 186,060	$ 186,060
General Circulation		$ 400			1,819			$ 727,600	$ 727,600
Public Waiting		$ 350			219			$ 76,650	$ 76,650
Staff Respite, Staff Lounge		$ 300			439			$ 131,700	$ 131,700
EVS		$ 325			83			$ 26,975	$ 26,975
Electrical		$ 1,000			124			$ 124,000	$ 124,000
Shaft		$ -			0			$ -	$ -
Stair		$ 300			351			$ 105,300	$ 105,300
Elevators		$ -			0			$ -	$ -
IS		$ 2,000			55			$ 110,000	$ 110,000
AS IS									
EVS		$ -			36				
Shaft		$ -			246				
Elevators		$ -			363				
IS		$ -			96				
Total Non-clinical	**NA**	**$ 348**	**0**		**4,274**		**0**	**$ 1,488,285**	**$ 1,488,285**
Total Excluding Contingency		$ 499	0		24,421		0	$ 12,177,696	$ 12,177,696
Contingency		$ 43			24,421			$ 1,057,933	$ 1,057,933
GRAND TOTAL	***NA***	***$ 542***	***0***		***24,421***		***0***	***$ 13,235,629***	***$ 13,235,629***

* Percentage of space for circulation

** Construction Costs Only

Attachment – 37
Exhibit 2

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.

Operating Expenses	$13,412,949
Patient Days	9,107
Operating Expenses per Patient Day	$1,472,82

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.

Capital Costs Expenses	$1,637,800
Patient Days	9,107
Capital Costs per Patient Day	$179.84

SECTION X. SAFETY NET IMPACT STATEMENT

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

1. The project's material impact, if any, on essential safety net services in the community, ***including the impact on racial and health care disparities in the community,*** to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in each community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

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

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

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2018**	**2019**	**2020**
Inpatient	130	118	148
Outpatient	1,891	2,574	2,498
Total	2,021	2,692	2,646
Charity (cost in dollars)			
Inpatient	$1,280,000	$2,221,000	$760,000
Outpatient	$2,057,000	$4,777,000	$1,430,000
Total	$3,337,000	$6,998,000	$2,190,000
MEDICAID			
Medicaid (# of patients)	**2019**	**2020**	**2021**
Inpatient	1,867	2,200	2,183
Outpatient	35,197	29,765	38,131
Total	37,064	31,965	40,314
Medicaid (revenue)			
Inpatient	$12,649,045	$20,438,168	$20,132,313
Outpatient	$11,050,140	$12,451,445	$15,996,654
Total	$23,699,185	$32,889,613	$36,128,967

Safety Net Relevant Services

As a project to develop behavioral health services at Advocate South Suburban Hospital ("ASSH") which is located in a HRSA designated Mental Health Professional Shortage Area ("MHPSA"), this project will enhance the health care safety net for vulnerable populations. ASSH leadership and staff at all levels take great pride in providing high-quality, compassionate care in more than 50 subspecialties, to residents living in the AAH South Chicagoland Service Area. The hospital provides a range of inpatient and outpatient services for medical/surgical, cardiac, and orthopedic patients.

ASSH provides equitable care to all adults, serving over 10,000 inpatients annually. The hospital's patient population is multicultural and multiracial including people with roots in Africa, Europe, India, Latin America, and the Middle East. The surrounding neighborhoods and communities are among the most well integrated communities in Chicagoland. ASSH takes great pride in its relationships with the neighborhood, communities, organizations, and the agencies it serves. The following illustrates how ASSH addresses the needs of the residents in their service area.

AAH is dedicated to advancing health equity and addressing social determinants of health (SDoH) as critical to achieving health equity and succeeding in value-based care. To this end, AAH is dedicated to rooting out causes of poor health and to advancing quality of care and improving outcomes across the diverse populations it serves. Further, ASSH is working to collaborate with community-based organizations that systematically link healthcare and social services for people at risk of poor outcomes. Increasingly, ASSH and AAH's other AAH South Chicagoland Service Area hospitals seek out these collaborations to form them to specifically address SDoH. COVID-19 pandemic has exacerbated the need for mental health care, particularly in Black and brown communities, and locating this service at ASSH will help to advance health equity.

ASSH continues to assess the unique needs of the diverse populations in the hospital's service area and provide culturally competent care and programs to support these communities. ASSH conducts a Community Health Needs Assessment (CHNA) every three years to identify health needs for the hospital's primary service area (PSA) including low income, and underserved communities. The CHNA also supports the creation of effective community programming that meets the needs of the community through measurable impact. The 2019 CHNA identified diabetes, mental health, and the social determinants of health with a focus on workforce development as its three-year strategy to address for the 2020-2022 implementation plan.

In response to the high incidence of diabetes, stroke and cardiovascular disease in the AAH South Chicagoland Service Area, the hospital offers community outreach programs aimed at improving health outcomes and reducing the need for hospitalizations. The Diabetes Prevention Program (DPP) is a Centers for Disease Control and Prevention program, organized in partnership with public and private community organizations to make it easier for area residents to access. Through this program, people at risk for type 2 diabetes receive evidence-based lifestyle change support to help reduce their risk of this disease. The program also offers education classes, nutritional counseling, meal planning, grocery shopping classes; glucose meter training; weight loss counseling; smoking cessation; and understanding diabetes medications. ASSH has partnered with several community organizations on this program including Calvary Church in Lynwood and Victory Apostolic Church in Matteson.

Recognizing the challenges some food insecure patient's face in managing diabetes and other metabolic diseases, ASSH offers a Food Farmacy – which provides fresh produce and healthy food supplies, as well as cooking and nutrition education to patients in-need. The hospital partnered with Food Smart and Partnership for a Healthier America as part of a pilot program to provide fresh fruits and vegetables to Diabetes Prevention Program participants.

ASSH is also committed to addressing mental health needs in the community. The hospital also partnered with Advocate Trinity Hospital, AAH's Faith and Health Partnerships and the Sertoma Center to host virtual webinars focused on managing stress during the holiday season, loss of a loved one, loneliness, self-care, and a variety of other topics.

Lack of reliable transportation can often stand in the way of getting needed health care. Therefore, ASSH provides transportation for community members with low income to and from physician appointments, cardiac rehab, physical therapy, and other critical services offered at the hospital. This transportation assistance is also made available to patients with special needs caused by mobility issues.

ASSH places a high value on community education, prevention and promotion of COVID-19 vaccinations, as well as addressing other key issues exacerbated by the pandemic, such as food insecurity, housing and the need for connecting people to vital resources in the community. Early in the pandemic, ASSH committed to educating the surrounding community about COVID-19 and the importance of getting the vaccine. The hospital entered an ongoing partnership with the Cook County Department of Public Health to address Covid-19 education needs in the community. ASSH hosted a COVID-19 vaccine clinic for community residents and administered more than 20,000 COVID-19 vaccinations. Additionally, the hospital supported COVID-19 protective measures by providing reusable masks to churches and schools in the service area.

ASSH maintains a strong relationship with educational partners to ensure a strong pipeline of students who reflect the diverse population of the hospital's service area. Through these partnerships, the hospital provides training and ultimately employment opportunities to fill the heavy demand for a variety of positions, including nurses, pharmacists, respiratory therapists, and business administrators. ASSH's educational partners include Prairie State College, Trinity Christian College, Lewis University, Moraine Valley Community College, Joliet Jr. College, College of DuPage, Chamberlain College of Nursing, Governors State University, and University of Illinois College of Pharmacy.

In 2022, ASSH entered a partnership with St. Xavier University to address the ongoing national nursing shortage. Through this partnership, the hospital's licensed practical nurses have an opportunity to pursue a bachelor's degree in nursing and advance to the rank of registered nurse in a shortened time frame.

ASSH's impact in the community is far reaching and is a critical organization supporting the residents in the AAH South Chicagoland Service Area. The communities have come to rely on the programs outlined to meet the special needs of the population. ASSH's team members focus on the changes in health care and in the community and have been developing new partnerships and services to support the health and wellbeing of residents living in this service area.

2020 Community Benefits Summary: This report does not include other expenses accrued by ASSH, reportable for community benefit, such as bad debt, cost of unreimbursed Medicaid and

Medicare, charity care, and other reportable expenses as documented by AAH's Tax and Finance team.

Below outlines other community services provided by ASSH in 2020 that are relevant to safety net service include the following:

Advocate South Suburban - 2020 Community Benefits	
Language Services	$70,335.00
In-Kind Donations	$22,290.00
Volunteer Services	$34,571.00
Health Professional Education	$784,440.00
Subsidized Health Services (events, screenings, programs, subsidized health services and community health operations)	$1,937,586.00
Total Site Costs for 2020	**$2,849,222.00**

Source: Community Benefit Report FY2020 (2021 report will be finalized Q3 2022).

The relocation of the AMI category of service from ACMC to ASSH is not expected to negatively impact the essential safety net services provided in the community but only to enhance them.

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.

CHARITY CARE			
	2018	**2019**	**2020**
Net Patient Revenue	**$223,593,781**	**$220,604,105**	**$216,138,790**
Amount of Charity Care (charges)	$15,001,510	$29,425,318	$8,023,875
Cost of Charity Care	$3,337,000	$6,998,000	$2,190,000

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

4. Applicant: Advocate Aurora Health South Suburban Hospital (Name) 17800 South Kedzie Avenue (Address)

Hazel Crest	Illinois	60429	708-213-3002
(City)	(State)	(ZIP Code)	(Telephone Number)

5. Project Location: 17800 South Kedzie Avenue (Address) Hazel Crest, Illinois (City) (State)

Cook	Bremen	
(County)	(Township)	(Section)

6. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (https://msc.fema.gov/portal/home) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the ***Go to NFHL Viewer*** tab above the map. You can print a copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

   If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA:
Yes___ No _X_?
IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN?

