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 Christ Medical Center – Addition of 11 Medical Surgical Inpatient Beds
Street Address: 4440 W. 95th Street
City and Zip Code: Oak Lawn 60453
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 Christ Medical Center
Street Address: 4440 W. 95th Street
City and Zip Code: Oak Lawn 60453
Name of Registered Agent: Michael Kerns
Registered Agent Street Address: 3075 Highland Parkway, Suite 600
Registered Agent City and Zip Code: Downers Grove 60515
Name of President: Moody Chisholm
President Street Address: 4440 W. 95th Street
President City and Zip Code: Oak Lawn 60453
President Telephone Number: 708-684-8000

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Rolla Sweis
Title: Vice-President of Operations, South Chicagoland
Company Name: Advocate Aurora Health
Address: 4440 W. 95th Street Oak Lawn, IL 60453
Telephone Number: 708-921-0338
E-mail Address: Rolla.Sweis@aah.org

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

Name: Myndee Balkan
Title: Director, Health Facilities Planning
Company Name: Advocate Aurora Health
Address: 3075 Highland Parkway, Suite 600 Downers Grove, IL 60515
Telephone Number: (847) 721-0376
E-mail Address: myndee.balkan@aah.org

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

Name: Laura Parisi
Title: Manager, Design and Construction
Company Name: Advocate Aurora Health
Address: 4440 W. 95th Street Oak Lawn, IL 60453
Telephone Number: 773-304-6068
E-mail Address: laura.parisi@aah.org
Fax Number:

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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Street Address: 4440 W. 95th Street
City and Zip Code: Oak Lawn 60453
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 Inc.
Street Address: 750 W. Virginia
City and Zip Code: Milwaukee, WI 53204
Name of Registered Agent: The Corporation Trust Company
Registered Agent Street Address: Corporation Trust Center 1209 Orange Street
Registered Agent City and Zip Code: Wilmington, DE 19801
Name of President: James Skogsbergh
President Street Address: 3075 Highland Parkway, Suite 600
President City and Zip Code: Downers Grove 60515
President Telephone Number: 630-572-9393

Type of Ownership of Applicants

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

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

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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Street Address: 4440 W. 95th Street
City and Zip Code: Oak Lawn 60453
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 Inc.
Street Address: 3075 Highland Parkway
City and Zip Code: Downers Grove 60515
Name of Registered Agent: CT Corporation System
Registered Agent Street Address: 208 S. LaSalle Street, Suite 814
Registered Agent City and Zip Code: Chicago 60604
Name of Co-Chief Executive Officer: James H. Skogsbergh
Co-CEO Street Address: 3075 Highland Parkway, Suite 600
Co-CEO City and Zip Code: Downers Grove 60515
Co-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

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.

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Name: Rolla Sweis
Title: Vice-President of Operations, South Chicagoland
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Telephone Number: 708-921-0338
E-mail Address: Rolla.Sweis@aah.org

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

Name: Myndee Balkan
Title: Director, Health Facilities Planning
Company Name: Advocate Aurora Health
Address: 3075 Highland Parkway, Suite 600 Downers Grove, IL 60515
Telephone Number: (847) 721-0376
E-mail Address: myndee.balkan@aah.org

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

Name: Laura Parisi
Title: Manager, Design and Construction
Company Name: Advocate Aurora Health
Address: 4440 W. 95th Street Oak Lawn, IL 60453
Telephone Number: 773-304-6068
E-mail Address: laura.parisi@aah.org
Fax Number:

Post Permit Contact

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

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

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Address of Site Owner: 4440 W. 95th Street Oak Lawn, IL 60453
Street Address or Legal Description of the Site: 4440 W. 95th Street Oak Lawn, IL 60453 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease**.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Address: 4440 W. 95th Street Oak Lawn, IL 60453
☒ 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.

Organizational Relationships

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

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 **(http://www.hfsrb.illinois.gov)**. **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 Christ Medical Center, Advocate Aurora Health, Inc. and Advocate Health, Inc., the applicants, seek approval from the Illinois Health Facilities and Services Review Board to add 11 additional medical surgical beds to Advocate Christ Medical Center. The site is located on the hospital campus at 4440 95th St. Oak Lawn, Illinois 60453.

This will increase the number of CON authorized medical surgical beds from 414 to 425 M/S beds. These beds will be located in an area vacated by the AMI bed unit and adjacent to the additional 20 M/S beds approved in COE #E-051-22.

The total cost of the modernization project is $16,194,953 with an anticipated completion date of November 15, 2024.

The project is classified as a non-substantive project, as the project does not establish a new category of service nor facility as defined in 20 IL CS 3690/3.

Project Costs and Sources of Funds

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

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

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

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

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

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

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

Estimated start-up costs and operating deficit cost is $ _____

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): November 15, 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.

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

State Agency Submittals [Section 1130.620(c)]

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

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet** (**BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the 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 Christ Medical Center		**CITY: Oak Lawn, IL**			
REPORTING PERIOD DATES:		**From: Jan. 1, 2022**			**to: Dec 31, 2022**
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	394* (414)	20,923	154,100	+11	425
Obstetrics	56	7,300	14,200		
Pediatrics	45	3,618	15,172		
Intensive Care	170	5,399	41,478		
Comprehensive Physical Rehabilitation	37	674	9,463		
Acute/Chronic Mental Illness	39* (0)	723	5,450		
Neonatal Intensive Care	61	148	17,718		
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other - dedicated Obs Unit			8,435		
TOTALS:	802*(783)	38,785	266,016	+11	794

Note: COE permit # E-051-22 was approved on Dec.13, 2022 that:
Increased Med Surg beds by 20 beds to 414 beds
Discontinued the AMI services and decreased AMI beds by 39
The approved COE project will have a total of 783 authorized beds

CERTIFICATION

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

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

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

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

SIGNATURE

William P. Santilli
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9th day of March, 2023

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant\\\\

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

SIGNATURE

DOMINIC NAKIS
PRINTED NAME

Chief Financial Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9th day of March, 2023

Signature of Notary

Seal

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

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
CHANGE OF OWNERSHIP APPLICATION FOR EXEMPTION- 04/2021 Edition

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

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

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

SIGNATURE

Dominic J. Nykis
PRINTED NAME

CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9TH day of March, 2023

Signature of Notary

Seal

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

SIGNATURE

Michael M. Greba
PRINTED NAME

Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 2nd day of June 2023

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
CHANGE OF OWNERSHIP APPLICATION FOR EXEMPTION- 04/2021 Edition

CERTIFICATION

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

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

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

James H Skogsbergh
SIGNATURE

James H. Skogsbergh
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9th day of March, 2023

Michael E. Kerns
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

SIGNATURE

PRINTED NAME

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this_____day of_____

Signature of Notary

Seal

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
CHANGE OF OWNERSHIP APPLICATION FOR EXEMPTION- 04/2021 Edition

CERTIFICATION

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

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

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

SIGNATURE	SIGNATURE
PRINTED NAME	Michael M. Grebe PRINTED NAME
PRINTED TITLE	Secretary PRINTED TITLE
Notarization: Subscribed and sworn to before me this _____ day of _____	Notarization: Subscribed and sworn to before me this 24th day of June 2022
Signature of Notary	Signature of Notary
Seal	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

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

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.

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 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.

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.

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

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

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.

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.**

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

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

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

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

Cite the sources of the documentation.

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

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:

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.**

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

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.

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

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

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:

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

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

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

4. Provide:

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

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.

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

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:

A. Criterion 1110.200 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

Applicants proposing to establish, expand and/or modernize the Medical/Surgical, Obstetric, Pediatric and/or Intensive Care categories of service must submit the following information:

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

Category of Service	# Existing Beds	# Proposed Beds
☒ **Medical/Surgical**	**414**	**425**
☐ **Obstetric**		
☐ **Pediatric**		
☐ **Intensive Care**		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.200(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (Formula calculation)	X		
1110.200(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.200(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.200(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.200(b)(5) - Planning Area Need - Service Accessibility	X		
1110.200(c)(1) - Unnecessary Duplication of Services	X		
1110.200(c)(2) - Maldistribution	X	X	
1110.200(c)(3) - Impact of Project on Other Area Providers	X		
1110. 200(d)(1), (2), and (3) - Deteriorated Facilities			X

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.200(d)(4) - Occupancy			X
1110.200(e) - Staffing Availability	X	X	
1110.200(f) - Performance Requirements	X	X	X
1110.200(g) - Assurances	X	X	

APPEND DOCUMENTATION AS ATTACHMENT 19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections <u>DO NOT</u> 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]:**

$4,490,173	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.
$11,704,780	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.
$16,194,953	**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:
"A" Bond rating or better
All the project's capital expenditures are completely funded through internal sources
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
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:

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		Gross Sq. Ft.		Gross Sq. Ft.		Const. $ (A x C)	Mod. $ (B x E)	
	New	Mod.	New	Circ.*	Mod.	Circ.*			

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.

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.

Applicant: _____

(Name) (Address)

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

Project Location: _____

(Address) (City) (State)

_____

(County) (Township) (Section)

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:_____

(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.**

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

INDEX OF ATTACHMENTS

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

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.

Certificates of Good Standing for the applicants are provided as Attachment #1

Provided for Attachment #1:

- Advocate Health and Hospitals Corporation
  - IL Certificate of Good Standing
- Advocate Aurora Health, Inc.
  - IL Certificate of Good Standing
  - DE Certificate of Good Standing
  - Authorization for Advocate Aurora Health, Inc. to conduct business in IL
- Advocate Health, Inc.
  - IL Certificate of Good Standing
  - Authorization for Advocate Health, Inc. to conduct business in IL

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, **Alexi Giannoulias,** *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* 3RD *day of* MARCH *A.D.* 2023 .

Authentication #: 2306203384 verifiable until 03/03/2024
Authenticate at: https://www.ilsos.gov

SECRETARY OF STATE

Attachment 1

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ADVOCATE AURORA HEALTH, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MARCH, A.D. 2023.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS AN EXEMPT CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ADVOCATE AURORA HEALTH, INC." WAS INCORPORATED ON THE FOURTH DAY OF DECEMBER, A.D. 2017.

6645600 8300C

SR# 20230875743

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202841931

Date: 03-06-23

Attachment 1

File Number 7155-851-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias**, *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* 3RD *day of* MARCH *A.D.* 2023 .

Authentication #: 2306203464 verifiable until 03/03/2024
Authenticate at: https://www.ilsos.gov

SECRETARY OF STATE

Attachment 1

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

APRIL 3, 2018 7155-851-7

CT CORPORATION SYSTEM
118 W EDWARDS #200
SPRINGFIELD IL 62704

RE ADVOCATE AURORA HEALTH, INC.

DEAR SIR OR MADAM:

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

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

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

SINCERELY,

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

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

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

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

See attached.

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

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

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

Any Authorized Officer's Signature

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

Legal

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

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

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

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ADVOCATE HEALTH, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF MARCH, A.D. 2023.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS AN EXEMPT CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ADVOCATE HEALTH, INC." WAS INCORPORATED ON THE NINTH DAY OF MAY, A.D. 2022.

6784998 8300C
SR# 20231117363
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202988197
Date: 03-23-23

Attachment 1

File Number 7376-313-4

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias,** *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, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 28, 2022, 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 #: 2306203418 verifiable until 03/03/2024
Authenticate at: https://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* 3RD *day of* MARCH *A.D.* 2023 .

Alexi Giannoulias
SECRETARY OF STATE

Attachment 1

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE-Secretary of State

7376-313-4
JUNE 28, 2022

C T CORPORATION SYSTEM
208 SO LASALLE ST, SUITE 814
CHICAGO, IL 60604-1101

RE ADVOCATE 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

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.ilsos.gov

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
JUN 28 2022
JESSE WHITE
SECRETARY OF STATE

File # 7376-3134 **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 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: May 9, 2022

   c. Period of Duration: perpetual

3. a. Address of Principal Office, wherever located: 1000 Blythe Boulevard, Charlotte, NC 28203

   b. Address of Principal Office in Illinois: 3075 Highland Parkway, Suite 600, Downers Grove, IL 60515

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

   Registered Agent: CT Corporation System
   (First Name / Middle Name / Last Name)

   Registered Office: 208 (Number) S. LaSalle Street (Street) 814 (Suite # (P.O. Box alone is unacceptable))

   Chicago (City) 60604 (ZIP Code) Cook (County)

5. States and Countries in which Corporation is admitted or qualified to conduct affairs: Delaware

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

	Street Address	City	State	ZIP
President Please see attached list				
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

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.

Please see attached purpose.

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 June (Month) 27 (Day), 2022 (Year) Advocate Health, Inc. (Exact Name of Corporation)

DocuSigned by: Michael Grebe
CTC05099...
Any Authorized Officer's Signature

Michael Grebe, Treasurer
Name and Title (type or print)

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

Attachment 1

7376-3134

ADVOCATE HEALTH, INC.

OFFICER AND DIRECTOR LIST

NAME	TITLE	ADDRESS
Eugene Woods	Co-Chief Executive Officer	1000 Blythe Boulevard Charlotte, NC 28203
James Skogsbergh	Co-Chief Executive Officer	3075 Highland Parkway, Suite 600 Downers Grove, IL 60515
Michael Grebe	Treasurer	750 West Virginia Street Milwaukee, WI 53204
Brett Denton	Secretary	1000 Blythe Boulevard Charlotte, NC 28203

7376 - 3134

PURPOSE OF ADVOCATE HEALTH, INC. (THE "CORPORATION")

The Corporation is a nonprofit corporation and is organized and shall be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"), including the making of distributions as permitted under Section 501(c)(3) of the Code. In furtherance thereof, the Corporation shall operate exclusively for the benefit of, perform the functions of, carry out the purposes of, and support The Charlotte-Mecklenburg Hospital Authority; North Carolina Baptist Hospital; Wake Forest University Health Sciences; AHSNF, Inc; AH Georgia, Inc.; Navicent Health, Inc.; Floyd Healthcare Management, Inc.; Atrium Health Foundation; Advocate Health and Hospitals Corporation; EHS Home Health Services, Inc.; Advocate Charitable Foundation; Advocate North Side Health Network; Meridian Hospice; Advocate Condell Medical Center; Advocate Sherman Hospital; Visiting Nurse Association of Wisconsin, Inc.; Aurora UW Academic Medical Group, Inc.; Aurora Health Care Metro, Inc.; Aurora Health Care Southern Lakes, Inc.; 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.; Aurora Advanced Healthcare, Inc.; AMG Illinois, Ltd.; Aurora Medical Center Grafton, LLC; Aurora Medical Center Bay Area, Inc.; and Kradwell School, Inc., each of which are exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code and classified as other than a private foundation under Section 509(a)(1) or Section 509(a)(2) of the Code or a political subdivision as defined in 26 CFR § 1.103-1. The Corporation may solicit, raise, receive, hold, invest and expend funds for the advancement and furtherance of such purposes as permitted by law, and may engage in any and all activities in furtherance of, related to, or incidental to these purposes, which may lawfully be carried on by a corporation formed under the General Corporation Law of Delaware ("DGCL"), except as restricted in the Certificate of Incorporation or in the Bylaws of the Corporation.