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.
If the determination is being made by a local official, please complete the following:

FIRM Panel Number:_____ Effective Date:_____

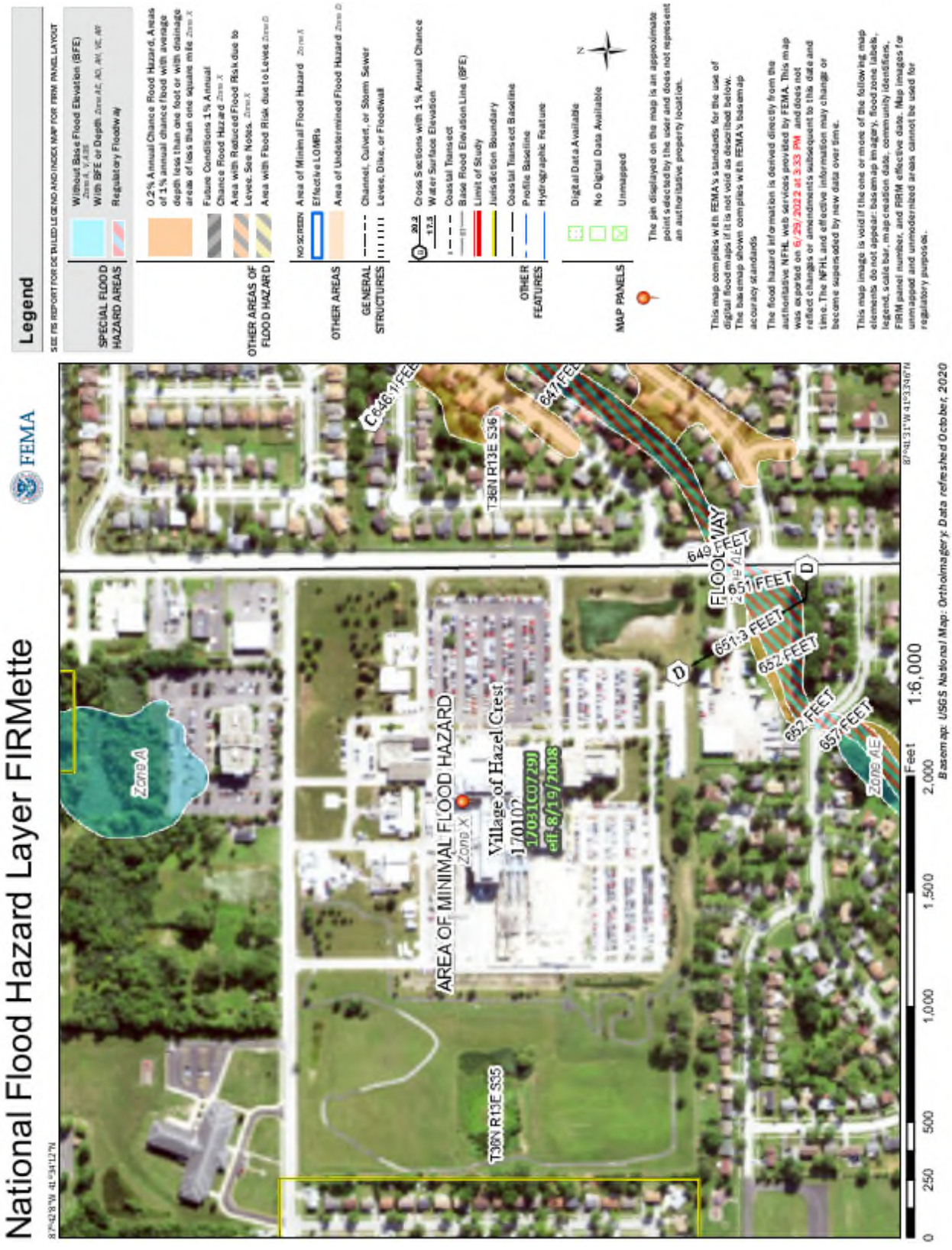
Name of Official:_____ Title: _____

Business/Agency:_____ Address:_____

(City)	(State)	(ZIP Code)	(Telephone Number)

Signature:_____ Date: _____

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.


National Flood Hazard Layer FIRMette
FEMA
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE)
With BFE or Depth
Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile
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
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
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 6/29/2022 at 3:33 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodeled areas cannot be used for regulatory purposes.
Zone A
AREA OF MINIMAL FLOOD HAZARD
Zone X
Village of Hazel Crest
17010
17031C0729J
eff. 8/19/2008
T36N R13E S35
T36N R13E S36
FLOODWAY
649 FEET
651 FEET
651.3 FEET
652 FEET
652 FEET
657 FEET
Zone AE
D
0 250 500 1,000 1,500 2,000 Feet
1:6,000
Basemap: USGS National Map: Orthoimagery. Data refreshed October, 2020

Appendix

Advocate Aurora Health, Inc.

Consolidated Financial Statements and Supplementary Information
As of and for the Years Ended December 31, 2021 and 2020

Document Dated as of March 21, 2022

ADVOCATE AURORA HEALTH, INC.
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Report of Independent Auditors

The Board of Directors

Advocate Aurora Health, Inc.

Opinion

We have audited the consolidated financial statements of Advocate Aurora Health, Inc. and subsidiaries (the Organization), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other information

Management is responsible for the other information. The other information comprises the Condensed Consolidated Financial Statements and Other Information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst + Young LLP

March 21, 2022

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

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 703,725	$ 959,878
Assets limited as to use	139,742	125,053
Patient accounts receivable	1,816,705	1,570,738
Other current assets	706,253	686,686
Third-party payors receivables	22,154	16,933
Collateral proceeds under securities lending program	18,550	19,789
Total current assets	3,407,129	3,379,077
Assets limited as to use	12,394,605	11,107,210
Property and equipment, net	5,943,011	5,851,977
Other assets		
Reinsurance receivable	42,100	50,514
Goodwill and intangible assets, net	271,178	82,752
Investments in unconsolidated entities	259,127	210,303
Operating lease right-of-use assets	283,398	309,678
Other noncurrent assets	538,013	458,132
Total other assets	1,393,816	1,111,379
Total assets	**$ 23,138,561**	**$ 21,449,643**

(Continued)

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

	December 31, 2021	December 31, 2020
Current liabilities		
Long-term debt and commercial paper, current portion	$ 96,185	$ 101,996
Long-term debt subject to short-term financing arrangements	166,350	119,660
Operating lease liabilities, current portion	68,247	79,934
Accrued salaries and employee benefits	1,296,458	1,207,672
Accounts payable and other accrued liabilities	1,562,089	1,341,619
Third-party payors payables	354,186	318,801
Accrued insurance and claims costs, current portion	151,230	130,391
Collateral under securities lending program	18,550	19,789
Total current liabilities	3,713,295	3,319,862
Noncurrent liabilities		
Long-term debt, less current portion	3,298,508	3,310,401
Operating lease liabilities, less current portion	248,062	268,575
Accrued insurance and claims cost, less current portion	615,576	593,739
Accrued losses subject to insurance recovery	42,100	50,514
Obligations under swap agreements	91,217	118,620
Other noncurrent liabilities	798,824	1,387,888
Total noncurrent liabilities	5,094,287	5,729,737
Total liabilities	**8,807,582**	**9,049,599**
Net assets		
Without donor restrictions		
Controlling interest	13,911,862	12,012,719
Noncontrolling interests in subsidiaries	167,440	154,645
Total net assets without donor restrictions	14,079,302	12,167,364
With donor restrictions	251,677	232,680
Total net assets	**14,330,979**	**12,400,044**
Total liabilities and net assets	**$ 23,138,561**	**$ 21,449,643**

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenue		
Patient service revenue	$ 11,702,581	$ 10,216,386
Capitation revenue	1,196,109	1,121,428
Other revenue	1,163,442	1,794,375
Total revenue	14,062,132	13,132,189
Expenses		
Salaries, wages and benefits	7,665,848	7,427,903
Supplies, purchased services and other	4,530,877	4,200,203
Contracted medical services	564,586	502,420
Depreciation and amortization	563,409	560,215
Interest	106,101	112,126
Total expenses	13,430,821	12,802,867
Operating income before nonrecurring expenses	**631,311**	**329,322**
Nonrecurring expenses	37,759	116,355
Operating income	**593,552**	**212,967**
Nonoperating income		
Investment income, net	1,303,546	593,283
Loss on debt refinancing	(14,468)	(12,244)
Change in fair value of interest rate swaps	27,403	(27,280)
Pension settlement loss	—	(119,658)
Other nonoperating income (loss), net	12,220	(38,943)
Total nonoperating income, net	1,328,701	395,158
Revenue in excess of expenses	1,922,253	608,125
Less income attributable to noncontrolling interests	(73,130)	(50,093)
Revenue in excess of expenses - attributable to controlling interest	**$ 1,849,123**	**$ 558,032**

(Continued)

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net assets without donor restrictions, controlling interest		
Revenue in excess of expenses - attributable to controlling interest	$ 1,849,123	$ 558,032
Pension-related changes other than net periodic pension costs	48,236	138,208
Net assets released from restrictions for purchase of property and equipment	9,709	6,206
Other, net	(7,925)	454
Increase in net assets without donor restrictions, controlling interest	1,899,143	702,900
Net assets without donor restrictions, noncontrolling interests		
Revenues in excess of expenses	73,130	50,093
Distributions to noncontrolling interests	(60,335)	(41,948)
Other, net	—	(240)
Increase in net assets without donor restrictions, noncontrolling interests	12,795	7,905
Net assets with donor restrictions		
Contributions	18,693	22,971
Investment income, net	21,106	9,948
Net assets released from restrictions for operations	(11,102)	(17,074)
Net assets released from restrictions for purchase of property and equipment	(9,709)	(6,206)
Central IL net assets with donor restrictions sold	—	(18,949)
Other, net	9	(115)
Increase (decrease) in net assets with donor restrictions	18,997	(9,425)
Increase in net assets	**1,930,935**	**701,380**
Net assets at beginning of period	12,400,044	11,698,664
Net assets at end of period	**$ 14,330,979**	**$ 12,400,044**

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash flows from operating activities		
Increase in net assets	$ 1,930,935	$ 701,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	555,983	555,515
Amortization of operating lease right-of-use assets	79,398	63,840
Loss on debt refinancing	14,468	12,244
(Gain) loss on sale of property and equipment	(13,117)	12,571
Change in fair value of swap agreements	(27,403)	27,280
Pension-related changes other than net periodic pension cost	(48,236)	(138,208)
Net assets released from restrictions for operations	(11,102)	(17,074)
Distribution to noncontrolling interests	60,335	50,205
Distributions from unconsolidated entities	11,442	14,951
Loss on sale of Central IL disposal group	—	21,346
Central IL net assets with donor restrictions sold	—	18,949
Changes in operating assets and liabilities		
Trading securities, net	(1,330,868)	(2,025,066)
Accounts receivable, net	(245,966)	31,871
Accounts payable and accrued liabilities	(56,718)	1,006,265
Third-party payors receivables and payables, net	30,163	16,896
Other assets and liabilities, net	(342,705)	240,620
Net cash provided by operating activities	606,609	593,585
Cash flows from investing activities		
Capital expenditures	(570,166)	(703,611)
Proceeds from sale of property and equipment	2,019	1,998
Sales of investments designated as non-trading, net	4	241
Investments in unconsolidated entities, net	(38,021)	(8,016)
Acquisition of Senior Helpers, net of cash acquired	(183,672)	—
Cash received from sale of Central IL disposal group	—	190,000
Other	(2,879)	(15,879)
Net cash used in investing activities	(792,715)	(535,267)
Cash flows from financing activities		
Proceeds from issuance of debt	182,157	695,915
Repayments of long-term debt	(231,668)	(226,781)
Distribution to noncontrolling interests	(60,335)	(50,205)
Proceeds from restricted contributions and income (loss) on investments	39,799	32,919
Net cash (used in) provided by financing activities	(70,047)	451,848
Net (decrease) increase in cash and cash equivalents	**(256,153)**	**510,166**
Cash and cash equivalents at beginning of period	959,878	449,712
Cash and cash equivalents at end of period	**$ 703,725**	**$ 959,878**
Supplemental disclosures of noncash information		
Operating lease right-of-use assets in exchange for new operating lease liabilities	$ 46,016	$ 24,272

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(dollars in thousands)

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

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

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

The System provides a continuum of care through its 24 acute care hospitals, an integrated children's hospital and a psychiatric hospital, primary and specialty physician services, outpatient centers, physician office buildings, pharmacies, rehabilitation and home health and hospice care in northern and central Illinois and eastern Wisconsin.

Principles of Consolidation

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

2. SIGNIFICANT EVENTS

Due to the COVID-19 pandemic, the behavior of businesses and people globally was altered in a manner that had a negative impact on global and local economies including significant investment market volatility, various temporary business closures resulting in increased unemployment and other effects which have and could continue to result in supply disruptions, lower collections on patient accounts receivable and/or decisions to defer medical treatments at the System's facilities.

At various times and at various locations the System postponed or canceled elective procedures to comply with public health protocols. This, along with the growth in the volume of COVID-19 patients, had a negative impact on operations and revenues and also caused the System to estimate the timing, source and rate of reimbursement for COVID-19 related patient care.

The continuing and total impact of the COVID-19 pandemic on the System is difficult to predict and could adversely impact the business, investment portfolio, financial condition or results of operations and, accordingly, may have a material adverse impact on the financial condition of the System. The System continues to monitor liquidity and cash flow and has taken, and continues to take, steps to protect its fiscal health, including a focus on maintaining liquidity to meet its obligations. In addition, the System applied for certain COVID-19 related resources, including supplies, financial support,

payroll tax deferrals and relief and other assistance made available through local, state and federal governments.

The System received $34,354 and $786,655 for the years ended December 31, 2021 and 2020, respectively in grant payments from the U.S. Department of Health and Human Services ("HHS") from the Provider Relief Fund established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which has been recognized as revenue and included in other operating revenue within the accompanying consolidated statement of operations and changes in net assets. Payments from the Provider Relief Fund are intended to cover unreimbursed healthcare related expenses and lost revenue from patient care attributed to COVID-19 and are not required to be repaid provided the recipient attests to and complies with the terms and conditions of the grant funds. Management of the System believes that the System is in compliance with the terms and conditions of the Provider Relief Fund distributions and will continue to monitor compliance. The CARES Act also entitled eligible employers to an employee retention tax credit designed to encourage employers to keep employees on their payroll. The refundable tax credit is limited to 50% of up to $10 in qualified wages paid to each employee by an eligible employer whose business had been financially impacted by COVID-19. The System recognized $0 and $37,060 for the years ended December 31, 2021 and 2020, respectively for the employee retention tax credit, which is included in other operating revenue within the accompanying consolidated statement of operations and changes in net assets and a corresponding receivable that is included in other current assets in the consolidated balance sheets. The recognition of the COVID-19 support falls under the grant accounting guidance of accounting principles generally accepted in the United States. This guidance requires all significant terms and conditions to have been met for recognition to occur. Management of the System will continue to monitor compliance with the terms and conditions of the CARES Act grant funds and the impact of the pandemic on the System's revenues and expenses.

In addition, the System received $0 and $773,000 for the years ended December 31, 2021 and 2020, respectively from the Centers for Medicare and Medicaid Services ("CMS") as an advance payment for Medicare services. The funds were provided through the expansion of the Medicare Accelerated and Advance Payment Program to ensure providers and suppliers had the resources needed to combat the COVID-19 pandemic. The advances are being recouped by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped, unless the System elects to repay the advances prior to full recoupment. Subsequent to the twenty-nine month recoupment period any unpaid remaining balance is subject to an interest charge of 4 percent per annum. For the year ended December 31, 2021, CMS payments accelerated and advance of approximately $257,000 have been recouped. Medicare accelerated and advance payments of approximately $515,000 and $285,000 are included in accounts payable and other accrued liabilities within the consolidated balance sheets at December 31, 2021 and 2020, respectively. Medicare accelerated and advance payments of approximately $0 and $488,000 are included in other noncurrent liabilities within the consolidated balance sheets at December 31, 2021 and 2020, respectively. The CARES Act also permitted employers to defer the employer portion of social security taxes through December 31, 2020. Employers were required to remit one-half of the amount deferred by December 31, 2021 and the remaining half by December 31, 2022. During 2020 the System deferred approximately $215,000 of these taxes and approximately $107,500 were remitted during 2021. At December 31, 2021 and 2020, approximately $107,500 is included in accrued salaries and employee benefits within the consolidated balance sheets. At December 31, 2021 and 2020, $0 and approximately $107,500 is included in in other noncurrent liabilities, respectively, within the consolidated balance sheets.

Additionally, the System was awarded approximately $16,600 in Federal American Rescue Plan Act funds by the Illinois Department of Healthcare and Family Services in 2021. These funds are meant to cover premium pay and payroll and benefit expenses for employees who spent time mitigating or

responding to COVID from March 2021 through June 30, 2022. For the year ended December 31, 2021, approximately $4,900 of these funds were recognized as revenue and included in other operating revenue within the accompanying consolidated statement of operations and changes in net assets. The remainder of these funds are anticipated to be recognized in 2022.

On April 1, 2021, the System purchased the stock of SH Corporate Company, Inc. and SHF Acquisition Company, Inc. (collectively "Senior Helpers") for $183,672, net of cash acquired, to further the System's strategy. The System acquired the following significant assets: $101,459 of goodwill and $96,200 of intangible assets. Included in the accompanying consolidated statements of operations and changes in net assets from the date of acquisition is $26,488 of revenue and $9,543 of operating loss for the year ended December 31, 2021. The related changes in net assets without donor restrictions of $(9,517) from the date of acquisition is included in the consolidated balance sheets.

On July 1, 2020, the System sold a majority of the assets and certain liabilities (the "disposal group") related to operations of the System in central Illinois. The disposal group had assets sold in excess of liabilities transferred of $205,273, consisting primarily of property and equipment and certain investment interests in unconsolidated entities. The purchase price for the disposal group was $190,000. The System recorded a loss, inclusive of selling costs, of $21,346 that is included in nonrecurring expenses for the year ended December 31, 2020 in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Cash Equivalents

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

Investments

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

Assets Limited as to Use

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

Patient Service Revenue and Accounts Receivable

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

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

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

The System has entered into payment arrangements with patients that allow for payments over a term in excess of one year. The System has evaluated historical collections in excess of one year and current market interest rates to determine whether a significant financing component exists that would require an adjustment to the promised amount of consideration from patients and third-party payors. The System has determined that the impact of implicit financing arrangements for payment agreements in excess of one year is insignificant to the accompanying consolidated statements of operations and changes in net assets.

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

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

Inventories

Inventories, consisting primarily of medical supplies, pharmaceuticals and durable medical equipment, are stated at the lower of cost or net realizable value.

Reinsurance Receivables

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

Goodwill and Intangible Assets, Net

Goodwill of $151,655 and $63,740 is included in goodwill and intangible assets, net in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively. As described in Note 2. SIGNIFICANT EVENTS, the System recognized $101,459 of goodwill related to the stock purchase of Senior Helpers. The System has elected to amortize goodwill prospectively using the straight-line method over a 10-year period in accordance with Accounting Standards Update ("ASU") 2019-06. Goodwill amortization of $16,483 and $7,255 is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2021 and 2020, respectively. Intangible assets with expected useful lives are amortized over that period.

Asset Impairment

The System considers whether indicators of impairment are present and, if indicators are present, performs the necessary tests to determine if the carrying value of an asset is recoverable. Impairment write-downs are recognized in the accompanying consolidated statements of operations and changes in net assets as a component of operating expense at the time the impairment is identified. There were no material impairment charges recorded for the years ended December 31, 2021 and 2020.

Property and Equipment, Net

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

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

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

Operating Lease Right-of-use Assets

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

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

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

Investments in Unconsolidated Entities

Investments in unconsolidated entities are accounted for using either the equity method or as an equity security without a readily determinable fair value. The System applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and the System has the ability to exercise significant influence over the operating and financial policies of the investee. The income (loss) on these unconsolidated entities is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. All other unconsolidated entities are accounted for as an equity security without a readily determinable fair value. These unconsolidated entities are initially recorded at cost, tested for impairment at least annually and adjusted as market transactions occur that would indicate a fair value adjustment is needed. The income (loss) on these unconsolidated entities is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

Derivative Financial Instruments

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

Bond Issuance Costs, Discounts and Premiums

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

General and Professional Liability Risks

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

Net Assets With Donor Restrictions

Net assets with donor restrictions are those assets whose use by the System has been limited by donors to a specific time period or purpose or consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Net assets with donor restrictions are used in accordance with the donor's wishes primarily to purchase property and equipment, to fund medical education or to fund health programs.

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

Nonrecurring Expenses

The System has incurred salaries, purchased services and other expenses in connection with the implementation of an electronic medical records in 2020 and billing system and the implementation of an enterprise resource planning system in 2020 and 2021. Also recorded in nonrecurring expenses is the loss incurred on the divestiture of central Illinois disposal group (see Note 2. SIGNIFICANT EVENTS) in 2020. Due to the nature of these expenses, the costs were reported as nonrecurring in the accompanying consolidated statements of operations and changes in net assets.

Other Nonoperating Income (Loss), Net

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

Revenue in Excess of Expenses and Changes in Net Assets

The accompanying consolidated statements of operations and changes in net assets includes the revenue in excess of expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from revenue in excess of expenses, primarily include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), pension-related changes other than net periodic pension costs and distributions to noncontrolling interests.

Accounting Pronouncements Adopted

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20)* to improve the effectiveness of disclosures for defined benefit plans under Accounting Standards Codification ("ASC") 715-20. The ASU applies to employers that sponsor defined benefit pension or other postretirement plans. This ASU is effective for non-public business entities for fiscal years ending after December 15, 2021. The amendments in this update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. The System adopted this guidance retrospectively.