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation
Address of Site Owner: 3075 Highland Parkway, Downers Grove, IL 60615
Street Address or Legal Description of the Site: **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

See Attachment #2, Exhibit 1.

AdvocateAuroraHealth

3075 Highland Parkway
Suite 600
Downers Grove, Illinois 60515

T (630) 572-9393
advocateaurorahealth.org

March 9, 2023

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 Christ Medical Center
Additional Medical Surgical Beds

Dear Mr. Kniery:

This attestation letter is submitted to indicate that Advocate Health and Hospitals d/b/a Advocate Christ Medical Center owns the site of the hospital located at 4440 West 95th Street, Oak Lawn, Illinois 60453.

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 9th day of March, 2023

Michael E. Kerns
Notary Public

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

Advocate Health Care Aurora Health Care

Operating Identity/Licensee

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

Exact Legal Name: **Advocate Health and Hospitals Corporation**
Address: **3075 Highland Parkway, Suite 600, Downers Grove, IL 60515**

☒ 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.

Certificates of Good Standing for the applicants are provided as Attachment #3

Advocate Health and Hospitals Corporation
- IL Certificate of Good Standing

Advocate Aurora Health, Inc.
- IL Certificate of Good Standing
- DE Certificate of Good Standing
- Authorization for Advocate Aurora Health, Inc. to conduct business in IL

Advocate Health, Inc.
- IL Certificate of Good Standing
- Authorization for Advocate Health, Inc. to conduct business in IL

Attachment 3

File Number 1004-695-5

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias,** *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* 3RD *day of* MARCH *A.D.* 2023 .

Authentication #: 2306203384 verifiable until 03/03/2024
Authenticate at: https://www.ilsos.gov

Alexi Giannoulias
SECRETARY OF STATE

Attachment 3

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ADVOCATE AURORA HEALTH, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MARCH, A.D. 2023.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS AN EXEMPT CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ADVOCATE AURORA HEALTH, INC." WAS INCORPORATED ON THE FOURTH DAY OF DECEMBER, A.D. 2017.

6645600 8300C
SR# 20230875743
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202841931
Date: 03-06-23

Attachment 3

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

APRIL 3, 2018 7155-851-7

CT CORPORATION SYSTEM
118 W EDWARDS #200
SPRINGFIELD IL 62704

RE ADVOCATE AURORA HEALTH, INC.

DEAR SIR OR MADAM:

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

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

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

SINCERELY,

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

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

Secretary of State
Department of Business Services
501 S. Second St., Rm. 350
Springfield, IL 62756
217-782-1834
www.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 3

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

See attached.

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

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

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

Any Authorized Officer's Signature

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

Legal

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

7155-8517

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

Section 6: NAMES AND ADDRESSES OF DIRECTORS AND OFFICERS

Officers:

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

4835-2888-4064.2

7155 8517

Directors:

Name	Address
Michele Baker Richardson	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
John F. Timmer	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
Lynn Y. Crump-Caine	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
K. Richard Jakle	c/o Aurora Advocate Health, Inc. 3075 Highland Pkwy Suite 600, Downers Grove, IL 60515
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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

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ADVOCATE HEALTH, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF MARCH, A.D. 2023.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS AN EXEMPT CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ADVOCATE HEALTH, INC." WAS INCORPORATED ON THE NINTH DAY OF MAY, A.D. 2022.

6784998 8300C
SR# 20231117363
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202988197
Date: 03-23-23

Attachment 3

File Number 7376-313-4

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias,** *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, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 28, 2022, 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* 3RD *day of* MARCH *A.D.* 2023 .

Authentication #: 2306203418 verifiable until 03/03/2024
Authenticate at: https://www.ilsos.gov

Alexi Giannoulias
SECRETARY OF STATE

OFFICE OF THE SECRETARY OF STATE

JESSE WHITE-Secretary of State

7376-313-4
JUNE 28, 2022

C T CORPORATION SYSTEM
208 SO LASALLE ST, SUITE 814
CHICAGO, IL 60604-1101

RE ADVOCATE HEALTH, INC.

DEAR SIR OR MADAM:

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

PAYMENT OF THE FILING FEE IS HEREBY ACKNOWLEDGED.

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

SINCERELY,

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

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

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

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
JUN 28 2022
JESSE WHITE
SECRETARY OF STATE

File # 7376-3134 **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 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: May 9, 2022

   c. Period of Duration: perpetual

3. a. Address of Principal Office, wherever located: 1000 Blythe Boulevard, Charlotte, NC 28203

   b. Address of Principal Office in Illinois: 3075 Highland Parkway, Suite 600, Downers Grove, IL 60515

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

   Registered Agent: CT Corporation System
   (First Name / Middle Name / Last Name)

   Registered Office: 208 (Number) S. LaSalle Street (Street) 814 (Suite # (P.O. Box alone is unacceptable))

   Chicago (City) 60604 (ZIP Code) Cook (County)

5. States and Countries in which Corporation is admitted or qualified to conduct affairs: Delaware

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

	Street Address	City	State	ZIP
President Please see attached list				
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

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.

Please see attached purpose.

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 June (Month) 27 (Day), 2022 (Year) Advocate Health, Inc. (Exact Name of Corporation)

DocuSigned by: Michael Grebe
CTC05099...
Any Authorized Officer's Signature

Michael Grebe, Treasurer
Name and Title (type or print)

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

7376-3134

ADVOCATE HEALTH, INC.

OFFICER AND DIRECTOR LIST

NAME	TITLE	ADDRESS
Eugene Woods	Co-Chief Executive Officer	1000 Blythe Boulevard Charlotte, NC 28203
James Skogsbergh	Co-Chief Executive Officer	3075 Highland Parkway, Suite 600 Downers Grove, IL 60515
Michael Grebe	Treasurer	750 West Virginia Street Milwaukee, WI 53204
Brett Denton	Secretary	1000 Blythe Boulevard Charlotte, NC 28203

7376 - 3134

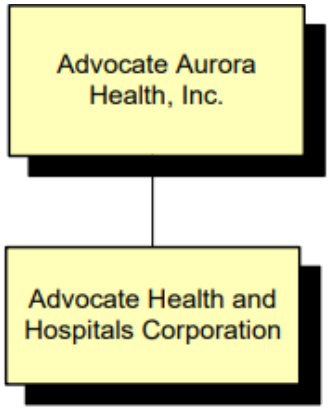
PURPOSE OF ADVOCATE HEALTH, INC. (THE "CORPORATION")

The Corporation is a nonprofit corporation and is organized and shall be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"), including the making of distributions as permitted under Section 501(c)(3) of the Code. In furtherance thereof, the Corporation shall operate exclusively for the benefit of, perform the functions of, carry out the purposes of, and support The Charlotte-Mecklenburg Hospital Authority; North Carolina Baptist Hospital; Wake Forest University Health Sciences; AHSNF, Inc; AH Georgia, Inc.; Navicent Health, Inc.; Floyd Healthcare Management, Inc.; Atrium Health Foundation; Advocate Health and Hospitals Corporation; EHS Home Health Services, Inc.; Advocate Charitable Foundation; Advocate North Side Health Network; Meridian Hospice; Advocate Condell Medical Center; Advocate Sherman Hospital; Visiting Nurse Association of Wisconsin, Inc.; Aurora UW Academic Medical Group, Inc.; Aurora Health Care Metro, Inc.; Aurora Health Care Southern Lakes, Inc.; 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.; Aurora Advanced Healthcare, Inc.; AMG Illinois, Ltd.; Aurora Medical Center Grafton, LLC; Aurora Medical Center Bay Area, Inc.; and Kradwell School, Inc., each of which are exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code and classified as other than a private foundation under Section 509(a)(1) or Section 509(a)(2) of the Code or a political subdivision as defined in 26 CFR § 1.103-1. The Corporation may solicit, raise, receive, hold, invest and expend funds for the advancement and furtherance of such purposes as permitted by law, and may engage in any and all activities in furtherance of, related to, or incidental to these purposes, which may lawfully be carried on by a corporation formed under the General Corporation Law of Delaware ("DGCL"), except as restricted in the Certificate of Incorporation or in the Bylaws of the Corporation.

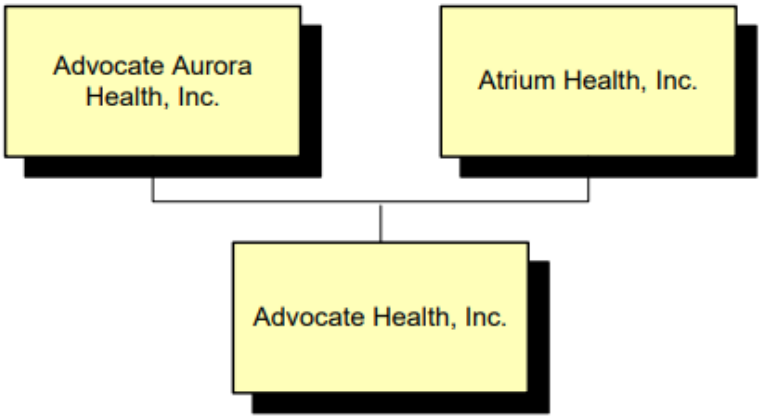
Organizational Relationships

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

See Attachment #4, Exhibit 1.



*Note because Advocate Health, Inc. has certain governance, management and operation oversight of Advocate Aurora Health, Inc. through a Joint Operating Agreement structure, it is also included as a co-applicant. Advocate Aurora Health, Inc. and Atrium Health, Inc. are the Corporate Members of Advocate Health, Inc.



= Not for Profit

100% Ownership Unless Otherwise Noted.

March 3, 2023

Attachment 4, Exhibit 1

Flood Plain Requirements

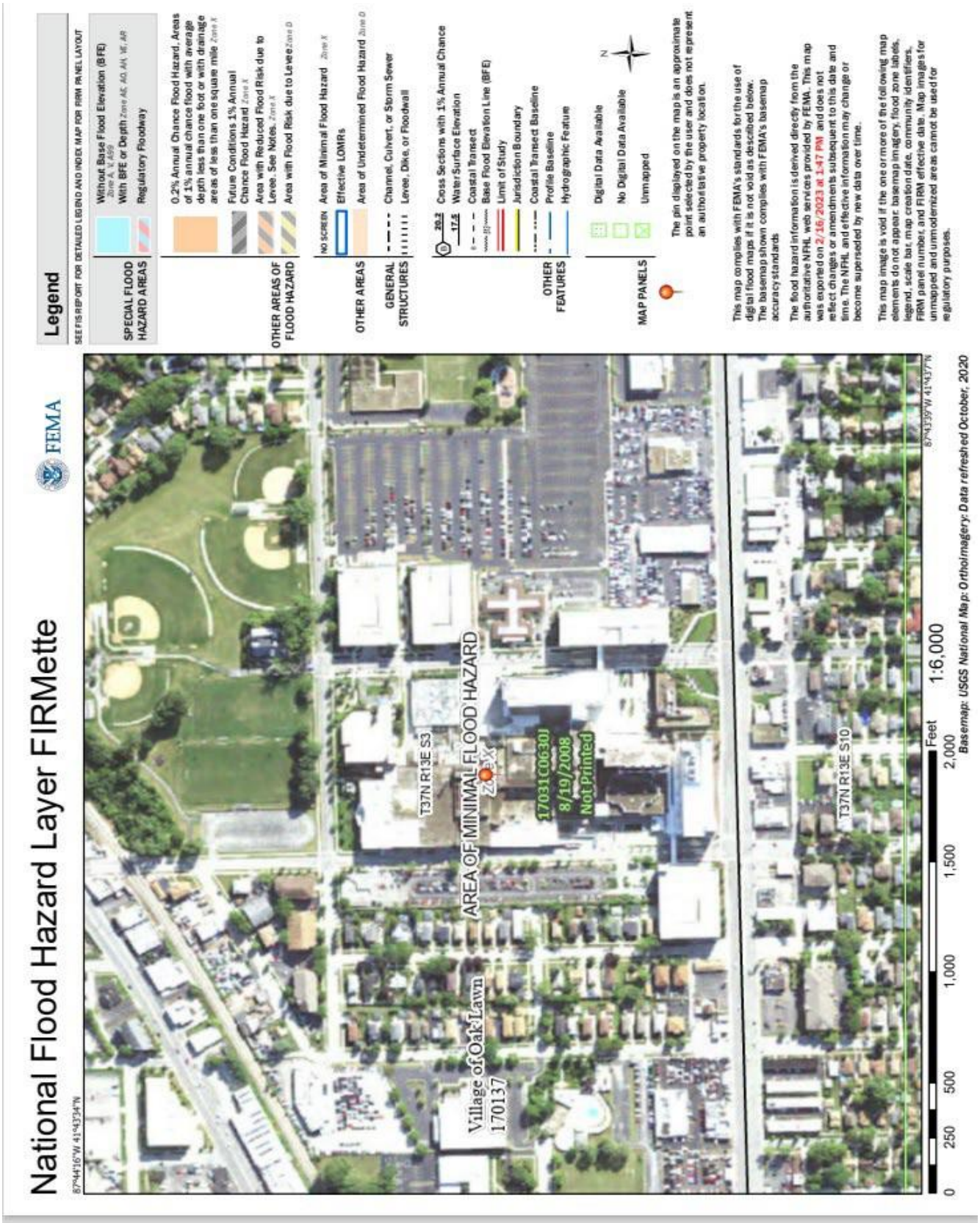
[Refer to application instructions.]

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



Attachment 5, Exhibit 1

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.

A letter was sent to the Illinois Department of Natural Resources (IDNR) on February 1, 2023, requesting a determination letter for this project. The IDNR, Historic Preservation Division is in the process of replying to that request. A copy of the letter is attached at Attachment – 6, Exhibit 1.

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

2/1/2023

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

RE: Historic Preservation Act Determination
Advocate Christ Medical Center CON request for increased number of medical-surgical beds by 11 (from 414 to 425 beds)

Dear Ms Mayer,

Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act, Advocate Health seeks a formal determination from the Illinois Historic Preservation Agency as to whether the proposed project to increase medical-surgical bed licenses (the "Proposed Project") affects historic resources.

1. Project Description and Address

Advocate Health seeks a certificate of need from the Illinois Health Facilities and Services Review Board to increase the number of medical-surgical beds by 11 (from 414 to 425 beds) at its existing hospital located at 4440 West 95th Street, Oak Lawn, IL 60453. The Proposed Project will involve modifications to 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 as Attachment 1.

3. Historic Architectural Resources Geographic Information System

A map from the Historic Architectural Resources Geographic Information System is attached as 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 as Attachment 3.

5. Address for Building/Structure

The Proposed Project will be located at 4440 West 95th Street, Oak Lawn, IL 60453.

Thank you for your time and consideration of our request for Historic Preservation Determination. If you have any questions, please contact me at myndee.balkan@aah.org

Sincerely,

Myndee Balkan
Health Facility Planning, Director
Advocate Aurora Health Care

Attachment 6, Exhibit 1

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	$ 207,587	$ 22,413	$ 230,000
Site Survey and Soil Investigation	$ -	$ -	$ -
Site Preparation	$ -	$ -	$ -
Off Site Work	$ -	$ -	$ -
New Construction Contracts	$ -	$ -	$ -
Modernization Contracts	$ 9,192,675	$ 992,520	$ 10,185,195
Contingencies	$ 715,463	$ 77,248	$ 792,711
Architectural/Engineering Fees	$ 867,282	$ 93,639	$ 960,921
Consulting and Other Fees	$ 304,251	$ 32,849	$ 337,100
Movable or Other Equipment (not in construction contracts)	$ 2,292,321	$ 247,499	$ 2,539,820
Bond Issuance Expense (project related)	$ 130,422	$ 14,081	$ 144,503
Net Interest Expense During Construction (project related)	$ 254,432	$ 27,471	$ 281,903
Fair Market Value of Leased Space or Equipment	$ -	$ -	$ -
Other Costs to Be Capitalized	$ 652,365	$ 70,435	$ 722,800
Acquisition of Building or Other Property (excluding land)	$ -	$ -	$ -
TOTAL USES OF FUNDS	$ 14,616,798	$ 1,578,155	**$ 16,194,953**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$ 4,052,617	$ 437,556	$ 4,490,173
Pledges	$ -	$ -	$ -
Gifts and Bequests	$ -	$ -	$ -
Bond Issues (project related)	$ 10,564,180	$ 1,140,600	$ 11,704,780
Mortgages	$ -	$ -	$ -
Leases (fair market value)	$ -	$ -	$ -
Governmental Appropriations	$ -	$ -	$ -
Grants	$ -	$ -	$ -
Other Funds and Sources			$ -
TOTAL SOURCES OF FUNDS			**$ 16,194,953**

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

Attachment 7

Attachment 7 - Itemization of Costs

Preplanning Costs:	**Total:**	**$**	**230,000**
	Concept and Programming	$	30,000
	Pre-Construction Services	$	200,000
Site Survey and Soil Investigation:	**Total:**	**$**	-
Off Site Work:	**Total:**	**$**	-
Site Preparation:	**Total:**	**$**	-
New Construction Contracts:	**Total:**	**$**	-
Modernization Contracts:	**Total:**	**$**	**10,185,195**
	Construction Cost	$	9,221,259
	General Conditions / Temp Utilities	$	874,451
	Insurance	$	89,485
Contingencies:	**Total:**	**$**	**792,711**
Architectural/Engineering Fees:	**Total:**	**$**	**960,921**
Consulting and Other Fees:	**Total:**	**$**	**337,100**
	CON Application & Fees	$	60,000
	Project Audit	$	65,000
	IDPH Plan Review	$	12,100
	Commissioning	$	25,000
	Building Inspections	$	-
	Permits / Testing	$	175,000
	Project Management	$	-
	Medical Equipment Planning	$	-
	Low Voltage Design	$	-
	Other	$	-
Movable and Other Equipment:	**Total:**	**$**	**2,539,820**
(not in construction contracts)	Major Medical	$	-
	Minor Medical	$	2,045,000
	IT / Telecom System	$	58,000

	Television System	$	105,000
	Modular Headwalls	$	201,820
	Security System	$	130,000
	Other	$	-
Bond Issuance Expense (project related):	**Total:**	**$**	**144,503**
Net Interest Expense During Construction (project related):	**Total:**	**$**	**281,903**
Other Costs to be Capitalized:	**Total:**	**$**	**722,800**
	Furnishings	$	155,000
	Signage	$	25,000
	Artwork	$	39,000
	Electrical Distribution Update for Life Safety system	$	-
	Radiant Heating Panel system supplement	$	-
	Owner Project Contingency	$	503,800
	TOTAL:	**$**	**16,194,953**

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): November 15, 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.
APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following CON/COE applications have received permits from the HFSRB and are in process of development. These projects are expected to be completed on time and within budget without any changes in scope.

Advocate Christ Medical Center	#14-057
Advocate Condell Medical Center	#20-004
Advocate Lutheran General Hospital	#21-003
Advocate Illinois Masonic Medical Center	#22-009
Advocate South Suburban Hospital	#22-028
Advocate Christ Medical Center	#E-051-22
Advocate Outpatient Center - South Elgin	#22-050
Advocate Outpatient Center - Chicago Webster	#23-002

Attachment 8

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.**

		Departmental 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 (11 beds requested)	$4,119,100	0	5,505	0	4,616	889	0
Medical-Surgical (20 beds approved COE #E-051-22)	$10,497,698	0	11,764	0	11,764	-	0
Total Clinical	**$14,616,798**	**0**	**17,269**	**0**	**16,380**	**889**	**0**
NON-REVIEWABLE							
General Circulation and Public Spaces	$1,083,014	0	1,419	0	1,419	0	0
Building Services (Electrical, Shafts)	$495,141	0	312	0	312	139	0
Total Non-clinical	**$1,578,155**	**0**	**1,731**	**0**	**1,592**	**139**	**0**
TOTAL	**$16,194,953**	**0**	**19,000**	**0**	**17,972**	**1,028**	**0**

There is no vacated space in the project.

Attachment 9

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

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

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.

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 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.

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.

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

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

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.

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.**

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

Attachment 11

For the following questions, please a listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

Attachment 11, Exhibit 1, is the listing of all Illinois licensed health care facilities owned by the applicants. Exhibit 2 is the current state hospital license for Advocate Christ Medical Center. 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.

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

By the signatures on the Certification pages of this application, the applicants attest there has been no "adverse action" (as that term is defined in Section 1130.140 of the Illinois Health Facilities and Services Review Board (HFSRB) rules) against any Illinois health care facility owned and/or operated by the applicants, during the three-year period immediately prior to the filing of this application.

Authorization permitting HFSRB and DPH access to any documents necessary.

The applicants hereby authorize the HFSRB and the Illinois Department of Public Health to access information that may be required 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 HFSRB or Illinois Department of Public Health find pertinent to this subsection.

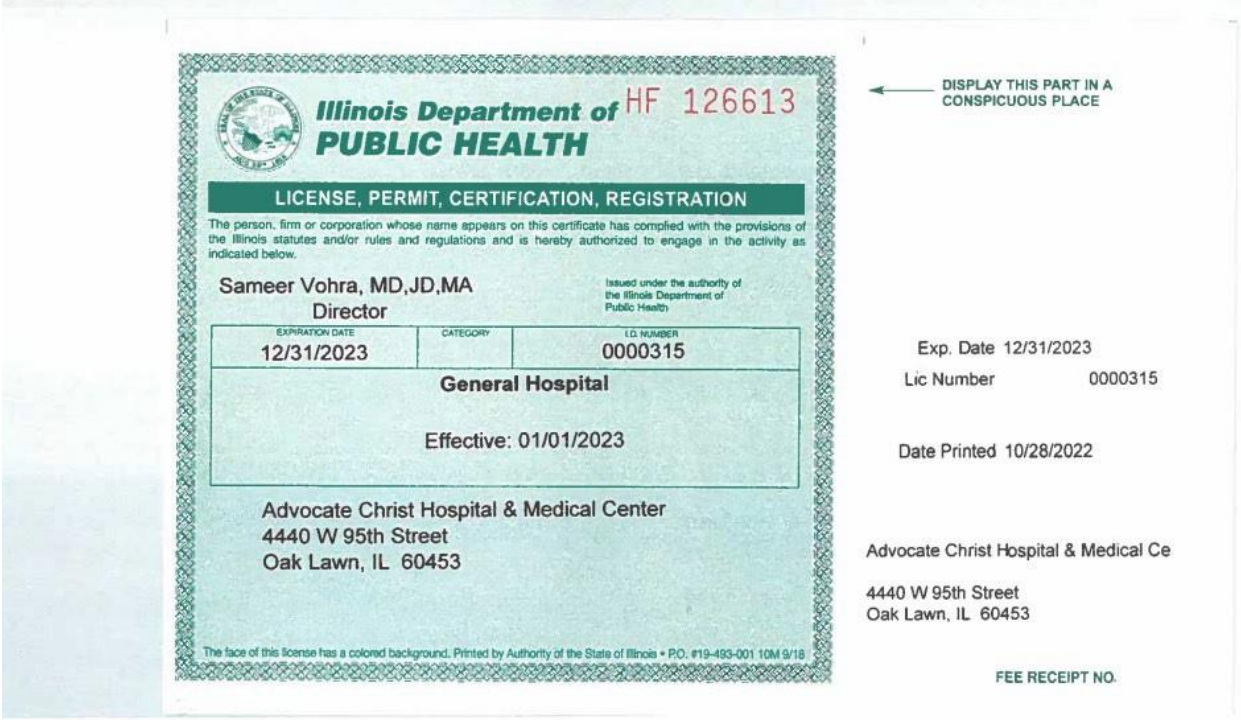
If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously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

Advocate Health and Hospitals Corporation, Advocate Aurora Health, Inc. and Advocate 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.

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

Illinois Hospitals owned and operated by the applicants.			
Facility	**Location**	**License No.**	**DNV Accreditation No.**
Advocate Christ Medical Center	4440 West 95th St, Oak Lawn, IL 60453	315	PRJC-435588-2012-MSL-USA
Advocate Condell Medical Center	801 South Milwaukee Ave, Libertyville, IL 60048	5579	PRJC-492361-2013- AST-USA
Advocate Good Samaritan Hospital	3815 Highland Ave, Downers Grove, IL 60515	3384	PRJC-369029-2012-MSL-USA
Advocate Good Shepherd Hospital	450 West Highway 22, Barrington, IL 60010	3475	PRJC-369027-2012-MSL-USA
Advocate Illinois Masonic Medical Center	836 West Wellington Ave, Chicago, IL 60657	5165	PRJC-529782-2015-AST-USA
Advocate Lutheran General Hospital	1775 Dempster St, Park Ridge, IL 60068	4796	PRJC-369033-2012-MSL-USA
Advocate Sherman Hospital	1425 North Randall Rd, Elgin, IL 60123	5884	PRJC-496379-2013-MSL-USA
Advocate South Suburban Hospital	17800 South Kedzie Ave, Hazel Crest, IL 60429	4697	PRJC-409982-2012-MSL-USA
Advocate Trinity Hospital	2320 East 93rd St, Chicago, IL 60617	4176	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 126613

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.

Sameer Vohra, MD,JD,MA
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2023		0000315

General Hospital

Effective: 01/01/2023

Advocate Christ Hospital & Medical Center
4440 W 95th Street
Oak Lawn, IL 60453

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 12/31/2023
Lic Number 0000315

Date Printed 10/28/2022

Advocate Christ Hospital & Medical Ce

4440 W 95th Street
Oak Lawn, IL 60453

FEE RECEIPT NO.

Attachment 11, Exhibit 2

DNV

HEALTHCARE CERTIFICATE

Certificate no.:
C539805

Initial certification date:
15 April, 2013

Valid:
15 April, 2022 – 15 April, 2025

This is to certify that the management system of

Advocate Christ Medical Center and Advocate Children's Hospital - Oak Lawn
4440 W. 95th Street, Oak Lawn, IL, 60453, 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, 22 April, 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

File Number 1004-695-5

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias,** *Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

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

Authentication #: 2306203384 verifiable until 03/03/2024
Authenticate at: https://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* 3RD *day of* MARCH *A.D.* 2023 .

Alexi Giannoulias
SECRETARY OF STATE

Attachment 11, Exhibit 4

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ADVOCATE AURORA HEALTH, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MARCH, A.D. 2023.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS AN EXEMPT CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ADVOCATE AURORA HEALTH, INC." WAS INCORPORATED ON THE FOURTH DAY OF DECEMBER, A.D. 2017.

6645600 8300C
SR# 20230875743
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202841931
Date: 03-06-23

File Number 7155-851-7

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias,** *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* 3RD *day of* MARCH *A.D.* 2023 .

Authentication #: 2306203464 verifiable until 03/03/2024
Authenticate at: https://www.ilsos.gov

Alexi Giannoulias
SECRETARY OF STATE

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ADVOCATE HEALTH, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF MARCH, A.D. 2023.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS AN EXEMPT CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ADVOCATE HEALTH, INC." WAS INCORPORATED ON THE NINTH DAY OF MAY, A.D. 2022.

Jeffrey W. Bullock, Secretary of State

6784998 8300C
SR# 20231117363
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202988197
Date: 03-23-23

File Number 7376-313-4

To all to whom these Presents Shall Come, Greeting:

I, **Alexi Giannoulias,** *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, INC., INCORPORATED IN DELAWARE AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 28, 2022, 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 #: 2306203418 verifiable until 03/03/2024
Authenticate at: https://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* 3RD *day of* MARCH *A.D.* 2023 .

Alexi Giannoulias
SECRETARY OF STATE

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

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

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

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

Cite the sources of the documentation.

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

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.

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

Advocate Christ Medical Center (ACMC) needs to expand its medical/surgical capacity to maintain access to tertiary care services for residents of the AAH South Chicagoland Service Area.

ACMC is the region's tertiary/quaternary referral center. It is the only Level I trauma center in the Advocate Health's 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, cardiology, neurosurgery, oncology, anesthesiology, emergency medicine, radiology, internal medicine, plastic surgery, oral and maxillofacial, pediatric, and critical care. These services are essential for:

- Open Heart surgeries
- Transplant procedures
- Traumatic brain injuries
- Blunt force trauma including falls

- Gun shot and stab wounds
- Serious auto accidents

Due to its Level I trauma status and the broad array of specialized tertiary/quaternary and advanced care services it offers, patients residing in the AAH South Chicagoland Service Area depend on ACMC for such care and is the hospital in the Service Area that admits the most critically ill patients. As outlined in Attachment 19, Advocate Christ has continually operated above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity in four of the last five years.

The COVID-19 pandemic has only exacerbated the need for additional medical/surgical beds at ACMC and a shortage of beds creates access issues for patients requiring specialized care. ACMC temporarily converted beds from other categories of service and clinical areas 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 additional 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.

Adding medical/surgical capacity at ACMC will provide much needed access to inpatient services that patients require when seeking care at the hospital. Additional medical/surgical beds will assist with managing patient flow from the point of admission to discharge. Additional beds will assist with moving patients out of the emergency room, creating capacity in the ED and assisting with by-pass restrictions. Additional beds will also provide appropriate Medical Surgical capacity for patients prepared to be transitioned from more complex units, such as the ICU.

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

Advocate Christ Medical Center (ACMC) is a tertiary/quaternary referral center and teaching hospital. ACMC serves the southwest Chicago suburbs in Oak Lawn. The hospital is located in the State Board Planning Area A-04 as shown in Attachment 12, Exhibit 1.

The primary market area is very similar to State Board Planning Area A-04. The AAH South Chicagoland Service Area extends farther southwest into Will County to include Mokena, Frankfort, and New Lenox, as well as northwest Indiana, including Dyer, Gary, Hammond, Merrillville, and Munster; and does not include City of Chicago proper as part of its service area. Attachment 12, Exhibit 2 is a map of all Trauma Center locations is Illinois. Attachment 12, Exhibit 3 provides a map of the AAH South Chicagoland Service Area.

Population projections for the Service Area are provided in the table below. Although the total population in the service area is projected to remain stable, the 65+ population is projected to grow by 9%, expecting over 32,000 additional older residents. The Hospital is preparing for the increased demand for healthcare that accompanies that change.