In March 2021, the FASB issued updated guidance on goodwill impairment. ASU 2021-03-*Intangibles – Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events* attempts to simplify the goodwill triggering event evaluation process for private companies and not-for-profit entities. ASU 2021-03 provides an alternative for private companies and not-for-profit organizations by eliminating the ongoing triggering event analysis and instead allows organizations to evaluate the facts and circumstances as of the end of the reporting period to determine whether goodwill impairment has occurred. For entities who elect this alternative, the assessment is limited to the reporting date only. The scope of the alternative is limited to goodwill that is tested for impairment in accordance with Accounting Standards Codification Subtopic 350-20, *Intangibles—Goodwill and Other—Goodwill*. For private companies and not-for-profit organizations that have elected to amortize goodwill, the adoption of ASU 2021-03 is still applicable. The amendments in this ASU are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued as of March 30, 2021. The amendments in the ASU also include an unconditional one-time option for entities to adopt the alternative prospectively after its effective date. No additional disclosures would be required. The System adopted this guidance during 2021.

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides optional expedients and exceptions for applying current GAAP to contracts, hedging relationships and other transactions affected by the transition from the use of London Interbank Offered Rate ("LIBOR") to an alternative reference rate. In response to concerns about structural risks of interbank offered rates ("IBORs"), and, particularly, the risk of cessation of LIBOR, regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. This guidance provides companies the option to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which adds implementation guidance to ASU 2020-04 to clarify certain optional expedients in Topic 848. The guidance has to be adopted no later than December 1, 2022 with early adoption permitted. Management is currently evaluating the impact of this guidance.

4. COMMUNITY BENEFIT

The System provides health care services without charge to patients who meet the criteria of its charity care policies. Charity care services are not reported as patient service revenue, because payment is not anticipated while the related costs to provide the health care are included in operating expenses. Qualifying patients can receive up to 100% discounts from charges and extended payment plans. The System's cost of providing charity care was $126,600 and $106,789 for the years ended December 31, 2021 and 2020, respectively, as determined using total cost to charge ratios.

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

These activities include:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.
- The cost of providing services that are not self-sustaining, for which patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-

income patients, as well as the broader community, but are not expected to be financially self-supporting.

- Other community benefits include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

5. REVENUE AND RECEIVABLES

Patient service revenue

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs and excludes revenues for services provided to patients under capitated arrangements) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, patients and third-party payors are billed shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are identified based on the nature of the services provided. Revenue associated with performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

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

The System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy and/or implicit price concessions based on the historical collection experience of patient accounts. The System determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies and historical experience. For uninsured patients who do not qualify for charity care, the System determines the transaction price associated with services based on charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the System's criteria for charity care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in

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

For the years ended December 31, 2021 and 2020, changes in the System's estimates of implicit price concessions, discounts and contractual adjustments or other reductions to expected payments for performance obligations related to prior years were not significant.

In the normal course of business, the System does receive payments in advance for certain services provided and would consider these amounts to represent contract liabilities. The amounts received in the normal course of business at December 31, 2021 and 2020 were not material. In 2020 the CMS accelerated and advance payments received in relation to the COVID-19 pandemic for Medicare services are deemed contract liabilities at December 31, 2021 and 2020. See Note 2. SIGNIFICANT EVENTS.

Currently, the State of Illinois utilizes supplemental reimbursement programs to increase reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the CMS and are funded with a combination of state and federal resources, including assessments levied on the providers. Under these supplemental programs, the System recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured. Reimbursement and the assessment under these programs are reflected in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Classification	Year Ended December 31, 2021	Year Ended December 31, 2020
Reimbursement	Patient service revenue	$ 321,123	$ 286,105
Assessment	Supplies, purchased services and other	181,784	171,312

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

	Classification	Year Ended December 31, 2021	Year Ended December 31, 2020
Reimbursement	Patient service revenue	$ 136,679	$ 137,317
Assessment	Supplies, purchased services and other	99,140	101,477

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

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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
Managed care	$ 6,534,404	55 %	$ 5,521,363	54 %
Medicare	3,371,753	29 %	3,124,812	30 %
Medicaid - Illinois	825,834	7 %	773,851	8 %
Medicaid - Wisconsin	539,922	5 %	481,215	5 %
Self-pay and other	430,668	4 %	315,145	3 %
	$ 11,702,581	100 %	$ 10,216,386	100 %

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

Capitation Revenue

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

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which the System expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors and others. Primary categories of other revenue include grant revenues from the CARES Act, income from joint ventures, retail pharmacy revenue, grant revenue, cafeteria revenue, rent revenue and other miscellaneous revenue.

Revenue disaggregation by state and business line are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Illinois	$ 6,388,560	$ 5,713,977
Wisconsin	6,510,130	5,623,837
Total patient service revenue and capitation	12,898,690	11,337,814
Other revenue	1,163,442	1,794,375
Total revenue	$ 14,062,132	$ 13,132,189
Hospital	$ 8,640,613	$ 7,611,197
Clinic	2,711,468	2,231,783
Home Care	259,692	240,043
Other	90,808	133,363
Total patient service revenue	11,702,581	10,216,386
Capitated revenue	1,196,109	1,121,428
Other revenue	1,163,442	1,794,375
Total revenue	$ 14,062,132	$ 13,132,189

Patient accounts receivable

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

The composition of patient accounts receivable is summarized as follows:

	December 31, 2021		December 31, 2020	
Managed care	$ 935,709	52 %	$ 681,078	43 %
Medicare	356,959	20 %	350,948	22 %
Medicaid - Illinois	177,188	10 %	188,280	12 %
Medicaid - Wisconsin	50,111	3 %	41,694	3 %
Self-pay and other	296,738	15 %	308,738	20 %
	$ 1,816,705	100 %	$ 1,570,738	100 %

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

6. INVESTMENTS

The System invests in a diversified portfolio of investments, including alternative investments, such as real asset funds, hedge funds and private equity limited partnerships, whose fair value was $5,856,960 and $4,504,346 at December 31, 2021 and 2020, respectively. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods typically ranging from 1 to 90 days. Certain of these investments have redemption restrictions that may restrict redemption for up to 11 years. However, the potential for the System to sell its interest in these funds in a secondary market prior to the end of the fund term does exist for prices at or other than the carrying value.

At December 31, 2021, the System had additional commitments to fund alternative investments, including recallable distributions of $1,609,264 over the next seven years.

In the normal course of operations and within established investment policy guidelines, the System may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the System’s strategic asset allocation and hedge security price movements. These instruments require the System to deposit cash or securities collateral with the broker or custodian. Collateral provided was $16,589 and $13,301 at December 31, 2021 and 2020, respectively. The gross notional value of the derivatives outstanding was $282,289 and $149,370 at December 31, 2021 and 2020, respectively.

By using derivative financial instruments, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty and, therefore, it does not possess credit risk. The System minimizes the credit risk in

derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in the underlying reference security. The market risk associated with market changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented within other current assets and accounts payable and other accrued liabilities in the accompanying consolidated balance sheets. Unsettled sales resulted in receivables due from brokers of $25,384 and $49,512 at December 31, 2021 and 2020, respectively. Unsettled purchases resulted in payables of $135,997 and $88,890 at December 31, 2021 and 2020, respectively.

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Interest income and dividends	$ 99,332	$ 83,232
Income from alternative investments	926,066	51,675
Net realized gains	273,325	41,293
Net unrealized gains	79,580	476,794
Total	$ 1,378,303	$ 652,994

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Other revenue	$ 53,651	$ 49,763
Investment income, net	1,303,546	593,283
Net assets with donor restrictions	21,106	9,948
Total	$ 1,378,303	$ 652,994

The cash and cash equivalents and assets limited as to use presented within the accompanying consolidated balance sheets are comprised of the following:

	December 31, 2021	**December 31, 2020**
Internally designated for capital and other	$ 11,572,323	$ 10,291,819
Held for self-insurance	649,513	658,466
Donor restricted	155,009	137,980
Investments under securities lending program	17,760	18,945
Total noncurrent assets limited as to use	12,394,605	11,107,210
Cash and cash equivalents	703,725	959,878
Current assets limited as to use	139,742	125,053
Total cash and cash equivalents and assets limited as to use	$ 13,238,072	$ 12,192,141

As part of the management of the investment portfolio, the System has entered into an arrangement whereby securities owned by the System are loaned primarily to brokers and investment banks. The loans are arranged through a bank. Borrowers are required to post collateral for securities borrowed equal to no less than 102% of the value of the security on a daily basis, at a minimum. The bank is responsible for reviewing the creditworthiness of the borrowers. The System has also entered into an arrangement whereby the bank is responsible for the risk of borrower bankruptcy and default. At December 31, 2021 and 2020, the System loaned $17,760 and $18,945, respectively, in securities and

accepted collateral for these loans in the amount $18,550 and $19,789, respectively, which represents cash and governmental securities, and are included in current liabilities and current assets, respectively, in the accompanying consolidated balance sheets.

7. FAIR VALUE

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

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

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

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

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

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

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

Investments owned by the System are exposed to various kinds and levels of risk. Equity securities and equity funds expose the System to market risk, performance risk and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed-income securities and fixed-income mutual funds expose the System to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its

obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

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

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

	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and short-term investments	$ 1,251,915	$ 895,856	$ 356,059	$ —
Corporate bonds and other debt securities	816,147	—	816,147	—
United States government bonds	667,877	—	667,877	—
Bond and other debt security funds	559,769	99,237	460,532	—
Non-government fixed-income obligations	34,374	—	34,374	—
Equity securities	1,202,388	1,174,214	28,174	—
Equity funds	2,819,140	147,118	2,672,022	—
	7,351,610	$ 2,316,425	$ 5,035,185	$ —
Investments at net asset value				
Alternative investments	5,886,462			
Total investments	$ 13,238,072			
Collateral proceeds received under securities lending program	$ 18,550		$ 18,550	
Liabilities				
Obligations under swap agreements	$ (91,217)		$ (91,217)	
Obligations to return capital under securities lending program	$ (18,550)		$ (18,550)	

	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and short-term investments	$ 1,861,490	$ 1,296,986	$ 564,504	$ —
Corporate bonds and other debt securities	705,552	—	705,552	—
United States government bonds	615,723	—	615,723	—
Bond and other debt security funds	1,325,705	73,668	1,252,037	—
Non-government fixed-income obligations	18,944	—	18,944	—
Equity securities	826,194	826,194	—	—
Equity funds	2,307,912	143,521	2,164,391	—
	7,661,520	$ 2,340,369	$ 5,321,151	—
Investments at net asset value				
Alternative investments	4,530,621			
Total investments	$ 12,192,141			
Collateral proceeds received under securities lending program	$ 19,789		$ 19,789	
Liabilities				
Obligations under swap agreements	$ (118,620)		$ (118,620)	
Obligations to return capital under securities lending program	$ (19,789)		$ (19,789)	

8. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are summarized as follows:

	December 31, 2021	December 31, 2020
Land and improvements	$ 470,257	$ 461,831
Buildings and fixed equipment	7,819,014	7,536,013
Movable equipment and computer software	2,554,215	2,520,502
Construction-in-progress	629,941	478,335
	11,473,427	10,996,681
Accumulated depreciation and amortization	(5,530,416)	(5,144,704)
Property and equipment, net	$ 5,943,011	$ 5,851,977

During 2021, the System wrote off fully depreciated property and equipment totaling $122,973.