South Chicagoland PSA Demographics					
Age Group	**2022 Population**	**2027 Population**	**2022 % of Total**	**Population Change**	**Population Change**
0-19	558,748	530,799	25.8%	-27,949	-5.0%
20-44	718,894	696,806	33.1%	-22,088	-3.1%
45-64	523,669	490,516	24.1%	-33,153	-6.3%
65+	367,832	400,449	17.0%	32,617	8.9%
TOTAL	**2,169,140**	**2,118,571**	**100.0%**	**-50,569**	**-2.3%**

The race and ethnicity are reflective of this community and differ significantly from the National percentages. It is notable that there are increases in some of the ethnic populations. The Hospital has a strong pattern of providing care to the Hispanic population with multilingual staff in many areas. As the multicultural aspects of the community change, the Hospital is committed to meet the social and medical needs of the population.

South Chicagoland PSA Demographics					
Ethnicity/Race	**2022 Population**	**2027 Population**	**2022 % of Total**	**Population Change**	**Population Change**
Asian	64,851	65,604	3.0%	753	1.2%
American Indian	22,094	23,631	1.0%	1,537	7.0%
Black	905,763	874,477	41.8%	-31,196	-3.4%
Pacific Islander	716	708	0.0%	-8	-1.1%
White	690,010	654,939	31.8%	-35,071	-5.1%
Other Race	271,483	275,330	12.5%	3,847	1.4%
Multiple Races	214,313	223,878	9.9%	9,565	4.5%
TOTAL	**2,169,140**	**2,118,571**	**100.0%**	**-50,569**	**-2.3%**
Hispanic	**542,160**	**542,741**	**25.0%**	**581**	**0.1%**

Source: Esri 2022

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

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

Advocate Christ Medical Center has a long history of caring for people in the Chicago area. Its origin dates back to 1960. In November 2000, Advocate Christ Medical Center became a member of Advocate Health Care. Advocate merged with Aurora Health Care in Wisconsin in 2018 to become Advocate Aurora Health.

In December 2022, Advocate Aurora Health combined with Atrium Health to create Advocate Health. Advocate Christ Medical Center is now part of Advocate Health, the fifth-largest nonprofit, integrated health system in the United States.

As the system continues to carry out its mission to be the best place for patients to receive care and physicians to practice, there is a continuous evaluation of the hospitals assets and the infrastructure. This project addresses the need to modernize outdated facilities adding inpatient rooms sized to meet industry standards to accommodate current procedures, technology, and privatization of the bed units.

Additional M/S beds would permit ACMC to:

- Accommodate increased projected patient days
- Manage ACMC's high patient census and appropriate patient placement into the right level of care
- Improve throughput, patient flow, and ED access
  Modernize facilities for patients with increasing complexity
- Assist with transfer requests from community hospitals for higher level of care for the following service lines: Neurology, ENT, Orthopedics, Cardiovascular, General Medical and Trauma.

A Master Facility Plan to review the South Chicagoland area and the Christ campus is ongoing and identified the immediate need to provide additional M/S bed capacity. The continued investment in this campus is critical to provide access to current and future patients.

The planned project will help address the issue of high utilization in specialty medical programs and the associated medical-surgical beds at ACMC. The additional medical/surgical beds are needed to adequately address the acute care needs in the AAH South Chicagoland Service Area.

4. Cite the sources of the documentation.

Information used in this application included reports submitted to the State and various credentialing organizations, the Strategic Master Plan, analysis done by external planners, architects, and engineers. Physician experts were consulted as well as independent professionals in relevant disciplines.

Sources included:

- Clinical, administrative, and financial data from Advocate Health and Hospitals Corporation and Advocate Christ Medical Center
- Advocate Christ Medical Center Strategic Master Facility Plan Illinois Department of Public Health Hospital Licensing Code
- Illinois Health Facilities and Services Review Board (HFSRB) Administrative Rules IHA Compdata
- AIA/FGI Guidelines for Design and Construction of Health Care Facilities Advocate Christ Medical Center Financial Data
- Esri Population 2022 and the US Census Bureau Sg2 Market Estimates and Projections Advocate Medical Group
- HFSRB Hospital Profiles HFSRB Inventories and Data HFSRB State Agency Reports
- Health care literature regarding current trends

The codes used in the design included:

- 2018 International Building Code 2014 State of Illinois Plumbing Code 2018 Chicago Electrical Code
- 2018 International Fire Code
- 2018 International Mechanical Code 2018 International Fuel & Gas Code
- 2018 International Energy Conservation Code 2018 International Existing Structures Code 2018 Illinois Accessibility Code
- IDPH Hospital Licensing Act
- 2012 NFPA 101 Life Safety Code, and as referenced by the 2012 NFPA 101
    - 2010 NFPA 10, Standard for Portable Fire Extinguishers
    - 2010 NFPA 13, Standard for the Installation of Sprinkler Systems 2011 NFPA 70, National Electrical Code
    - 2010 NFPA 72, National Fire Alarm Code
    - 2010 NFPA 80, Standard for Fire Doors and Fire Windows
    - 2012 NFPA 90A, Standard for the Installation of Air-Conditioning and Ventilating Systems 2012 NFPA 99, Standard for Health Care Facilities
    - 2010 NFPA 110, Standard for Emergency and Standby Power Systems
    - 2012 NFPA 220, Standard on Types of Building Construction
    - 2010 NFPA 14, Standard for the Installation of Standpipe, Private Hydrants, and Hose Systems

Attachment 12

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

The primary purpose of the project is to provide additional medical surgical bed capacity to supports the population in the service area. The proposed project will improve access and provide additional capacity to specialized care at ACMC and provide increased availability of beds in the medical surgical category of service.

This project is one that supports the underlying goal of Advocate Aurora's diversity, equity, and inclusion strategy; anchored by our purpose to help people live well and fueled by a commitment to transform our workplace and our communities. This is due to the belief that a diverse workforce and strong community partnerships allow Advocate to deliver equitable care for all. Advocate Aurora is working to close gaps, foster a thriving inclusive environment and ensure outcomes that are consistent and fair.

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

The principal goal for this project is to invest in the Advocate Christ campus by increasing capacity in the medical surgical category of service.

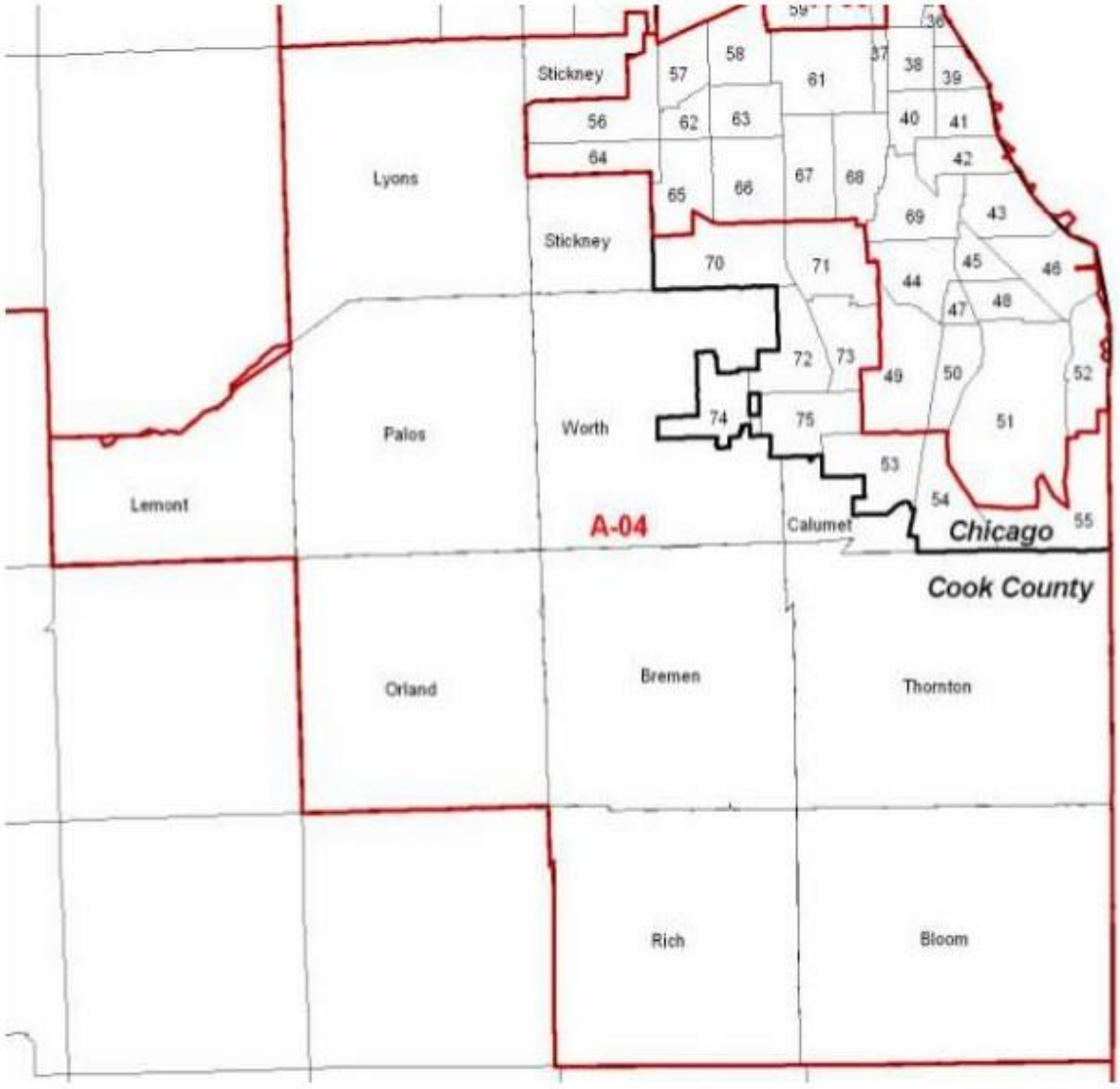
The phasing of this project was well thought out to provide the safest, high-quality care and minimized disruption to patients and clinicians. This project will be Phase 2B in a series of concurrent COE/CON projects.

<u>Phase 1</u>
Establishment of the AMI service at Advocate South Suburban Hospital
(CON# 22-028 approved 12/22)
<u>Phase 2A</u>
Discontinuation of the AMI service and additional 20 M/S beds at Advocate Chris Medical Center (COE# E-051-22 approved 12/22) – 5 South unit
<u>Phase 2B</u>
Additional 11 M/S beds at Advocate Chris Medical Center (5 South and 5 West units)

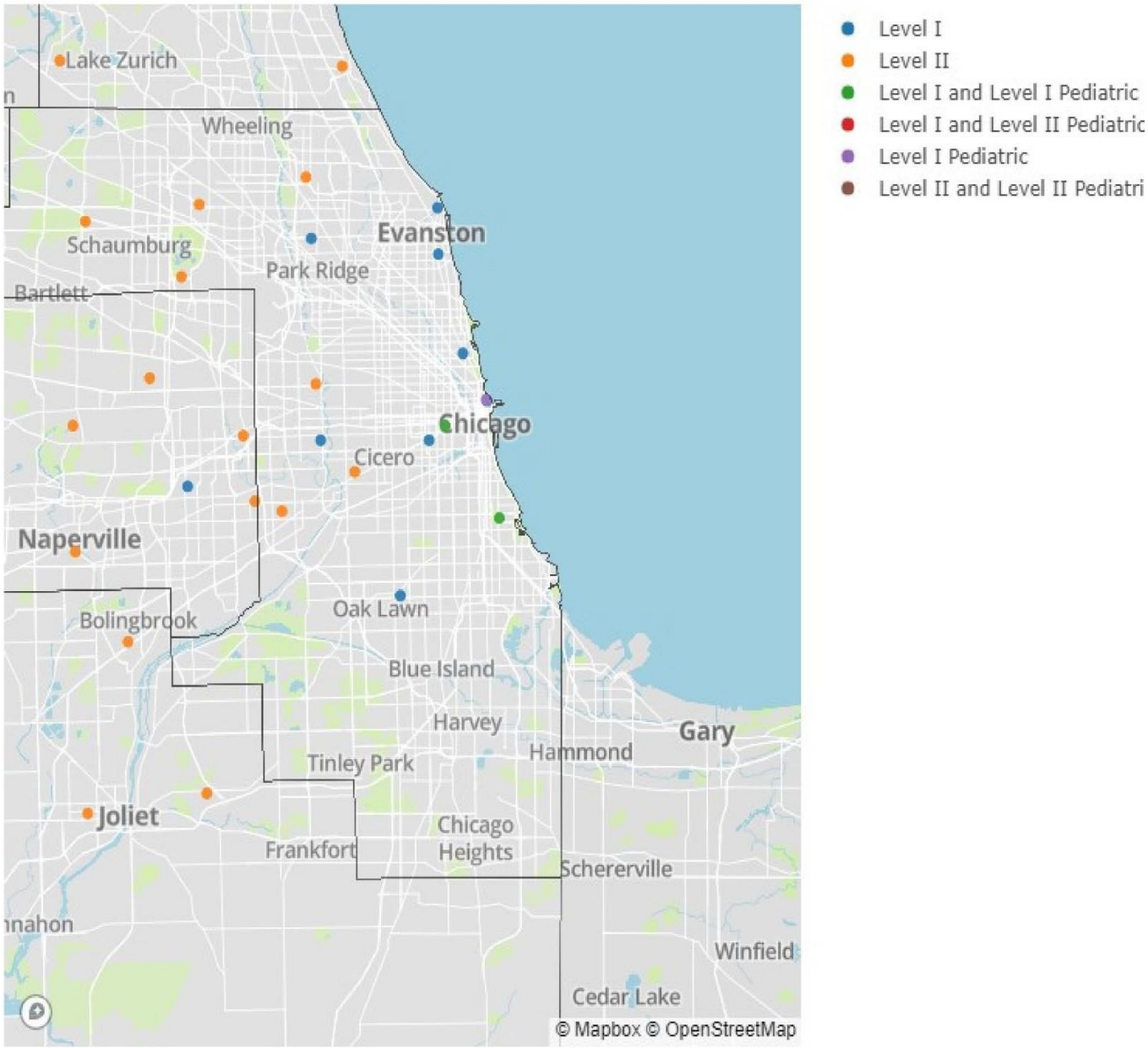
The entire project is expected to be completed and operational by November 15, 2024.

Throughout this project, Advocate Christ Medical Center is committed to spending 30% of construction cost with diversity, equity, and inclusion focused companies.

Map of Planning Area A-04

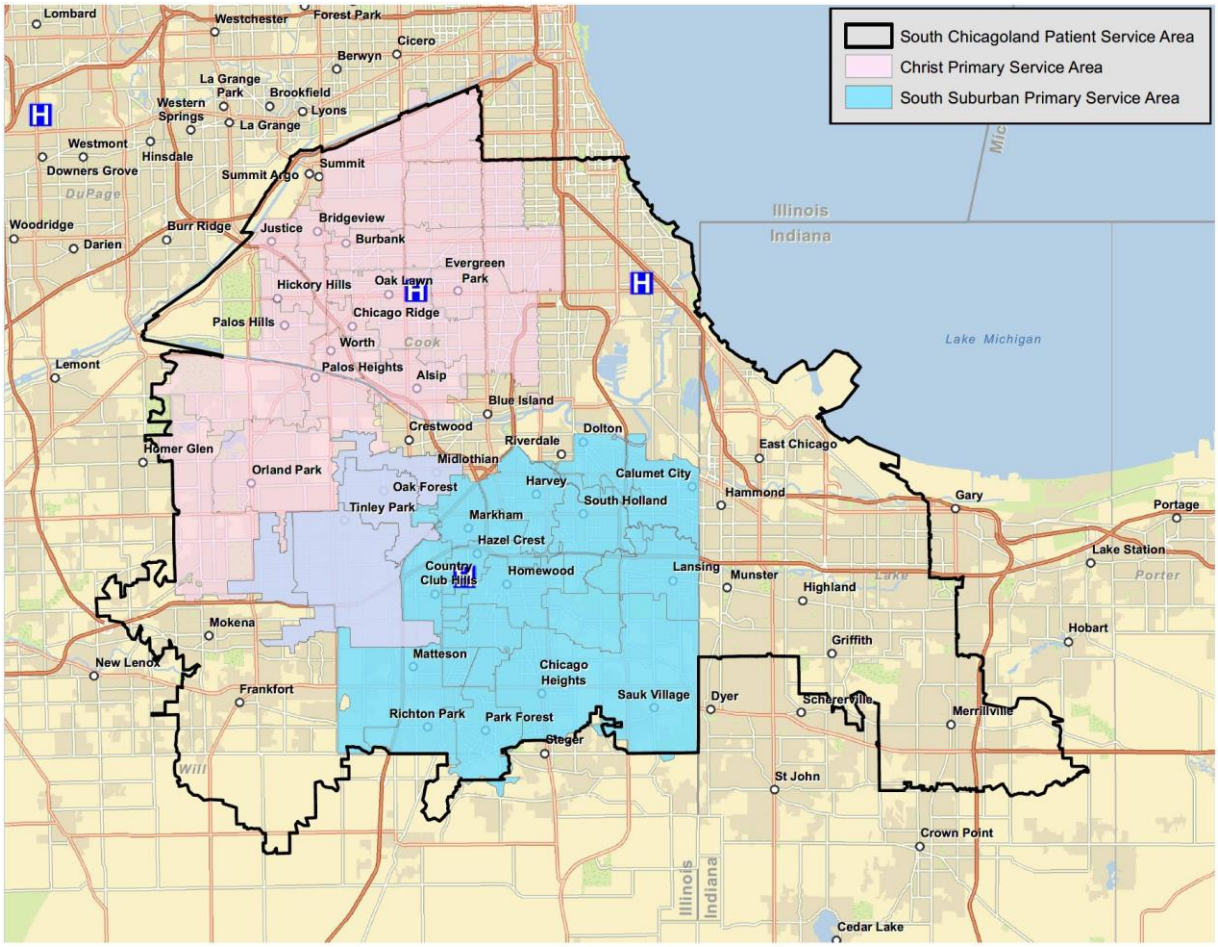


Illinois Trauma Centers



Attachment 12, Exhibit 2

Advocate Christ Medical Center
Patient Service Area



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.

As part of the overall Advocate Christ Medical Center (ACMC) Master Facility Planning process it was determined that there was a critical need for additional medical surgical inpatient beds to address utilization and capacity issues across the hospital's campus. Recommendations were provided to resolve a portion of the need for additional medical surgical beds at the current facility to enhance patient safety, health outcomes, and operational efficiency.

Several alternatives as outlined below were evaluated based on the recommendations of Advocate Health's Master Facility team and the Hospital's administration. The Applicants considered the following options in the evaluation to add 11 additional medical surgical beds to ACMC.

Alternative One - Maintain Status Quo/Do Nothing

This option was to maintain the number of inpatient medical surgical beds at Advocate Christ. ACMC is a tertiary referral center, teaching hospital and is the only Level I trauma center in the AAH South Chicagoland Service Area. Due to its tertiary/quaternary and Level I trauma status, ACMC is the only hospital in the service area that can admit the most critically ill patients.

Medical/Surgical units at ACMC continually operate above the State Board utilization standard with average utilization at maximum capacity in three of the last four years. Occupancy is consistently above 90% at the midnight census and is 11% higher mid-day. This does not account for the peak census in specific months and days of the week where census is considerably higher.

Patient placement is challenged in units that include semi-private beds as cohorting these patients is not always an option. The COVID-19 pandemic has only exacerbated the need for additional medical/surgical beds at ACMC. ACMC temporarily increased the number of 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. Maintaining the status quo would not address the growing need for tertiary/quaternary care services at ACMC nor would it address the discontinuation of waivers that has allowed ACMC to temporarily operate with additional beds.

There is no capital cost for this alternative.

Alternative Two - Add an addition to a hospital building to create an additional M/S unit

The most operationally efficient option to add new square footage on the Christ Medical Center campus for inpatient rooms would be to vertically expand the existing East Tower. Vertical expansion is a disruptive endeavor on an operational campus and would not be financially feasible to solely build out a single unit/floor. Due to this, the addition would be built to the maximum capacity planned for the existing structure consisting of 4 occupied floors and 1 mechanical floor. Only a single floor would be fitted out to accommodate the additional M/S unit, all other floors would be left as shelled space in this Alternative.
The option to construct the vertical expansion to accommodate additional medical surgical beds would address the capacity issue and create appropriate design space for these patients. It was determined however, that the vacated AMI space on the hospital's fifth floor could be renovated and modernized as medical/surgical beds, and the cost to add additional floors would be significantly higher than this project cost. As good financial stewards, it was determined that modernization was a more appropriate option.

The cost of this alternative is $160,712,500.

Alternative Three - Add additional 11 M/S beds adjacent to the additional M/S beds to create one unit in the vacated AMI unit location.

This option was determined to be the best alternative as it increases the medical surgical capacity and creates an efficient unit in the vacated space. This project will modernize and renovate the space that will be vacated by the AMI beds and ancillary areas of the AMI service in project E-051-22 that was approved by the HFSRB in December 2022. The space vacated by the discontinuation of the Inpatient Behavioral Health service could support the modernization needed to create an additional medical surgical floor.

This project is designed to increase access while being fiscally responsible by using existing space with minimal patient disruption. This project will be completed concurrently with the additional 20 M/S beds approved creating schedule and cost efficiencies. The phasing of the additional 11 M/S beds now creates one comprehensive unit and limits any future disturbance by delaying adjacent construction.

The cost of this alternative is $16,194,953.

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?**

Attachment 14

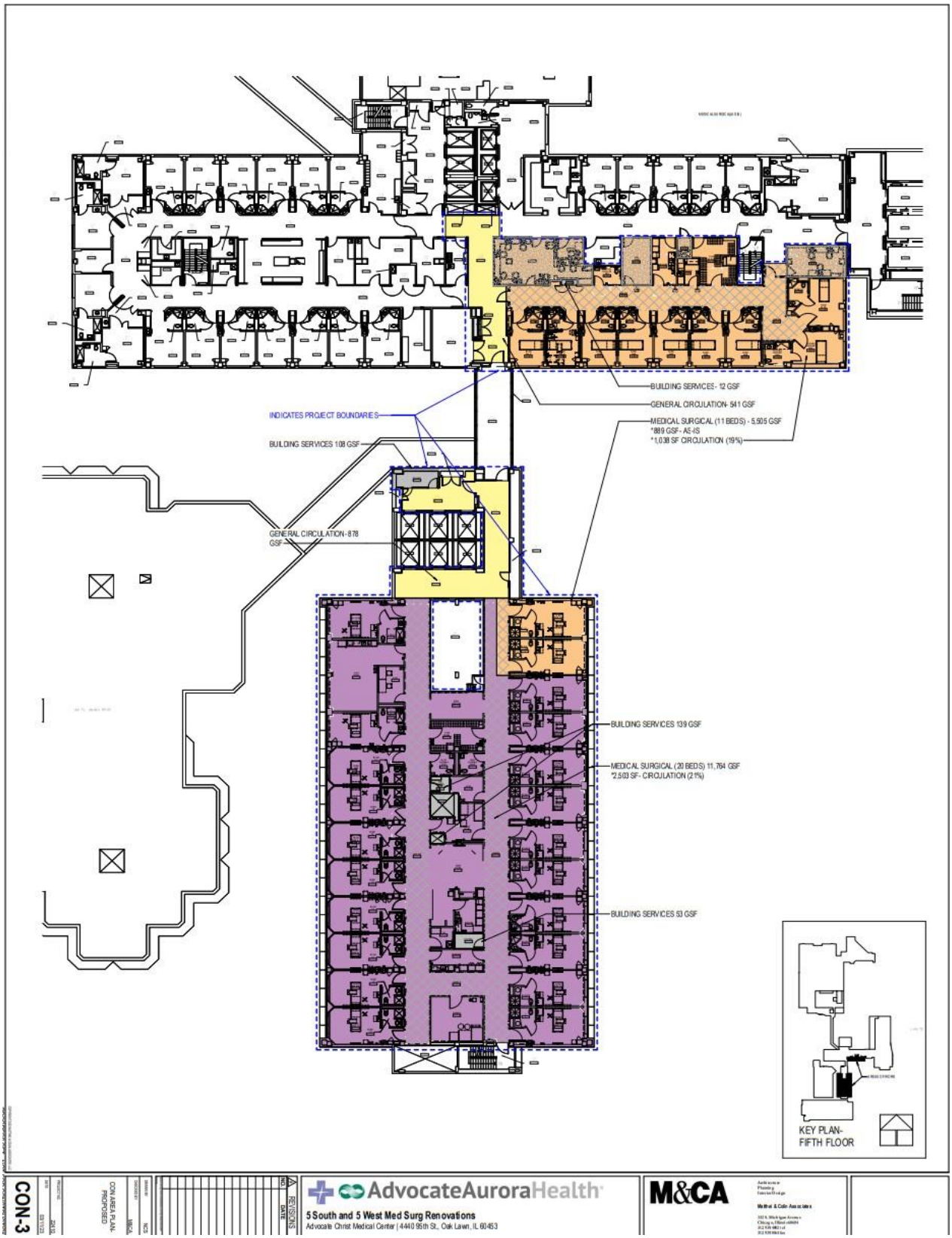
SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Medical-Surgical (11 beds)	5,505	500-660 DGSF/Bed (11 beds x 500-660 = 5,500 SF- 7,260 SF)	5 SF - (1,755 SF)	YES
Medical-Surgical (20 beds approved COE # E-051-22)	11,764	500-660 DGSF/Bed (20 beds x 500-660 = 10,000 SF - 13,200 SF)	1,764 SF - (1,436 SF)	YES
General Circulation and Public Spaces	1,419	NA		NA
Building Services (Electrical, Shafts)	312	NA		NA

The Medical-Surgical Unit is to be located within renovated space in an existing bed tower and will utilize the same patient room and support core size and layout reflected on floors above and below the renovated.
The proposed 500-660 dgsf/Bed for the unit has been met and is below the state standards, as outlined in the IL Administrative Code 1100.

A drawing of the proposed project is included in Attachment 14 Exhibit 1 that outlines in the medical surgical beds (11 beds) in Orange and the medical surgical beds (20 beds-approved in COE #E-051-22 in purple.

Non-Clinical Components
The Non-clinical components of the project total 1,731 DGSF of space. This includes general circulation, public spaces and building services.

There are no State Guidelines for the non-clinical components of the project.



Attachment 14, Exhibit 1

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.

The proposed Project includes the Medical Surgical Category of Service for which the Illinois Health Facilities and Services Review Board has established standards.
The medical surgical utilization has been projected to 2026, when utilization is anticipated in the project.

DEPT./SERVICE	HISTORICAL UTILIZATION	PROJECTED UTILIZATION*	STATE STANDARD	MEET STANDARD?
	2022	2026		
Med/Surg Patient Days	154,100	162,771	328.5 days per room = 469	Yes

*Projected Utilization – 2 years post completion

Attachment 15

Medical-Surgical Projected Bed Need

The projected utilization for the Medical Surgical Projected Bed Need, as outlined in Attachment 19, was developed using the formula for the Need Determination Assessment in Part 1100 Narrative and Planning Policies Section 1100.520.
The projections for demand are driven by the pattern of growth of patients currently admitted to the Medical Surgical Units.

ACMC	2019	2020	2021	2022	% Change 2019-2022	Compound Annual Growth Rate
M/S Days	147,901	140,513	150,989	154,100	4.2%	1.4%

To project demand for the Medical Surgical units, the Compound Annual Growth Rate (CAGR) was applied to develop the trend line to 2026 (2 years post completion of the project).

Compound Annual Growth Rate	2023	2024	2025	2026
1.4%	156,224	158,376	160,559	162,771

The current utilization has continually been above the State Board utilization standard for medical/surgical units, with average utilization exceeding the maximum capacity since 2015.

The state standard for M/S occupancy is calculated:

365 days per year x 90% =328.5 days per bed
In 2022, there were 154,100 patient days divided by 328.5 days per bed = 469 beds

The inpatient M/S patient days are projected to increase and by the second year after the proposed project is complete, the patient days are projected to be 162,771. With the additional M/S beds, the utilization will continue to be remain above the state target occupancy of 90%. With this projected occupancy, 495 medical surgical beds will be needed.

Patient days are projected to continue to increase due to increasing complexity of specialty patients requiring longer inpatient stays. As a Level 1 Trauma Center, the increase in trauma patients and the increased acuity of inpatients demonstrates the need for a greater number of inpatient patient days and need to increase Medical Surgical beds. The projected increased number of 65 and older population in the hospital's service area will further increase the number of Inpatients with co-morbidities that will require increasingly complex inpatient care to support the needs of patients living in service area.

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

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

4. Provide:

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

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

Not Applicable – no shell space.

Attachment 16

ASSURANCES:

Submit the following:

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.

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

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 – no shell space.

Attachment 17

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:

A. Criterion 1110.200 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

1. Applicants proposing to establish, expand and/or modernize the Medical/Surgical, Obstetric, Pediatric and/or Intensive Care 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
☒ **Medical/Surgical**	**414**	**425**
☐ **Obstetric**		
☐ **Pediatric**		
☐ **Intensive Care**		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.200(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (Formula calculation)	X		
1110.200(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.200(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.200(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.200(b)(5) - Planning Area Need - Service Accessibility	X		
1110.200(c)(1) - Unnecessary Duplication of Services	X		
1110.200(c)(2) - Maldistribution	X	X	
1110.200(c)(3) - Impact of Project on Other Area Providers	X		

1110. 200(d)(1), (2), and (3) - Deteriorated Facilities			X
1110.200(d)(4) - Occupancy			X
1110.200(e) - Staffing Availability	X	X	
1110.200(f) - Performance Requirements	X	X	X
1110.200(g) - Assurances	X	X	

APPEND DOCUMENTATION AS ATTACHMENT 19, 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:

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.

Advocate Christ Medical Center is a tertiary/quaternary referral center and teaching hospital located in Oak Lawn, the southwest suburbs of Chicago in Cook County, with the surrounding communities including Alsip, Beverly, Bridgeview, Burbank, Evergreen Park, Hometown, Justice, Merrionette Park, Mt. Greenwood, Palos Heights, Palos Hills and Worth.