Property and equipment, net include assets recorded as finance leases and under other financing arrangements. See additional disclosure in Note 9. LEASES.

Depreciation expense was $536,567 and $553,634 for the years ended December 31, 2021 and 2020, respectively.

9. LEASES

The System leases office and clinical space, land and equipment. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. The System combines lease and non-lease components, except for medical equipment leases.

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

Operating and finance leases are classified as follows within the accompanying consolidated balance sheets:

Leases	**Classification**	December 31, 2021	December 31, 2020
Assets			
Operating	Operating lease right-of-use assets	$ 283,398	$ 309,678
Finance	Property and equipment, net	226,766	149,961
Total lease assets		$ 510,164	$ 459,639
Liabilities			
Current			
Operating	Operating lease liabilities, current portion	$ 68,247	$ 79,934
Finance	Long-term debt and commercial paper, current portion	16,669	9,182
Noncurrent			
Operating	Operating lease liabilities, less current portion	248,062	268,575
Finance	Long-term debt, less current portion	248,069	165,507
Total lease liabilities		$ 581,047	$ 523,198

Finance lease assets are recorded net of accumulated amortization of $69,861 and $57,873 as of December 31, 2021 and 2020, respectively.

Lease costs are classified as follows within the accompanying consolidated statements of operations and changes in net assets:

Lease cost	**Classification**	December 31, 2021	December 31, 2020
Operating lease cost	Supplies, purchased services and other	$ 82,822	$ 85,253
Short term lease cost	Supplies, purchased services and other	13,956	13,407
Variable lease cost	Supplies, purchased services and other	36,358	36,740
Finance lease cost			
Amortization of lease assets	Depreciation and amortization	11,998	11,629
Interest on lease liabilities	Interest	11,482	12,093
Sublease income	Other revenue	(2,503)	(2,434)
Net lease cost		$ 154,113	$ 156,688

Lease terms, discount rates and other supplemental information are as follows:

	December 31, 2021	December 31, 2020
Weighted average remaining lease term (in years)		
Operating	5.2	5.5
Finance	10.4	11.6
Weighted average discount rate		
Operating	2.05 %	2.24 %
Finance	8.52 %	7.54 %
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 86,743	$ 88,387
Operating cash flows from finance leases	11,482	11,500
Financing cash flows from finance leases	9,246	8,184

Future maturities of lease liabilities at December 31, 2021 are as follows:

	Operating Leases	Finance Leases	Total
2022	$ 82,805	$ 33,312	$ 116,117
2023	72,918	34,803	107,721
2024	57,647	35,638	93,285
2025	47,747	35,472	83,219
2026	39,859	35,440	75,299
Thereafter	71,183	226,454	297,637
Future minimum lease payments	372,159	401,119	773,278
Less remaining imputed interest	55,850	136,381	192,231
Total	$ 316,309	$ 264,738	$ 581,047

10. INTEREST IN MASONIC FAMILY HEALTH FOUNDATION

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

The interest in the net assets of MFHF amounted to $122,793 and $109,017 at December 31, 2021 and 2020, respectively, and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheets. The System's interest in the investment income is reflected in the accompanying consolidated statements of operations and changes in net assets and amounted to $17,853 and $17,287 for the years ended December 31, 2021 and 2020, respectively. Cash distributions of $3,584 and $3,978 were received by the System from MFHF under terms of the Agreement during the years ended December 31, 2021 and 2020, respectively. In addition, MFHF made $694 and $537 in contributions to the System for program support during the years ended December 31, 2021 and 2020, respectively.

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

	December 31, 2021	December 31, 2020
Total assets	$ 127,838	$ 112,993
Total liabilities	4,440	3,661
Net assets	123,398	109,332
Total revenue	$ 19,867	$ 18,613
Revenue in excess of (less than) expenses	14,014	13,697

11. LONG-TERM DEBT

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

	December 31, 2021	December 31, 2020
Revenue bonds and revenue refunding bonds		
Series 2003A (weighted average rate of 1.38% during 2021 and 2020), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	$ 2,637	$ 5,194
Series 2003C (weighted average rate of 1.60% during 2021 and 2020), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	2,640	5,200
Series 2008A (weighted average rate of 4.35% and 4.41% during 2021 and 2020, respectively), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	114,310	116,719
Series 2008C (weighted average rate of 0.05% and 0.58% during 2021 and 2020, respectively), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	271,672	271,640
Series 2011A, 4.00%, principal payable in annual installments through April 2022	221	440
Series 2011B (weighted average rate of 0.34% and 0.86% during 2021 and 2020, respectively), principal payable in varying annual installments through April 2051, subject to a put provision that provides for a cumulative seven-month notice and remarketing period; interest tied to a market index plus a spread	69,006	68,983
Series 2011C (weighted average rate of 0.67% and 1.11% during 2021 and 2020, respectively), principal payable in varying annual installments through April 2049, subject to a put provision on September 3 ,2024; interest tied to a market index plus a spread	49,570	49,540
Series 2011D (weighted average rate of 0.67% and 1.11% during 2021 and 2020, respectively), principal payable in varying annual installments through April 2049, subject to a put provision on September 3, 2024; interest tied to a market index plus a spread	49,570	49,540
Series 2012, 4.00%, principal payable in varying annual installments through June 2044	—	39,048
Series 2013A, 5.00%, principal payable in varying annual installments through June 2024	15,014	43,918
Series 2014, 4.00% to 5.00%, principal payable in varying annual installments through August 2038	97,886	149,629
Series 2015, 4.13%, principal payable in varying annual installments through May 2045	31,342	88,283
Series 2015B, 4.00% to 5.00%, principal payable in varying annual installments through May 2044	15,980	15,990
Series 2018A, 4.00% to 5.00%, principal payable in varying annual installments through August 2044	104,603	105,184
Series 2018B (weighted average rate of 5.00% during 2021 and 2020), principal payable in varying annual installments through August 2054; interest based on prevailing market conditions at time of remarketing	197,045	201,762
Series 2018C (weighted average rate of 1.31% and 1.06% during 2021 and 2020, respectively), principal payable in varying annual installments through August 2054, interest tied to a market index plus a spread or prevailing market conditions at remarketing	196,879	198,256
	1,218,375	1,409,326

	December 31, 2021	December 31, 2020
Taxable bonds		
Taxable Bond Series 2018, 3.83% to 4.27%, principal payable in varying annual installments through August 2048	803,497	709,865
Taxable Bond Series 2019, 3.39%, principal payable in October 2049	442,067	354,813
Taxable Bond Series 2020A, 2.21% to 3.01%, principal payable in varying annual installments through June 2050	696,009	695,822
	1,941,573	1,760,500
Finance lease obligations and financing arrangements	270,876	214,360
Commercial paper, weighted average interest rate of 0.14% and 1.06% during 2021 and 2020, respectively	50,000	50,000
Taxable Term Loan, (weighted average rate of 2.68% during 2021 and 2020), principal payable in varying annual installments through September 2024	80,219	97,871
	3,561,043	3,532,057
Less amounts classified as current		
Long-term debt, current portion	(46,185)	(51,996)
Commercial paper	(50,000)	(50,000)
Long-term debt and commercial paper, current portion	(96,185)	(101,996)
Long-term debt subject to short-term financing arrangements	(166,350)	(119,660)
	(262,535)	(221,656)
	$ 3,298,508	$ 3,310,401

Maturities of long-term debt, capital leases, and sinking fund requirements, assuming remarketing of the variable rate demand revenue refunding bonds, for the five years ending December 31, 2026, are as follows: 2022 - $46,185; 2023 - $50,582; 2024 - $121,943; 2025 - $46,173; and 2026 - $40,595.

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

The System's unsecured variable rate revenue bonds, Series 2011B of $69,660, Series 2018B-1 of $46,690 and Series 2018C-2 of $50,000, while subject to a long-term amortization period, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2021, the principal amount of such bonds has been classified as a current obligation as long-term debt subject to short-term financing arrangements in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to the System is remote. However, to address this possibility, the System has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or net assets without donor restrictions as a source of self-liquidity.

The System has standby bond purchase agreements with banks to provide liquidity support for the Series 2008C Bonds. In the event of a failed remarketing of a Series 2008C Bond upon its tender by an existing holder and subject to compliance with the terms of the standby bond purchase agreement, the standby bank would provide the funds for the purchase of such tendered bonds, and the System would

be obligated to repay the bank for the funds it provided for such bond purchase (if such bond is not subsequently remarketed), with the first installment of such repayment commencing on the date one year and one day after the bank purchases the bond. As of December 31, 2021, there were no bank-purchased bonds outstanding. To the extent that the standby bond purchase agreement expiration date is within 12 months after December 31, 2021, the principal amount of such bonds would be classified as a current obligation in the accompanying consolidated balance sheets. The standby bond purchase agreements expire as follows: $129,456 in January 2024, $87,694 in September 2024 and $58,225 in September 2025.

In May 2020, the System issued its Series 2020A Taxable Bonds in the aggregate principal amount of $700,000. The proceeds of the Series 2020A Taxable Bonds were used for general corporate purposes, to refinance a portion of the Series 2011B, Series 2011C, Series 2011D, Series 2012, Series 2013A, Series 2015 and Series 2015B Bonds, to repay $82,000 of commercial paper and to pay certain financing costs. In connection with this transaction, the System recognized a loss on refinancing in the amount of $12,231.

In April 2021, the System issued additional Series 2018 Taxable Bonds in the principal amount of $85,000 and additional Series 2019 Taxable Bonds in the principal amount of $85,210 ("Additional Taxable Bonds"). The proceeds of the Additional Taxable Bonds were used to refinance a portion of the Series 2012, Series 2013A, Series 2014, Series 2015 Bonds and to pay certain financing costs. In connection with this transaction, the System recognized a loss on refinancing in the amount of $14,421.

As of December 31, 2021, the System authorized the issuance of up to $1,000,000 in commercial paper aggregate principal outstanding. As of December 31, 2021, $50,000 of commercial paper notes was outstanding, with maturities ranging from 120 to 149 days. As of December 31, 2020, $50,000 of commercial paper was outstanding, with maturities ranging from 119 to 122 days.