The proposed project will add 11 medical surgical beds to the 414 medical surgical beds.

These requested 11 medical surgical beds will be developed concurrently and located on the fifth floor with the 20 medical surgical beds added in the recently approved COE permit, for a single comprehensive project.

This project will modernize and renovate the space that will be vacated by the AMI beds and ancillary areas of the AMI service in project E-051-22 that was approved by the HFSRB in December 2022. These new rooms will be designed with the current standard of care, supporting patient safety and quality, enhancing the patient experience, improving staff efficiency, and reducing unnecessary costs. The space will require renovation to comply with medical surgical code requirements. The pandemic has highlighted the need for private rooms that address improved bed placement, effective throughput, and infection control needs.

B) Applicants proposing to add beds to an existing category of 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.

Attachment 19

In 2022, 82% of the Medical Surgical patients resided in the Hospital's service area and 93% within Cook County. The table below provides the Med Surg IP patient origin.

Medical Surgical IP Patient Origin 2022	
Service Area	
Primary – Patient Service Area	66.3%
Secondary – Patient Service Area	15.5%
Other	18.2%
TOTAL	100.0%
Cook County	93.3%

Medical Surgical patient origin by zip code for 2022 is shown in Attachment 18, Exhibit 1.

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

The Hospital expects that the additional Medical Surgical patients to have similar patient origin as shown in Attachment 18, Exhibit 1.

4) Service Demand – Expansion of Existing Category of Service

The number of beds to be added for each category of service is necessary to reduce the facility's experienced high occupancy and to meet a projected demand for service. The applicant shall document subsection (b)(4)(A) and either subsection (b)(4)(B) or (C):

A) Historical Service Demand

i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the category of service, as specified in 77 Ill. Adm. Code 1100, for each of the latest 2 years.

As outlined in the Table below, the medical surgical occupancy had grown consistently year over year. The inpatient M/S patient days are projected to increase and by the second year after the proposed project is complete, patient days are projected to be 162,771.
The current utilization has continually been above the State Board standard for medical/surgical units and is projected to continue to remain above the state target occupancy of 90%.

Table 1110.11(b) Advocate Christ Medical Center Medical/Surgical Utilization 2015 – Projected 2026									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Projected 2026**
Beds	394	394	394	394	394	394	394	394	425
Admissions	23,669	24,307	25,483	25,666	25,388	24,222	23,284	20,923	22,100
Inpatient Days	118,598	131,055	136,234	142,417	145,141	136,923	146,997	147,241	155,526
Observation Days	980	2,211	2,316	3,149	2,760	3,590	3,992	6,859	7,245
TOTAL Days	119,578	133,266	138,550	145,566	147,901	140,513	150,989	154,100	162,771
Average Length of Stay	5.1	5.5	5.4	5.7	5.8	5.8	6.5	7.4	7.4
Average Daily Census	327.6	365.1	379.6	398.8	405.2	385.0	413.7	422.2	445.9
Utilization	83.1%	92.7%	96.3%	101.2%	102.8%	97.7%	105.0%	107.2%	100+%
Beds Justified	**364**	**406**	**422**	**443**	**450**	**428**	**460**	**469**	**495**

Sg2 estimates that although inpatient discharges are projected to decline by 1% over the next 5 years, inpatient days are projected to increase by 5% over the next 5 years, 9% over the next 10 years. National trends project the acuity of inpatient admissions will continue to rise and result in an increase in average length of stay and patient days. Inpatient days are projected to continue to increase in part due to the growth of the aging population in the service area.

The population for the Advocate Christ service area illustrated a projected 9% growth in the 65+ population, expecting an increase of over 32,000 additional older residents. Due to the increased number of critically ill patients, Advocate Christ Medical Center has experienced an increase in patient acuity on the Medical Surgical units. The higher census on peak flow days over the past 3 years has highlighted the need for 460+ medical surgical beds now and into the future.

ii) If patients have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the latest 2 years.

Inpatient admissions would not need to be transferred out to other facilities as it is the routine practice of the hospital to admit all patients that present needing inpatient care. No referrals to other facilities have been included.

B) Projected Referrals

The applicant shall provide the following:

The applicant did not include letters of referral from physicians. The patients are already presenting to the hospital and included in the current demand. The members of the medical staff continue to send their patients to Advocate Christ Medical Center.
Therefore, criteria i) to iv) are not included.

Physician referral letters that attest to the physician's 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 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 experienced caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share within a 24-month period after project completion.
iii) Each referral letter shall contain 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.

C) Projected Service Demand – Based on Rapid Population Growth:
If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

The growth in population does not meet the criteria for Rapid Growth so criteria i) to vii) are not included.

i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract.
ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township, or community area, by the U.S. Census Bureau or IDPH.
iii) Projections shall be for a maximum period of 10 years from the date the application is submitted.
iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected.
v) Projections shall contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to or in excess of the projection horizon.
vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFSRB, for each category of service in the application; and
vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFSRB.

d) Category of Service Modernization

1) If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:
A) High cost of maintenance.
B) Non-compliance with licensing or life safety codes.
C) Changes in standards of care (e.g., private versus multiple bedrooms); or
D) Additional space for diagnostic or therapeutic purposes.

This project includes modernization of the vacated AMI unit. The newly designed rooms will bring additional medical surgical telemetry beds to the campus to address this care delivery need.

The new medical surgical rooms will be constructed to follow industry standards and best practices including:

Private patient space to accommodate families, patient care, and medical equipment at the patient bedside
Dedicated showers and toilet rooms in each room
Enhanced infrastructure (headwall gases, dialysis provisions, patient ceiling lifts) and equipment to accommodate a range of patient care needs

The medical surgical floor will include staff support, MD dictation, team-work space, and staff respite areas.

The medical surgical unit will provide updated facilities and equipment. The technology demands have changed the way that nurses' access and use the patient information through systems in the room. The new unit will offer standard headwalls for consistency, direct sight line to the restrooms, electronic patient information boards, improved lighting, and in-ceiling lifts to provide a safer environment for both the patient and staff.

2) Documentation shall include the most recent:
A) IDPH Centers for Medicare and Medicaid Services (CMMS) inspection reports; and
B) The Joint Commission reports.) Additional space for diagnostic or therapeutic purposes.

There are no reports for the Medical Surgical patient rooms.

3) Other documentation shall include the following, as applicable to the factors cited in the application:
A) Copies of maintenance reports.
B) Copies of citations for life safety code violations; and
C) Other pertinent reports and data.

The proposed modernization in this project is not related to maintenance or non-compliance with life safety codes or other code issues. The project is designed to create a medical surgical floor in the area vacated by the AMI category of service. The new inpatient units will be designed with current industry standards, technology, and infrastructure. Therefore, no reports are included.

4) Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100.

Projected Bed Need
The projections for demand are driven by the pattern of growth of patients currently admitted to the Medical Surgical Units.

ACMC	2019	2020	2021	2022	% Change 2019-2022	Compound Annual Growth Rate
M/S Days	147,901	140,513	150,989	154,100	4.2%	1.4%

Attachment 19

Medical surgical patient days had been increasing prior to the pandemic and are projected to see increased admissions and patient days over the next five years. Clinical Programs projected to increase in inpatient admissions and patient days include Orthopedics, Neuroscience, Cardiology, General Medical and General Surgery.

Patient days reported are reflective of the census at midnight. The average mid-day daily census at 1:00pm is about 11% higher in the medical surgical units.

With the increasing patient days on these units and increasing number of days at high census, patient placement is frequently challenged to accommodate additional critically ill patients. The practice of adjusting the patient placement on high-capacity days challenges staff and increases the potential for disruptive patient care. The additional beds units will be part of the solution to accommodate current and forecasted demand.

To project demand for the Medical Surgical units, the Compound Annual Growth Rate (CAGR) was applied to develop the trend line to 2026. This was based off the current inpatient days in 2022.

As shown in Table 1110.11(b), Inpatient medical surgical days had been increasing since 2015. A projection based on increases from 2022 inpatient days would indicate the projected utilization in the following chart.

Compound Annual Growth Rate	**2023**	**2024**	**2025**	**2026**
1.4%	156,224	158,376	160,559	162,771

By the proposed project completion, the patient days are projected to increase year over year to 162,771. Based on the state target occupancy, the number of CON authorized medical surgical beds would outline a need for 495 medical surgical beds. These additional 11 M/S beds will increase the CON authorized M/S bed number to 425.

The analysis outlined the number of medical surgical beds needed, knowing that many of these patients will continue to have critical care needs and there will be increasing demand in higher acuity service lines. The medical surgical units were designed for the specific service lines and the appropriate beds in each will support the destination clinical programs, the patient days at daytime census, privacy and infection control that will be needed within the next four years.

Through the Master Planning process, an internal assessment supported the need for over 460 medical surgical beds to provide for current patient days and the projected clinical service growth and acuity increases.

This number of Medical Surgical beds in the project will alleviate the pressure at Advocate Christ Medical Center for appropriate inpatient placement to better serve the needs of the patients in the service area.

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.

Advocate Christ Medical Center has 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. Staffing needs for the medical surgical units were evaluated and additional staff is not projected to be needed due to the project.

The Advocate Aurora Health system 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 Advocate Christ Medical Center Medical Center's applicant pool comes from our active partnerships with local nursing programs. Advocate Christ 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 Minimum
1) Medical-Surgical
The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.

With the addition of the 11 M/S beds, the Hospital will have 425 Medical Surgical beds, exceeding the State minimum requirements.

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 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.

The letter is provided as Attachment 19 Exhibit 2.

M/S Patient Zip Code	M/S Patient Volume
60453	3,018
60620	1,320
60459	1,254
60628	1,202
60629	1,147
60652	1,126
60643	1,113
60803	706
60617	673
60455	647
60805	546
60415	535
60655	516
60619	500
60638	473
60636	328
60632	303
60462	269
60457	258
60406	255
60827	253
60477	252
60465	231
60456	224
60621	213
60411	197
60458	193
60445	188
60649	187
60409	172
60463	170
60452	165
60482	164
60473	160
60419	150
60426	148
60418	138
60609	137
60478	135

60429	131
60443	107
60467	103
60466	102
60487	98
60430	88
60438	87
60637	86
60653	86
60423	83
60428	83
60623	79
60472	75
60633	70
60448	68
60615	59
60471	55
60608	51
60464	49
60491	49
60523	48
60425	45
60616	45
60422	43
60469	43
60417	40
60451	36
60441	34
60804	34
60439	33
60449	33
60402	29
60644	28
60501	27
60527	25
60914	25
60475	24
60525	23
60461	21
60651	21
60484	20

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60432	18
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60480	17
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46410	16
60544	16
60605	16
60401	15
60468	15
60073	14
60450	14
60517	14
60543	14
60120	13
60442	13
60506	13
60612	13
46312	12
60047	12
60101	12
60133	12
60404	12
46373	11
60154	11
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61401	2
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61761	2
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85308	2
89014	2
00727	1
02148	1
03837	1
04652	1

06418	1
10459	1
11370	1
13601	1
14228	1
18424	1
20112	1
22042	1
23803	1
28134	1
28262	1
30294	1
30349	1
31069	1
32832	1
32839	1
33023	1
33325	1
33328	1
33432	1
33437	1
33572	1
33598	1
33931	1
33993	1
34685	1
34714	1
34747	1
34758	1
34771	1
36110	1
37130	1
37642	1
38111	1
38464	1
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93551	1
94016	1
94563	1
95376	1
98104	1

99752	1
L6T 0	1
V5Y 0	1
Grand Total	**23,612**

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

March 6, 2023

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

Re: Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Additional 11 Medical Surgical Bed Project

Dear Ms. Savage:

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

Based on the information available at this time, it is my understanding that by the second year of operation after project completion, Advocate Christ Medical Center reasonably expects to achieve and maintain the occupancy standards for medical/surgical beds, as specified in the IL Administrative Code.

Sincerely,

Rolla Sweis
Vice President of Operations, South Region
Advocate Christ Medical Center | Advocate South Suburban | Advocate Trinity Hospital

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]:**

$ 4,490,173	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.
$ 0	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.
$ 0	c) Gifts and Bequests − verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.
$ 11,704,780	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.
$ 0	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.
$ 0	f) Grants − a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.
$ 0	g) All Other Funds and Sources − verification of the amount and type of any other funds that will be used for the project.
$ 16,194,953	**TOTAL FUNDS AVAILABLE**

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

Attachment 34

FitchRatings

RATING ACTION COMMENTARY

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

Mon 25 Jul, 2022 - 1:47 PM ET

Fitch Ratings - Chicago - 25 Jul 2022: Fitch Ratings has affirmed Advocate Aurora Health's (AAH) Issuer Default Rating (IDR) at 'AA'. Fitch has also affirmed at 'AA' the outstanding revenue bonds issued directly by AAH or by the Wisconsin Health and Educational Facilities Authority, Illinois Finance Authority, and Illinois Health Facilities Authority on behalf of AAH.

The Rating Outlook is Stable.

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

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 reflects the system's very strong financial profile and leading market position over a broad and diversified service area covering several population centers of

Illinois and Wisconsin. While margins were compressed in Q1 fiscal 2022 and will likely remain below trend in the near term as AAH contends with macro labor and inflationary pressures, the system has a track-record operating success and long-term Fitch believes margins should rebound to metrics consistent with a strong operating risk assessment 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 is in negotiations to affiliate with Atrium Health. Atrium is headquartered in Charlotte, NC and operates hospitals in North Carolina, South Carolina, Georgia, and Alabama. The proposed affiliation is not factored into the current rating for AAH.

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 and operating in multiple markets covering a contiguous service area stretching from northeastern Illinois (Chicago area) through Milwaukee to northeastern Wisconsin. Despite its leading market 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 covering nearly three million unique lives.

AAH operates in varying service area demographic profiles, as expected from a large and geographically diverse health system. 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. Combined Medicaid and self-pay remain below 20% of gross revenue (19% in fiscal 2021) and Fitch does not expect AAH's payor mix to change materially in the near term. Illinois expanded Medicaid

under the Affordable Care Act (ACA); while Wisconsin did not expand Medicaid under the ACA, the state did expand eligibility in prior years.

Operating Risk: 'a'

Track-Record of Strong Operating Results; Macro Trend Compress Margins in Q1 2022

AAH has a track-record of generating strong operating EBITDA margins, averaging 9.1% between fiscals 2017 and 2021 (including 8.9% in 2021). Margins were compressed in Q1 fiscal 2022, with a 0.3% operating margin and 5.0% operating EBITDA margin, as the system faced macro headwinds affecting the entire sector including a surge of omicron COVID-19 cases in January and February, intense labor pressures, and elevated inflation. It is notable that while AAH's margins were compressed in Q1, the system was still profitable for the quarter (which did not include recording CARES Act grants) and many peer health systems suffered deep operating losses.

The weaker margins in Q1 2022 portend compressed operating metrics for full-year 2022 as the aforementioned macro pressures persist for the rest of the year and likely into 2023. Nevertheless, over the long-term, Fitch expects AAH's should rebound to levels consistent with a strong operating assessment.

Capital spending plans are manageable. AAH's capital budget for 2022 is nearly $1.2 billion. If AAH spends at that pace, the capital spending ratio would approach 2x, although the capex is flexible. The highlighted project is the construction of a new patient pavilion at Advocate Illinois Masonic Medical Center in Chicago. Beyond 2022, the capital spending ratio is expected to approximate 1x. AAH expects to issue $250 million of new money debt in 2023.

Financial Profile: 'aa'

Strong Capital-Related Ratios Should be Sustained

AAH's financial profile is very strong. Capital-related ratios should remain strong in the forward-looking scenario analysis, including in a stress case, despite the current macro pressures.

At FYE 2021, AAH had nearly $3.9 billion of direct debt and unrestricted cash and investments exceeded $11.6 billion. AAH's defined benefit pension plans remain well funded, with a funded ratio of 95% at FYE 2021 compared with a projected benefit

obligation of approximately $2.5 billion (because the pension plans are collectively more than 80% funded, Fitch does not include the underfunded status in calculating adjusted debt). Net adjusted debt (adjusted debt minus unrestricted cash and investments) was favorably negative at nearly -$7.8 billion at FYE 2021.

AAH's capital-related ratios should remain consistently strong, even in the stress case of Fitch's forward-looking scenario analysis. Cash-to-adjusted debt was 300% at FYE 2021 and net adjusted debt-to-adjusted EBITDA was favorably negative at approximately -3x. In the stress case of the scenario analysis, net adjusted debt-to-adjusted EBITDA is favorably negative by year two and cash-to-adjusted debt does not drop below 230% (and exceeds 300% by year four).

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 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 (only $50 million was outstanding as of March 31, 2022).

Asymmetric Additional Risk Considerations

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

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 2021 results was strong at approximately 11x and does not pose an asymmetric risk. The MTI includes a minimum historical debt service coverage covenant of 1.10x. AAH had approximately 330 days cash on hand at FYE 2021 (excluding Medicare advance payment funds and deferred employer FICA tax), and just over 300 days at unaudited March 31, 2022, and therefore days cash does not pose an asymmetric risk.

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 below 7% 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, particularly if compounded with an above-mentioned sustained weakening of operating EBITDA margin;

--If the proposed affiliation with Atrium leads to considerably tighter operating margins and/or much weaker balance sheet ratios, AAH's rating could be pressured.

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.

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. AAH recorded more than $14 billion in operating revenue in audited fiscal 2021 (Dec. 31 year-end).

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) /General Revenues/1 LT	LT AA Rating Outlook Stable Affirmed	AA Rating Outlook Stable
Advocate Aurora Health, Inc. (WI) /Self-Liquidity/1 ST	ST F1+ Affirmed	F1+

VIEW ADDITIONAL RATING DETAILS

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Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

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. 01 Sep 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), v2.0.0 (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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READ LESS

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US Public Finance Healthcare and Pharma North America United States

S&P Global
Ratings

RatingsDirect®

Illinois Finance Authority Wisconsin Health and Education Facilities Authority Advocate Aurora Health, Illinois; CP; System

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Table Of Contents

Illinois Finance Authority
Wisconsin Health and Education Facilities Authority
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	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'AA' long-term rating on Advocate Health and Hospitals Corp. (AHHC), Ill.'s various series of taxable debt and its 'AA' 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. All bonds were issued for AHHC and the related obligated group (known as Advocate Aurora Health credit group, or AAH), and our analysis reflects the entire system.
- At the same time, S&P Global Ratings affirmed the 'AA' long-term component of its dual ratings ('AA/A-1+' and 'AA/A-1'), where applicable, on the IFA's various variable-rate demand bonds (VRDBs) backed by standby bond purchase agreements (SBPAs) and issued for AAH. 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 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.
- Last, S&P Global Ratings affirmed its 'A-1+' short-term rating on AAHC's commercial paper (CP) program and its 'AA/A-1+' dual rating on the IFA's series 2011B VRDBs in windows mode where the long-term rating is based on AAH. The 'A-1+' short-term rating on AHHC's CP program (authorized to $1 billion with $50 million outstanding) and 2011B bonds is based on self-liquidity.
- The outlook is stable.

Security

The rated bonds are the general, unsecured joint and several obligations of the obligated group.

Credit overview

Specifically, the 'AA' rating reflects AAH's healthy enterprise profile and solid market position in the broad Chicagoland and eastern Wisconsin markets as well as its historically healthy financial profile, which, like that of many hospitals and health systems, has been tested in 2022 with much weaker operating cash flow margins along with declines in reserves given investment market fluctuations, though the latter remains adequate for the rating. Management has continued to match capital spending with cash flow to maintain balance sheet strength. The team has completed several key

inpatient and outpatient projects while moving forward on investments tied to transforming into a more holistic health care organization and supporting key strategic initiatives, including its definitive agreement to merge with Atrium Health, signed in May 2022.

Management is working through approvals to finalize its merger with Atrium Health and, if approved, expects that the combined organization, with more than $25 billion in operating revenue on a pro forma basis, will allow AAH to use its scale and expertise to transition its business model to whole-person care and wellness and identify innovative ways to deliver care to improve quality and lower costs. The combined organization would have significantly increased geographic diversification across noncontiguous states, creating a large platform for various care pilots and more widespread programs to further its goals. The combined system, named Advocate Health, would have 50-50 board representation from the two organizations before becoming a self-perpetuating board (similar to AAH). The system would use a co-CEO model for the first 18 months, followed by the appointment of Eugene Woods, current CEO of Atrium Health, as sole CEO. For more information on Atrium Health, see our report published Dec. 21, 2021, on RatingsDirect.

We will evaluate the combined system upon closing, pending necessary approvals, including a full conversation with the new management team on strategy, synergies, and performance. We believe that Atrium Health (AA-/Stable) and AAH have excellent enterprise profiles and business positions in their respective markets, with different and likely complementary strengths and demonstration of a very good fiscal 2021 recovery. That said, interim 2022 results at AAH are lighter than historical trends and Atrium Health is experiencing operating losses. The rating on the combined organization, which we would expect to harmonize soon after merger completion and likely regardless of the number of obligated groups remaining, could result in rating pressure for the combined organization if we come to expect prolonged performance weakness, especially if we also see weakening in key balance sheet ratios. The current operating environment is difficult for many organizations, but we believe that maintaining the 'AA' rating would likely entail that the combined organization generate improved performance compared with interim 2022 while maintaining pro forma balance sheet strength.

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

- Broad and diverse position across two states, including the large Chicago metro and eastern Wisconsin markets, coupled with enterprise strengths around investments in the full care continuum, 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 with some weaker demographic trends in parts of the Illinois market;
- Still good balance sheet ratios with light debt, including leverage of 20%, unrestricted reserves to long-term debt of more than 3x, and a lighter but still good 280 days' cash on hand; and
- History of good maximum annual debt service coverage (smoothed) returning to more than 5x in fiscal 2021 (after dipping in fiscal 2020) as a result of improving operating margins, very good investment returns, and a low debt burden; and
- Solid management team that continues to look for performance improvement initiatives while focusing on broader strategic goals.

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

- Operating margins and cash flow that are soft and will likely be softer than historical results over the next year or so but that should improve from interim 2022 lows;
- Strong competition in almost all of the markets in which it operates, from other systems and large academic medical centers; and
- Continued exposure to Illinois Medicaid (through legacy Advocate Health Care).

Environmental, social, and governance

We view AAH's governance risks as neutral to the rating, as AAH has successfully brought two large enterprises together with minimal operating challenges on account of its good management and governance. We believe this lends some stability to the credit profile as further significant merger activity is contemplated. AAH has increased human capital social risks tied to the higher labor costs and staffing issues, as with many providers in the sector, and management is implementing a host of initiatives to manage those expenses but notes that the challenges are likely to persist through 2022 and likely 2023. We view health and safety risks tied to COVID-19 as easing but will monitor surges. And we believe AAH's exposure to the Illinois Medicaid payer mix presents increased social capital risk given AAH's slightly higher Medicaid levels (relative to those of peers), although its diversified footprint helps offset this risk. Finally, we view environmental risk as neutral given the dispersion of facilities in a broad service area with limited environmental challenges. The team is focused on reducing its carbon footprint, and we believe that this could benefit the organization if future regulations come into play.

Outlook

The stable outlook reflects our view of AAH's healthy business position coupled with sound balance sheet flexibility, including low debt. The stable outlook also reflects our expectation of minimal new money debt over the next couple of years and our view of a disciplined management team that, while generating lower-than-historical operating margins, continues to identify operating improvement areas and balance cash flow with strategic and capital spending plans. We believe the combined enterprise profile of AAH and Atrium could support the rating, but we also recognize the challenging landscape. We believe demonstration of improving operating trends for the combined organization will be important to maintaining the combined rating of 'AA', should the merger be completed.

Downside scenario

We could revise the outlook to negative or lower the rating in case AAH records sustained weaker operating margins, particularly if the balance sheet further weakens. Any significant issuance of debt could also result in rating pressure, as the balance sheet is a key credit strength and stabilizing factor. In addition, we could consider a lower rating if AAH's merger with Atrium Health is completed and we come to believe that the combined system's financial profile and trends are more in line with a lower rating.

Upside scenario

We are not likely to raise the rating over the next two years given the recent margin pressure and the potential merger with Atrium Health. 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 across all metrics 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 those markets remain highly competitive and the organization continues to focus on evolving the organization beyond just episodic care. The team and board have outlined goals they need to meet over the next five years as part of the 2025 strategic plan to maintain that strength as well as transition and diversify the organization away from purely inpatient and episodic care to a health business using data and technology along with other business investments. Recent initiatives to diversify and focus on consumerism and wellness include meaningful investments in MobileHelp (April 2022) and Senior Helpers (April 2021). The former is a remote monitoring company and the other helps maintain the health of seniors outside of the clinical care setting.

We believe the organization's physician integration platform (and various models) positions it well to continue to improve care quality, lower the cost of care, and accept measured risk. The mix of physician and payer models, including various projects such as those that incorporate Medicare Advantage, allows AAH to experiment and learn what works best with which markets and populations. For example, AAH has partnered in different ways with both Quartz and Anthem in Wisconsin for Medicare Advantage products. 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 build on that. In addition, legacy AHCN has accepted full and partial risk (capitation) on certain commercial and Medicare advantage contracts directly and through APP. Legacy Aurora Health Care has had a history of working directly with employers.

AAH's investments and merger with Atrium Health are aligned with broader strategic goals

We believe AAH has a 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 industry pressures. AAH has had financial operating challenges during COVID, including the most recent interim year, but we view favorably that the team has still been able to complete key capital and strategic investments during this time.

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. We believe that AAH's and Atrium Health's merger and scale could help accelerate some of those broader strategic goals with further diversification into a state with better demographic growth trends to support the combined organization's overall financial health.

Illinois Finance Authority Wisconsin Health and Education Facilities Authority Advocate Aurora Health, Illinois; CP; System

Table 1

Advocate Health Care Network and Subsidiaries Utilization

	--Six months ended June 30--	--Fiscal year ended Dec. 31--		
	2022	2021	2020	2019
Inpatient admissions	108,597	233,736	235,394	258,468
Equivalent inpatient admissions	317,595	664,205	630,121	707,393
Emergency visits	421,549	861,307	812,533	806,276
Inpatient surgeries*	27,693	59,943	55,382	67,790
Outpatient surgeries	79,113	163,206	134,882	162,245
Medicare case mix index	1.9531	1.9564	1.9617	1.8959
FTE employees	64,800	63,700	64,000	63,000
Active physicians	9,200	9,400	9,500	9,800
Medicare (%)§	31	29	31	32
Medicaid (%)§	11	12	12	11
Commercial/Blues (%)§	56	55	54	54

*Excludes normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. §Based on net revenue. FTE--Full-time equivalent.

Financial Profile: Very Strong

Pressured labor market could slow margin recovery and cash flow after bounceback in 2021

AAH generated good operating cash flow margin improvement in fiscal 2021 (following a weaker fiscal 2020), but performance returned to light though positive levels in interim 2022, as for many, given labor and inflationary changes. Further affecting cash flow has been weaker investment returns compared with those of recent years. Management is still targeting a return to historical highs of around 3.5% to 4.0% operating margins, but that could take time. Agency nurse usage and salary increases to retain workers have contributed to the negative impact to performance and cash flow. To offset these increases, management is focused on different recruitment and retention strategies for staff, reviewing payer and supply contracts while looking at more efficient ways to deliver care, including combining certain service lines across hospitals. The limited growth market could challenge AAH's ability to recruit, but we will monitor. AAH maintains some risk through capitated revenue and shared savings programs, among other modest initiatives. While all of AAH's markets are fairly competitive, we believe that Illinois is more challenging, partly as a result of the payer environment, 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 focuses, as the aforementioned acquisitions and investments indicate. Management expects margins to remain weak through 2022 although improved from interim 2022 levels, and we do believe that continued improvement would be key to maintaining the 'AA' rating.

Unrestricted reserves decline from 2021 highs but are still good for the rating

Unrestricted reserves declined from highs of 2021, and though reserves still remain healthy we believe AAH will manage capital spending at lower than historical levels to match cash flow. We will monitor how this affects AAH's competitive position and strategic goals. (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.)

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 $536 million of cash and cash equivalents, which includes modest Medicare Accelerated and Advance Payment (MAAP) funds that will be paid back this year, a $1 billion syndicated line of credit, and an authorized $1 billion of its CP program. Within its investments, AAH maintains good liquidity with about $5.6 billion (excluding Medicare Accelerated and Advance Payment funds) available in 30 days. AAH had unfunded commitments of about $2 billion for its private equity and real estate partnership investments as of June 30, 2022 (to be funded over the next seven years), which we view as sizable but manageable for now.

Capital spending has been managed well with completion of and allocation to few larger projects coupled with some strategic investments outlined above. Management recently completed a new enterprise resource planning system, its replacement facility Sheboygan, a large Epic implementation at legacy AHCN, and other inpatient and outpatient facilities. Finally, the remaining large projects include a new outpatient facility and renovations to an inpatient facility at Illinois Masonic Medical Center, in Chicago.

Low debt with diversified structure but with 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. The actual debt service schedule is uneven and includes a number of bullets, but with lower actual debt service in near years to help preserve cash flow for other spending needs.

Moreover, if management issues debt, it usually does so to keep debt consistent with that of recent years, although the team did issue debt opportunistically in 2020 at the onset of the COVID-19 pandemic. Management may issue a small amount of net new money debt over the next year; we believe it could absorb this, but the operating trend will be a factor. Overall debt structure is conservative, but with several bullets and tenders 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 in line with 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).

We don't view the bank debt as a significant risk given AAH's still good financial profile and given that 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.

AAH maintained five floating- to fixed-rate swaps with a total notional amount of about $350 million as of June 30, 2022 (including two that are not tied to any specific debt). Counterparties vary, and as of that date the liability on the swaps was modest at $48.5 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 as a church plan. Legacy AHCN also has an Employee Retirement Income Security Act of 1974 plan that is frozen. Legacy Aurora Health Care maintains a defined benefit plan that is well funded (more than 90%) and frozen to new benefits and entrants (as of 2012).