At December 31, 2021, the System had lines of credit with banks aggregating to $1,250,000 in available commitments. These lines of credit provide for various interest rates and payment terms and as of December 31, 2021 expire as follows: $100,000 in December 2022, $350,000 in December 2023, $150,000 in August 2024, $325,000 in December 2024 and $325,000 in December 2025. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures for general working capital purposes or to provide for certain letters of credit. At December 31, 2021, letters of credit issued totaling $75,802 have been issued under one of these lines. At December 31, 2021, no amounts were outstanding on these lines or letters of credit.

The System maintains an interest rate swap program on certain of its variable rate debt, as described in Note 12. INTEREST RATE SWAP PROGRAM.

The System’s interest paid amount includes all debt agreements including revenue bonds and revenue refunding bonds, taxable bonds, finance lease obligations, financing arrangements and interest rate swaps. The System's interest paid, net of capitalized interest, amounted to $113,633 and $116,953 for the years ended December 31, 2021 and 2020, respectively. The System capitalized interest of $13,027 and $8,198 for the years ended December 31, 2021 and 2020, respectively.

12. INTEREST RATE SWAP PROGRAM

The System has interest rate-related derivative instruments to manage the exposure of its variable rate debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a

derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty and, therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a derivative financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The System also mitigates risk through periodic reviews of its derivative positions in the context of its total blended cost of capital.

At December 31, 2021, the System maintains an interest rate swap program on its Series 2008C variable rate demand revenue bonds. These bonds expose the System to variability in interest payments due to changes in interest rates. The System believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, the System entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps convert the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in the principal outstanding under various bond series.

The System has two swaps that are being held as a swap portfolio as the related debt is no longer outstanding.

The following is a summary of the outstanding positions under these interest rate swap agreements at December 31, 2021:

Bond Series	Notional Amount	Maturity Date	Rate Received	Rate Paid
2008C-1	$ 129,900	November 1, 2038	61.7% of LIBOR + 26bps	3.605 %
2008C-2B	58,425	November 1, 2038	61.7% of LIBOR + 26bps	3.605 %
2008C-3A	88,000	November 1, 2038	61.7% of LIBOR + 26bps	3.605 %
Swap portfolio	50,000	November 1, 2038	61.7% of LIBOR + 26bps	3.605 %
Swap portfolio	25,280	February 1, 2038	70.0% of LIBOR	3.314 %

The swaps are not designated as hedging instruments and, therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swaps are classified as changes in fair value of swaps in the accompanying consolidated statements of operations and changes in net assets. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the accompanying consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreements was a liability of $91,217 and $118,620 as of December 31, 2021 and 2020, respectively. No collateral was posted under these swap agreements as of December 31, 2021 and 2020.

Amounts recorded in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net cash payments on interest rate swap agreements (interest expense)	$ 11,487	$ 10,241
Change in fair value of interest rate swaps	$ 27,403	$ (27,280)

The interest rate swap instruments contain provisions that require the System to maintain an investment grade credit rating on its bonds from certain major credit rating agencies. If the System's bonds were to fall below investment grade, it would be in violation of these provisions and the counterparties to the swap instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on interest rate swap instruments in net liability positions.

13. RETIREMENT PLANS

The System maintains various employee retirement benefit plans available to qualifying employees and retirees.

The Condell Health Network Retirement Plan ("Condell Plan") was frozen effective January 1, 2008 to new participants and participants ceased to accrue additional pension benefits. During the year ended December 31, 2020, $3,000 in cash contributions were made to the Condell Plan.

The Aurora Health Care, Inc. Pension Plan ("Aurora Plan") was frozen on December 31, 2012 and participants ceased to accrue additional pension benefits. During the year ended December 31, 2020, no contributions were made to the Aurora Plan.

On December 31, 2020, the Condell Plan liabilities and assets were merged into the Aurora Plan. With the merger of the liabilities and assets, the Aurora Plan was renamed the Advocate Aurora Health Pension Plan ("AAH Plan") on January 1, 2021. The accompanying consolidated balance sheets contain an other noncurrent liability related to the AAH Plan of $57,617 and $66,494 at December 31, 2021 and 2020, respectively. The noncurrent liability of the AAH Plan at both dates, reflects the merged liabilities of the Condell Plan and the Aurora Plan. During the year ended December 31, 2021, no contributions were made to the AAH Plan.

The Advocate Health Care Network Pension Plan ("Advocate Plan") was frozen effective December 31, 2019, to new participants and participants ceased accruing additional pension benefits. The accompanying consolidated balance sheets contain an other noncurrent liability related to the Advocate Plan totaling $75,012 and $134,325 at December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, $30,000 and $40,000, respectively, in cash contributions were made to the Advocate Plan.

In September 2020, the System transferred benefit obligations for certain participants of the Advocate Plan, Condell Plan and Aurora Plan through the purchase of annuity contracts. As a result of this transaction, all three Plans were remeasured as of September 30, 2020 and a combined settlement loss of $119,658 was recorded in the nonoperating income section in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2020.

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2021 is as follows:

	Advocate	AAH	Total
Change in plan assets:			
Plan assets at fair value at beginning of period	$ 952,588	$ 1,449,588	$ 2,402,176
Actual return on plan assets	53,662	(2,694)	50,968
Employer contributions	30,000	—	30,000
Benefits paid	(54,173)	(41,220)	(95,393)
Plan assets at fair value at end of period	$ 982,077	$ 1,405,674	$ 2,387,751
Change in projected benefit obligation:			
Projected benefit obligation at beginning of period	$ 1,086,913	$ 1,516,082	$ 2,602,995
Interest cost	28,119	41,650	69,769
Actuarial gain	(3,770)	(53,221)	(56,991)
Benefits paid	(54,173)	(41,220)	(95,393)
Projected benefit obligation at end of period	$ 1,057,089	$ 1,463,291	$ 2,520,380
Plan assets less than projected benefit obligation	$ (75,012)	$ (57,617)	$ (132,629)
Accumulated benefit obligation at end of period	$ 1,057,089	$ 1,463,291	$ 2,520,380

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2020 is as follows:

	Advocate	AAH **	Total
Change in plan assets:			
Plan assets at fair value at beginning of period	$ 1,011,800	$ 1,652,715	$ 2,664,515
Actual return on plan assets	28,898	223,387	252,285
Employer contributions	40,000	3,000	43,000
Benefits paid	(128,110)	(429,514)	(557,624)
Plan assets at fair value at end of period	$ 952,588	$ 1,449,588	$ 2,402,176
Change in projected benefit obligation:			
Projected benefit obligation at beginning of period	$ 1,185,739	$ 1,737,860	$ 2,923,599
Interest cost	34,835	53,855	88,690
Actuarial (gain) loss	(5,551)	153,881	148,330
Benefits paid	(128,110)	(429,514)	(557,624)
Projected benefit obligation at end of period	$ 1,086,913	$ 1,516,082	$ 2,602,995
Plan assets less than projected benefit obligation	$ (134,325)	$ (66,494)	$ (200,819)
Accumulated benefit obligation at end of period	$ 1,086,913	$ 1,516,082	$ 2,602,995

***AAH includes the legacy Condell and Aurora Plans. On December 31, 2020, the Condell Plan liabilities and assets were merged into the Aurora Plan and renamed the AAH Plan on January 1, 2021.*

The AAH Plan actuarial gain of $53,221 for the year ending December 31, 2021 was primarily driven by an increase in discount rates which was slightly offset by an actuarial loss due to updated mortality

improvement assumptions. The AAH Plan actuarial loss of $153,881 for the year ending December 31, 2020 was primarily driven by a decrease in discount rates which was slightly offset by an actuarial gain due to updated mortality improvement assumptions.

The Advocate Plan paid lump sums totaling $51,104 and $75,349 in 2021 and 2020, respectively. The amount in 2021 and 2020 was greater than the sum of the Advocate Plan's service cost and interest cost, resulting in a settlement charge in the amount of $12,102 and $5,455, respectively. The Condell Plan paid lump sums totaling $4,235 in 2020. The amount in 2020 was greater than the sum of the Condell Plan's service cost and interest cost, resulting in a settlement charge in the amount of $104. The Aurora Plan paid lump sums totaling $5,400 in 2020. The amount in 2020 was greater than the sum of the Aurora Plan's service cost and interest cost, resulting in a settlement charge in the amount of $452.

Pension plan expense included in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2021:

	Advocate	AAH	Total
Interest cost	$ 28,119	$ 41,650	$ 69,769
Expected return on plan assets	(42,421)	(43,487)	(85,908)
Amortization of:			
Actuarial loss	4,477	10,410	14,887
Prior service cost	—	3	3
Settlement	12,102	—	12,102
Net pension expense	$ 2,277	$ 8,576	$ 10,853

Pension plan expense included in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2020:

	Advocate	AAH **	Total
Interest cost	34,835	53,855	88,690
Expected return on plan assets	(43,456)	(62,558)	(106,014)
Amortization of:			
Actuarial loss	4,897	11,798	16,695
Prior service cost	—	3	3
Settlement	33,561	92,107	125,668
Net pension expense	$ 29,837	$ 95,205	$ 125,042

***AAH includes the legacy Condell and Aurora Plans. On December 31, 2020, the Condell Plan liabilities and assets were merged into the Aurora Plan and renamed the AAH Plan on January 1, 2021.*

The components of net periodic benefit costs, other than the service cost component, are included in other nonoperating (loss) income, net in the accompanying consolidated statements of operations and changes in net assets.

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows for the year ended December 31, 2021:

	Advocate	AAH	Total
Net change recognized	$ 31,590	$ 17,454	$ 49,044

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows for the year ended December 31, 2020:

	Advocate	AAH **	Total
Net change recognized	$ 29,450	$ 110,855	$ 140,305

***AAH includes the legacy Condell and Aurora Plans. On December 31, 2020, the Condell Plan liabilities and assets were merged into the Aurora Plan and renamed the AAH Plan on January 1, 2021.*

Included in net assets without donor restrictions at December 31, 2021 are the following amounts that have not yet been recognized in net pension expense:

	Advocate	AAH	Total
Unrecognized prior credit	$ —	$ 96	$ 96
Unrecognized actuarial loss	244,128	340,451	584,579
	$ 244,128	$ 340,547	$ 584,675

Expected employee benefit payments to be paid from the pension plans are as follows:

	Advocate	AAH	Total
2022	$ 63,891	$ 51,638	$ 115,529
2023	60,825	54,806	115,631
2024	61,364	58,001	119,365
2025	62,050	61,627	123,677
2026	62,199	64,417	126,616
2027-2031	291,885	356,338	648,223
Total	$ 602,214	$ 646,827	$ 1,249,041

Expected contributions to the pension plans are as follows:

	Advocate	AAH	Total
2022	$ —	$ —	$ —

Employer contributions were paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Advocate Plan and AAH Plan (collectively referred to as the "Plans") were paid from the Plans' assets.

The System's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors and manager style to minimize the risk of loss. The System utilizes investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines.

The System's target and actual pension asset allocations for the Plans are as follows:

	December 31, 2021		December 31, 2020	
Asset Category - Advocate Plan	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	70 %	70 %	75 %	67 %
Domestic and international equity securities	21	21	21	22
Alternative investments	6	6	2	7
Cash and fixed-income securities	3	3	2	4
	100 %	100 %	100 %	100 %

	December 31, 2021		December 31, 2020	
Asset Category - AAH/Aurora Plan **	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	85 %	83 %	85 %	82 %
Domestic and international equity securities	12	14	12	15
Real estate	1	1	1	1
Cash and fixed-income securities	2	2	2	2
	100 %	100 %	100 %	100 %

***On December 31, 2020, the Condell Plan liabilities and assets were merged into the Aurora Plan and the Plan was renamed the AAH Plan on January 1, 2021.*

The de-risking portfolio is comprised of cash and fixed-income instruments designed to hedge Plan liabilities.

At December 31, 2021, the Advocate Plan had commitments to fund alternative investments, including recallable distributions of $19,254 over the next five years.

In the normal course of operations and within established investment policy guidelines, the Plans may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the Plans' strategic asset allocation and hedge security price movements. These instruments require the Plans to deposit cash collateral with the broker or custodian.

Derivative contract information at December 31, 2021 are as follows:

	Advocate	AAH	Total
Cash and security collateral provided	$ 15,978	$ 6,065	$ 22,043
Gross notional value	$ (539,122)	$ 262,962	$ (276,160)

Derivative contract information at December 31, 2020 are as follows:

	Advocate	AAH	Total
Cash and security collateral provided	$ 16,922	$ 10,455	$ 27,377
Gross notional value	$ (527,126)	$ 307,840	$ (219,286)

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

managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented within Advocate Plan assets. Unsettled sales resulted in receivables due from brokers of $8,515 and $3,313 at December 31, 2021 and 2020, respectively. Unsettled purchases resulted in payables of $17,265 and $10,846 at December 31, 2021 and 2020, respectively.

Receivables and payables for investment trades not settled are presented within AAH Plan assets. Unsettled sales resulted in receivables due from brokers of $7,808 and $10,108 at December 31, 2021 and 2020, respectively. Unsettled purchases resulted in payables of $16,500 and $19,198 at December 31, 2021 and 2020, respectively.

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 7. FAIR VALUE. Real estate commingled funds for which an active market exists are included in Level 2. The System opted to use the net asset value per share, or its equivalent, as a practical expedient for the fair value of the Plans' interest in hedge funds, private equity limited partnerships and real estate commingled funds. There is inherent uncertainty in such valuations and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity limited partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Plans' investment assets are exposed to the same kinds and levels of risk as described in Note 7. FAIR VALUE.

The following are the Plans' financial instruments at December 31, 2021, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7. FAIR VALUE:

Description	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	$ 78,247	$ 43,778	$ 34,469	$ —
Corporate bonds and other debt securities	984,539	—	984,539	—
United States government obligations	740,439	—	740,439	—
Bond and other debt security funds	53,923	—	53,923	—
Equity securities	19,900	19,900	—	—
Equity funds	432,928	12,474	420,454	—
Real estate funds	16,180	—	16,180	—
	2,326,156	$ 76,152	$ 2,250,004	$—
Investments at net asset value				
Alternative investments	61,595			
Total investments	$ 2,387,751			

The following are the Plans' financial instruments at December 31, 2020, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7. FAIR VALUE:

Description	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	$ 58,006	$ 32,876	$ 25,130	$ —
Corporate bonds and other debt securities	985,564	—	985,564	—
United States government obligations	646,797	—	646,797	—
Bond and other debt security funds	128,142	—	128,142	—
Equity securities	22,280	22,280	—	—
Equity funds	473,728	11,648	462,080	—
Real estate funds	17,855	—	17,855	—
	2,332,372	$ 66,804	$ 2,265,568	$ —
Investments at net asset value				
Alternative investments	69,804			
Total investments	$ 2,402,176			

Assumptions used to determine benefit obligations are as follows:

	December 31, 2021	December 31, 2020
Discount rate - Advocate Plan	2.85 %	2.49 %
Discount rate - AAH Plan	3.05 %	2.79 %
Assumed rate of return on assets - Advocate Plan	4.50 %	4.40 %
Assumed rate of return on assets - AAH Plan	3.80 %	3.40 %
Interest crediting rate - Advocate Plan	1.80 %	1.35 %

Assumptions used to determine net pension expense are as follows:

	December 31, 2021	December 31, 2020
Discount rate - Advocate Plan	2.49 %	3.23 %
Discount rate - AAH Plan **	2.79 %	3.37 %
Assumed rate of return on assets - Advocate Plan	4.40 %	4.50 %
Assumed rate of return on assets - AAH Plan **	3.40 %	**
Interest crediting rate - Advocate Plan	1.35 %	2.25 %

***On December 31, 2020, the Condell Plan liabilities and assets were merged into the Aurora Plan and the Plan was renamed the AAH Plan on January 1, 2021. The assumed rate of return on assets used to determine net pension expense in December 31, 2020 for the Aurora Plan and Condell Plan was 4.50% and 2.50%, respectively.*

The assumed rate of return on each of the Plan's assets is based on historical and projected rates of return for asset classes in which the portfolio is invested.

The 2021 mortality assumption for the Plans was the amounts-weighted aggregate rates from the Pri-2012 mortality study, with white-collar adjustments projected generationally from 2012 with Scale MP-2021. The 2020 mortality assumption for the Plans was the amounts-weighted aggregate rates from the Pri-2012 mortality study, with white-collar adjustments projected generationally from 2012 with Scale MP-2020.

In addition to these Plans, the System sponsors a defined contribution plan for its employees. Expense related to the plan, is included in salaries, wages and benefits expense in the accompanying

consolidated statements of operations and changes in net assets, were $296,894 and $300,971 for the years ended December 31, 2021 and 2020, respectively.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	December 31, 2021	December 31, 2020
Purchases of property and equipment	$ 17,579	$ 17,504
Medical education and other health care programs	234,098	215,176
	$ 251,677	$ 232,680

15. FUNCTIONAL OPERATING EXPENSES

Operating expenses directly attributable to a specific functional area of the System are reported as expenses of those functional areas. Expenses other than interest expense are directly allocated to functional departments at the time they are incurred. Interest expense that relates to debt financing is allocated based on the use of the related funds. General and administrative expenses primarily include legal, finance, purchasing and human resources. Health care services require the benefit of and the expense of general and administrative services; therefore, these costs are further allocated to health care services. A majority of fundraising costs are reported as other nonoperating income (loss), net in the accompanying consolidated statements of operations and changes in net assets.

Functional operating expenses for the year ended December 31, 2021 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	$ 6,936,615	$ 727,322	$ 7,663,937
Supplies, purchased services and other	3,937,999	632,548	4,570,547
Contracted medical services	564,586	—	564,586
Depreciation and amortization	495,608	67,801	563,409
Interest	106,101	—	106,101
Total operating expenses	12,040,909	1,427,671	13,468,580
Allocation of general and administrative	1,427,671	(1,427,671)	—
Total operating expenses after allocation	$ 13,468,580	$ —	$ 13,468,580

Functional operating expenses for the year ended December 31, 2020 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	$ 6,789,955	$ 659,016	$ 7,448,971
Supplies, purchased services and other	3,701,429	675,846	4,377,275
Contracted medical services	420,587	—	420,587
Depreciation and amortization	467,340	92,923	560,263
Interest	112,126	—	112,126
Total operating expenses	11,491,437	1,427,785	12,919,222
Allocation of general and administrative	1,427,785	(1,427,785)	—
Total operating expenses after allocation	$ 12,919,222	$ —	$ 12,919,222

16. LIQUIDITY

The System's financial assets available within one year of the consolidated balance sheets date for general expenditures are as follows:

	December 31, 2021	December 31, 2020
Current assets		
Cash and cash equivalents	$ 703,725	$ 959,878
Assets limited as to use	139,742	125,053
Patient accounts receivable	1,816,705	1,570,738
Third-party payors receivables	22,154	16,933
Collateral proceeds under securities lending program	18,550	19,789
Total current assets	2,700,876	2,692,391
Assets limited as to use		
Internally designated for capital and other	11,572,323	10,291,819
Held for self-insurance	649,513	658,466
Donor restricted	155,009	137,980
Investments under securities lending program	17,760	18,945
Total assets limited as to use	12,394,605	11,107,210
Total financial assets	$ 15,095,481	$ 13,799,601
Less		
Amounts unavailable for general expenditures		
Alternative investments	(2,727,059)	(2,110,330)
Total amounts unavailable for general expenditure	(2,727,059)	(2,110,330)
Amounts unavailable to management without approval		
Held for self-insurance	(789,255)	(783,519)
Donor restricted	(155,009)	(137,980)
Investments under securities lending program	(17,760)	(18,945)
Total amounts unavailable to management without approval	(962,024)	(940,444)
Total financial assets available to management for general expenditure within one year	$ 11,406,398	$ 10,748,827

17. COMMITMENTS AND CONTINGENCIES

Aurora West Allis Medical Center has the right to operate the hospital under the terms of a lease agreement with the City of West Allis ("the City"). In accordance with the lease agreement, the City has title to all assets and any subsequent additions (with the exception of certain equipment used by Aurora for laboratory services). Aurora West Allis Medical Center has an exclusive right to the use of the assets and the obligation to maintain and replace them. The historical cost to the System of the leased facilities is included within the System's property and equipment, net. The agreement provides for annual payments of less than $100 in lieu of annual lease payments and includes payment escalations each subsequent year. The lease expires in 2063.

The System is committed to constructing additions and renovations to its medical facilities that are expected to be completed in future years. The estimated cost of these commitments is $669,952, of which $595,927 has been incurred as of December 31, 2021.

The System entered into agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $145,000 over the next nine years and approximately $27,000 is included in accounts payable and other accrued liabilities in the accompanying consolidated balance sheets at

December 31, 2021. The System has also entered into various other agreements. The future commitments under these agreements are $30,116 over the next four years.

18. GENERAL AND PROFESSIONAL LIABILITY RISKS

The System is self-insured for substantially all general and professional liability risks. The self-insurance programs combine various levels of self-insured retention with excess commercial insurance coverage. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Revocable trust funds, administered by a trustee and captive insurance companies, have been established for the self-insurance programs. Actuarial consultants have been retained to determine the estimated cost of claims, as well as to determine the amount to fund into the irrevocable trust and captive insurance companies.

The System's hospitals, clinics, surgery centers, physicians and certified registered nurse anesthetist providers that provide health care in Wisconsin are qualified health care providers that are fully covered for losses in excess of statutory limits through mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund.

The estimated cost of claims is actuarially determined based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions to the trust were determined using a discount rate of 3.00% as of December 31, 2021 and 2020. Total accrued insurance liabilities would have been $78,450 and $77,007 greater at December 31, 2021 and 2020, respectively, had these liabilities not been discounted.

The System entities are defendants in certain litigation related to professional and general liability risks, and other matters. Although the outcome of the litigations cannot be determined with certainty, management believes, after consultation with legal counsel, that the ultimate resolution of the litigations will not have a material adverse effect on the System’s operations or financial condition.

19. LEGAL, REGULATORY AND OTHER CONTINGENCIES

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. During the last few years, due to nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, exclusion from the Medicare and Medicaid programs and revocation of federal or state tax-exempt status. Moreover, the System expects that the level of review and audit to which it and other health care providers are subject will increase.

Various federal and state agencies have initiated investigations, which are in various stages of discovery, relating to reimbursement, billing practices and other matters of the System. There can be no assurance that regulatory authorities will not challenge the System’s compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on the System. To foster compliance with applicable laws and regulations, the System maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

20. INCOME TAXES AND TAX STATUS

The subsidiaries of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and their related income is exempt from federal income tax. Accordingly, no income taxes are recorded for the majority of the income in the accompanying consolidated financial statements for these entities. Unrelated business income is generated by certain of these entities through the provision of services or other activities not directly related to the provision of patient care.

At December 31, 2021, the System had $98,410 of federal and $113,825 of state net operating loss carryforwards with unutilized amounts of state net operating loss carryforwards expiring between 2021 and 2037. At December 31, 2020, the System had $87,382 of federal and $111,826 of state net operating loss carryforwards, with unutilized amounts of state net operating loss carryforwards expiring between 2020 and 2037. As a result of the Tax Cuts and Jobs Act of 2017, net operating losses generated after 2017 do not expire for federal purposes. Of the $98,410 of federal net operating loss carryforwards at December 31, 2021, $83,315 was generated after 2017.

The System calculated income taxes for its taxable subsidiaries. Taxable income differs from pretax book income primarily due to certain income and deductions for tax purposes being recorded in the consolidated financial statements in different periods. Deferred income tax assets and liabilities are recorded for the tax effect of these differences using enacted tax rates for the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

The System had deferred tax assets of $51,248 and $46,711, including $30,326 and $27,161 related to net operating loss carryforwards, as of December 31, 2021 and 2020, respectively. These deferred tax assets were partially offset by valuation allowances of $14,534 and $21,620, respectively, which were recorded due to the uncertainty regarding the use of the deferred tax assets.

Provisions (credits) for federal, state and deferred income taxes are included in other nonoperating income (loss), net in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Federal	$ (1,019)	$ 5,677
State	(303)	2,100
Deferred	(8,668)	(9,311)
	$ (9,990)	$ (1,534)

21 SUBSEQUENT EVENTS

The System evaluated events and transactions subsequent to December 31, 2021 through March 21, 2022, the date of consolidated financial statement issuance.

In January 2022, the Series 2018C-2 bonds were remarketed as Indexed Floating Rate Bonds and will next be subject to mandatory purchase on July 1, 2026. In addition, $46,690 of the Series 2018B-1

Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on July 1, 2027. In connection with the remarketing, $6,560 of the Series 2018B-1 Bonds were redeemed and a loss on refinancing was recorded in the amount of $33.

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Supplementary Information

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Building a better working world

Report of Independent Auditors on Supplementary Information

The Board of Directors

Advocate Aurora Health, Inc.

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

Ernst + Young LLP

March 21, 2022

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2021

(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 1,252,337	$ (548,612)	$ —	$ 703,725
Assets limited as to use	111,198	28,544	—	139,742
Patient accounts receivable	1,578,437	238,268	—	1,816,705
Other current assets	615,193	132,210	(41,150)	706,253
Third-party payors receivables	21,297	857	—	22,154
Receivable from subsidiaries	249,013	374,807	(623,820)	—
Collateral proceeds under securities lending program	18,550	—	—	18,550
Total current assets	3,846,025	226,074	(664,970)	3,407,129
Assets limited as to use	12,198,034	196,571	—	12,394,605
Note receivable from subsidiaries	181,509	—	(181,509)	—
Property and equipment, net	5,505,429	447,401	(9,819)	5,943,011
Other assets				
Reinsurance receivable	3,859	38,241	—	42,100
Goodwill and intangible assets, net	53,891	217,287	—	271,178
Investment in subsidiaries	(126,458)	—	126,458	—
Investments in unconsolidated entities	714,616	23,432	(478,921)	259,127
Operating lease right-of-use assets	245,060	38,338	—	283,398
Other noncurrent assets	646,172	12,575	(120,734)	538,013
Total other assets	1,537,140	329,873	(473,197)	1,393,816
Total assets	**$ 23,268,137**	**$ 1,199,919**	**$ (1,329,495)**	**$ 23,138,561**

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2021

(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Current liabilities				
Long-term debt and commercial paper, current portion	$ 94,740	$ 26,897	$ (25,452)	$ 96,185
Long-term debt subject to short-term financing arrangements	166,350	—	—	166,350
Operating lease liabilities, current portion	58,269	9,978	—	68,247
Accrued salaries and employee benefits	1,194,158	102,300	—	1,296,458
Accounts payable and accrued liabilities	1,435,437	146,688	(20,036)	1,562,089
Third-party payors payables	350,165	4,021	—	354,186
Accrued insurance and claims costs, current portion	114,713	36,517	—	151,230
Accounts payable to subsidiaries	385,761	237,350	(623,111)	—
Collateral under securities lending program	18,550	—	—	18,550
Total current liabilities	3,818,143	563,751	(668,599)	3,713,295
Noncurrent liabilities				
Long-term debt, less current portion	3,295,130	124,557	(121,179)	3,298,508
Operating lease liabilities, less current portion	216,896	31,166	—	248,062
Accrued insurance and claims cost, less current portion	535,319	80,257	—	615,576
Accrued losses subject to insurance recovery	3,859	38,241	—	42,100
Obligations under swap agreements	91,217	—	—	91,217
Due to subsidiaries	326,671	(145,162)	(181,509)	—
Other noncurrent liabilities	758,529	41,236	(941)	798,824
Total noncurrent liabilities	5,227,621	170,295	(303,629)	5,094,287
Total liabilities	**9,045,764**	**734,046**	**(972,228)**	**8,807,582**
Net assets				
Without donor restrictions				
Controlling interest	13,882,704	512,883	(483,725)	13,911,862
Noncontrolling interests in subsidiaries	167,440	123	(123)	167,440
Total net assets without donor restrictions	14,050,144	513,006	(483,848)	14,079,302
With donor restrictions	172,229	79,448	—	251,677
Common stock	—	1,862	(1,862)	—
Additional paid-in capital	—	43,581	(43,581)	—
Retained (deficit) earnings/partnership losses	—	(172,024)	172,024	—
Total net assets	**14,222,373**	**465,873**	**(357,267)**	**14,330,979**
Total liabilities and net assets	**$ 23,268,137**	**$ 1,199,919**	**$ (1,329,495)**	**$ 23,138,561**

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended December 31, 2021

(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Revenue				
Patient service revenue	$ 10,533,313	$ 1,562,850	$ (393,582)	$ 11,702,581
Capitation revenue	501,034	704,752	(9,677)	1,196,109
Other revenue	707,283	849,999	(393,840)	1,163,442
Total revenue	11,741,630	3,117,601	(797,099)	14,062,132
Expenses				
Salaries, wages and benefits	6,692,587	1,007,741	(34,480)	7,665,848
Supplies, purchased services and other	3,686,381	1,037,179	(192,683)	4,530,877
Contracted medical services	278,064	738,820	(452,298)	564,586
Depreciation and amortization	500,638	65,140	(2,369)	563,409
Interest	101,689	13,773	(9,361)	106,101
Total expenses	11,259,359	2,862,653	(691,191)	13,430,821
Operating income (loss) before nonrecurring expenses	**482,271**	**254,948**	**(105,908)**	**631,311**
Nonrecurring expenses	37,759	—	—	37,759
Operating income (loss)	**444,512**	**254,948**	**(105,908)**	**593,552**
Nonoperating income (loss)				
Investment income, net	1,227,237	76,309	—	1,303,546
Loss on debt refinancing	(14,468)	—	—	(14,468)
Change in fair value of interest rate swaps	27,403	—	—	27,403
Other nonoperating income (loss), net	11,090	5,824	(4,694)	12,220
Total nonoperating income (loss), net	1,251,262	82,133	(4,694)	1,328,701
Revenue in excess of (less than) expenses	1,695,774	337,081	(110,602)	1,922,253
Less income attributable to noncontrolling interests	—	(20)	(73,110)	(73,130)
Revenue in excess of (less than) expenses- attributable to controlling interests	**$ 1,695,774**	**$ 337,061**	**$ (183,712)**	**$ 1,849,123**

Notes to Supplementary Information

1. Credit Group

The supplementary financial information for the Credit Group is in accordance with the Second Amended and Restated Master Trust Indenture dated as of August 1, 2018 between Advocate Aurora Health, Inc, the other affiliates identified therein as the Members of the Obligated Group, the Restricted Affiliates, and U.S. Bank National Association, as master trustee ("the System Master Indenture").

2. Credit Group Members

The Credit Group is comprised of the Obligated Group in combination with the Restricted Affiliates. The Obligated Group includes Advocate Aurora Health, Inc.; Advocate Health Care Network; Advocate Health and Hospitals Corporation; Advocate North Side Health Network; Advocate Condell Medical Center; Advocate Sherman Hospital; Aurora Health Care, Inc.; Aurora Health Care Metro, Inc.; Aurora Health Care Southern Lakes, Inc.; Aurora Health Care Central, Inc. d/b/a Aurora Sheboygan Memorial Medical Center; Aurora Medical Center of Washington County, Inc.; Aurora Health Care North, Inc. d/b/a Aurora Medical Center Manitowoc County; Aurora Medical Center of Oshkosh, Inc.; Aurora Medical Group, Inc.; Aurora Medical Center Grafton LLC; and Aurora Medical Center Bay Area, Inc. The Restricted Affiliates include Advocate Charitable Foundation; Advocate Home Care Products, Inc.; EHS Home Health Care Services, Inc.; Evangelical Services Corporation, d/b/a Advocate Network Services, Inc.; High Technology, Inc.; Meridian Hospice; and West Allis Memorial Hospital Inc. d/b/a Aurora West Allis Medical Center. The Credit Group is with U.S. Bank National Association, as master trustee ("the System Master Indenture").

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