Table 2

Advocate Health Care Network and Subsidiaries Financial Summary

	--Six months ended June 30--	--Fiscal year ended Dec. 31--			'AA' rated health care system medians
	2022	2021	2020	2019	2021
Financial performance					
Net patient revenue ($000s)	6,546,322	12,898,690	11,337,814	11,925,131	4,409,886
Total operating revenue ($000s)	7,085,401	13,997,161	13,068,012	12,743,703	5,319,909
Total operating expenses ($000s)	7,082,972	13,541,710	12,969,315	12,385,102	5,141,836
Operating income ($000s)	2,429	455,451	98,697	358,601	185,339
Operating margin (%)	0.03	3.25	0.76	2.81	4.00
Net nonoperating income ($000s)	90,096	375,142	(29,869)	205,956	310,496
Excess income ($000s)	92,525	830,593	68,828	564,557	514,701
Excess margin (%)	1.29	5.78	0.53	4.36	9.80
Operating EBIDA margin (%)	4.98	8.04	5.90	8.12	9.30
EBIDA margin (%)	6.17	10.44	5.68	9.58	14.20
Net available for debt service ($000s)	442,878	1,500,103	741,169	1,240,827	758,893
MADS ($000s)	227,520	227,520	227,520	227,520	87,494
MADS coverage (x)	3.89	6.59	3.26	5.45	8.00
Operating-lease-adjusted coverage (x)	3.04	4.92	2.57	3.88	5.40
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	10,676,108	11,778,808	10,497,642	8,812,556	5,428,508
Unrestricted days' cash on hand	287.0	331.3	308.8	272.2	350.8
Unrestricted reserves/total long-term debt (%)	305.6	335.1	301.7	292.9	334.9
Unrestricted reserves/contingent liabilities (%)	1,107.5	1,221.9	1,063.0	849.5	1036.6
Average age of plant (years)	9.9	9.8	9.2	8.7	11.3
Capital expenditures/depreciation and amortization (%)	82.5	101.2	125.6	114.6	148.9
Debt and liabilities					
Total long-term debt ($000s)	3,493,990	3,514,858	3,480,061	3,008,901	1,425,146.00
Long-term debt/capitalization (%)	20.6	20.0	22.2	20.8	20.0
Contingent liabilities ($000s)	963,961	963,961	987,592	1,037,353	491,170
Contingent liabilities/total long-term debt (%)	27.6	27.4	28.4	34.5	31.3
Debt burden (%)	1.59	1.58	1.75	1.76	1.60
Defined benefit plan funded status (%)	N.A.	94.74	92.29	91.14	90.40
Miscellaneous					
Medicare advance payments ($000s)*	244,000	515,000	773,000	N/A	MNR
Short-term borrowings ($000s)*	-	-	-	-	MNR
COVID-19-related funds ($000s) - recognized	13,913	39,254	823,655	N/A	MNR
Risk-based capital ratio (%)	N/A	N/A	N/A	N/A	MNR
Total net special funding ($000s)	100,139	222,629	232,533	199,859	MNR

Table 2

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

	--Six months ended June 30--	--Fiscal year ended Dec. 31--			'AA' rated health care system medians
	2022	2021	2020	2019	2021

***Excluded from unrestricted reserves, long-term debt, and contingent liabilities. MADS--Maximum annual debt service. MNR--Median not reported. N/A--Not applicable.**

Credit Snapshot

- 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, APP (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 $233 million of discounted assets as of June 30, 2021, to provide self-liquidity. The assets are invested in highly rated money market funds, U.S. 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 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 $200 million coming due within a seven-day period (although only $50 million is outstanding), but this may change depending on what management ends up using in that program.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of September 19, 2022)

Advocate Aurora Health taxable bnds		
Long Term Rating	AA/Stable	Affirmed

Ratings Detail (As Of September 19, 2022) (cont.)

Advocate Aurora Health taxable comm pap nts ser 2019 dtd 02/25/2019 due 08/01/2019		
Short Term Rating	A-1+	Affirmed
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	Affirmed
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		
Long Term Rating	AA/Stable	Affirmed
Illinois Fin Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Affirmed
Illinois Fin Auth (Advocate Aurora Health Credit Group) VRDO sys		
Long Term Rating	AA/A-1+/Stable	Affirmed
Illinois Fin Auth (Advocate Aurora Health Credit Group) VRDO sys		
Long Term Rating	AA/A-1/Stable	Affirmed
Illinois Fin Auth (Advocate Aurora Health Credit Group) VRDO sys		
Long Term Rating	AA/A-1+/Stable	Affirmed
Illinois Hlth Fac Auth, Illinois		
Advocate Aurora Health, Illinois		
Illinois Hlth Fac Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Affirmed
Illinois Hlth Fac Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth, Wisconsin		
Advocate Aurora Health, Illinois		
Wisconsin Hlth & Ed Fac Auth		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) rev bnds		
Long Term Rating	AA/Stable	Affirmed
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Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health Credit Group) rev bnds		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds rmktd 01/19/2022 (Advocate Aurora Health) ser 2018B-1 due 08/15/2054		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds rmkted 4/8/2021 (Advocate Aurora Health)		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds (Advocate Hlth Care) ser 2018C-3		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Ed Fac Auth (Advocate Aurora Health) rev bnds (Advocate Hlth Care) ser 2018C-4		
Long Term Rating	AA/Stable	Affirmed

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's revises outlook to stable on Advocate Aurora's outstanding debt; Aa3 affirmed

18 Oct 2022

New York, October 18, 2022 -- 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 has been revised to stable from positive. AAH had approximately $3.5 billion of debt outstanding at fiscal year end 2021.

RATINGS RATIONALE

The revision of the outlook to stable from positive reflects Moody's view that AAH's operating cash flow (OCF) margin will not likely rebuild to pre-COVID levels, as anticipated in fiscal 2023, following moderation in fiscal 2022, due to labor challenges and general inflation as well as uneven volume recovery. Also, a return to pre-pandemic levels of operating cash flow was expected to provide ongoing strengthening in cash levels. That said, days cash and cash to total debt will remain solid with unrestricted cash and investments largely sustained at current levels. The affirmation of the Aa3 reflects AAH's scale and broad geographic reach, centralized governance and IT model, and still sound balance sheet resources, which will support AAH's operating flexibility and efforts to rebuild margins. AAH's leading market positions across two regions, business line breadth and strong financial discipline will be integral to ongoing recovery as the system pursues transactional growth. Operating and balance sheet leverage will likely remain in line with peers, with management expecting to maintain current levels of debt and well-funded frozen and highly hedged pension plans.

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 position. The P-1 rating reflects expectations 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 revision of the outlook to stable from positive reflects our view that protracted challenges will result in AAH's financial profile to remain solid but not in line with a higher rating over the outlook period. The outlook also reflects the potential for near term challenges as AAH pursues transactional growth.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Return to and durable pre-pandemic operating cash flow margins
- Evidence that operating leverage as measured by debt to cash flow will be sustained at or below 2.0 times
- Ongoing improvement in cash to total 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 operating cash flow margin
- Meaningful decline in days cash or cash to debt metrics
- Additional debt resulting in material rise in leverage
- Dilutive acquisition or merger

- 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 the 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 Medical Center Bay Area, Inc., 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 MTI contains a substitution of notes provision.

PROFILE

Advocate Aurora Health, Inc. (AAH; $14 billion revenue in fiscal 2021), 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. AAH also offers primary and specialty physician services with approximately 3,600 employed physicians, outpatient centers, pharmacy services, 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://ratings.moodys.com/api/rmc-documents/70886. 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://ratings.moodys.com/api/rmc-documents/67339. 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://ratings.moodys.com/api/rmc-documents/68283. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on https://ratings.moodys.com.

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

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

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

rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

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

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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:
"A" Bond rating or better
All the project's capital expenditures are completely funded through internal sources
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
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.

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

Attachment 35 & 36

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

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).

Attachment 37

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.

See Attachment #37, Exhibit 1, 2 and 3.

The AGC (Association of General Construction's 2022 Construction Inflation Report is provided in the Appendix.

Attachment 37

AdvocateAuroraHealth

3075 Highland Parkway
Suite 600
Downers Grove, Illinois 60515

T (630) 572-9393
advocateaurorahealth.org

March 9, 2023

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 Christ Medical Center
Additional Medical Surgical Beds

Dear Mr. Kniery:

This letter is to attest to the fact that the selected form of debt financing for the purpose of the Advocate Christ Medical Center 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 terns as prepayment privileges, no required mortgages, 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 9th day of March, 2023

Notary Public

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

Reasonableness of Project and Related Costs

COST AND GROSS SQUARE FEET BY DEPARMENT 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									
Medical-Surgical (11 beds)		$ 561			4,616	22		$ 2,590,550	$ 2,590,550
Medical-Surgical (20 beds approved by COE # E-051-22)		$ 561			11,764	21		$ 6,602,125	$ 6,602,125
AS IS									
Medical-Surgical (11 beds)		$ 0			889	0		$ 0	$ 0
TOTAL Clinical	**NA**	**$ 532**	**0**		**17,269**		**0**	**$ 9,192,675**	**$ 9,192,675**
NON-REVIEWABLE									
General Circulation and Public Spaces		$ 480			1,419			$ 681,120	$ 681,120
Building Services (Electrical, Shafts)		$ 1,800			173			$ 311,400	$ 311,400
AS IS									
General Circulation and Public Spaces		$ 0			0			$ 0	$ 0
Building Services (Electrical, Shafts)		$ 0			139			$ 0	$ 0
TOTAL Non-clinical	**NA**	**$ 573**	**0**		**1,731**		**0**	**$ 992,520**	**$ 992,520**
Total Excluding Contingency		$ 536	0		19,000		0	$ 10,185,195	$ 10,185,195
Contingency		$ 42						$ 792,711	$ 792,711
GRAND TOTAL	***NA***	***$ 578***	***0***		***19,000***		***0***	***$ 10,977,906***	***$ 10,977,906***

* Percentage of space for circulation

** Construction Costs Only

Description of Premiums for ACMC 5 W & 5 S Project:
Two non-contiguous areas of construction on patient occupied floor, interim conditions to keep adjacent areas active and protected.
Constrained access through existing facility delivering materials & manpower.
Modifying plaster and clay tile walls of existing structure.
Connections to existing, antiquated HVAC, plumbing, electrical infrastructure require differing methods/materials.
Existing non-conforming work required to be upgraded as part of modernization including FSES scope for structural frame nonconformity of existing tower.
Material procurement and escalation beyond traditional norms Attachment 37, Exhibit 3

D. Projected Operating Cost per Equivalent Pt Day in Year 1

E. Impact of Project on Capital Costs in Year of Completion Year 1

Projected FY 2025											
	Amount						Per EPD				
	Hospital		Project		Total		Hospital		Project		Total
Operating Costs	**$1,362,500,000**		**$2,188,000**		**$1,364,688,000**		**$5,041**		**$8**		**$5,049**
Capital Costs	**$60,000,000**		**$1,300,000**		**$61,300,000**		**$222**		**$5**		**$227**
Difference	**$1,422,500,000**		**$3,488,000**		**$1,425,988,000**		**$5,263**		**$13**		**$5,276**

Attachment 37, Exhibit 3

SECTION IX. SAFETY NET IMPACT STATEMENT

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

1. The project's material impact, if any, on essential safety net services in the community, ***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.

Attachment 38

A table in the following format must be provided as part of Attachment 38.

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

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

Attachment 38

Christ Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2019**	**2020**	**2021**
Inpatient	568	573	771
Outpatient	5,170	5,038	4,824
Total	5,738	5,611	5,595
Charity (cost in dollars)			
Inpatient	$ 12,703,000	$ 5,076,000	$ 9,104,000
Outpatient	$10,837,000	$4,540,000	$ 6,729,000
Total	$23,540,000	$9,616,000	$15,833,000
MEDICAID			
Medicaid (# of patients)	**2019**	**2020**	**2021**
Inpatient	9,697	9,943	10,095
Outpatient	71,705	64,374	65,615
Total	81,402	74,317	75,710
Medicaid (revenue)			
Inpatient	$ 151,632,457	$ 227,184,808	$ 226,500,342
Outpatient	$ 34,724,874	$ 42,544,565	$57,879,663
Total	$186,357,331	$269,729,373	$284,380,005

Attachment 38

Safety Net Relevant Services

Advocate Christ Medical Center (ACMC) takes great pride in providing high-quality, compassionate care, offering 95 subspecialties to residents living in Chicago's Far South suburbs. Advocate Christ is a level I trauma center, providing emergency care for more than 105,000 patient visits annually. A premier teaching institution and nationally ranked center for cardiology and heart surgery, Advocate Christ is also a major referral hospital in the Midwest for cancer care, heart and kidney transplantation, neurosciences, orthopedics, and women's health. The hospital has a strong relationship with the neighborhood, communities, organizations, and the agencies it serves.

US News and World Report recognizes Advocate Christ Medical Center as one of the top performing hospitals in Illinois, ranking fourth among all Illinois facilities. The hospital also received public recognition for health care excellence in the following areas:

- **Critical Care Excellence:** ACMC's ICU was recognized in Healthgrades's 2022 Critical Care Excellence Awards. This award is granted to hospitals with superior patient outcomes in treating respiratory system failure, sepsis, and additional critical care emergencies.
- **COVID-19 Care:** Healthgrades recognized ACMC as one of the 24 best hospitals in the United States for early COVID-19 care.
- **LGBTQ+ Healthcare Equality Leader:** ACMC received a perfect evaluation in the Human Rights Campaign Foundation's Healthcare Equality Index (HEI), the nation's foremost benchmarking survey of healthcare facilities on policies and practices dedicated to the equitable treatment and inclusion of their LGBTQ+ patients, visitors, and employees.
- **Healthgrades Specialty Awards:** America's 100 Best in Cardiac Care, America's 100 Best in Critical Care, America's 100 Best in Pulmonary Care.
- **Designated Magnet Recognition** - the American Nurses Credentialing Center since 2005.
- **American Heart Association/American Stroke Association:** Get with the Guidelines Stroke Gold Plus Quality Achievement Award, with Target: Stroke Honor Roll Elite and Target: Type 2 Diabetes Honor Roll and Mission Lifeline Receiving Center GOLD Recognition Award.
- **Cardiology:** A nationally ranked center for heart surgery and pediatric cardiology. Leading edge transplant, device implants, vascular and other complex life-saving surgeries. Ranked Top 7% in nation by U.S. News & World Report.
- **Stroke Care:** Fully accredited as a Comprehensive Stroke Center, the highest level awarded; meeting the rigorous standards needed to treat the most complex cases.
- **Breast Care:** Nationally recognized as a Breast Imaging Center of Excellence by the American College of Radiology.
- **DNV Certifications:** Comprehensive Stroke, Ventricular Assist Device and Sterile Processing/Distribution Certification- 1st in Illinois and AAH System

Other honors and accreditations:

- Named to Newsweek's Inaugural list World's Best Hospitals. One of the top 5 VAD centers in the country.
- Kidney Transplant Programs CMS Certified.
- Blue Distinction Centers for Adult Cardiac Care, Cardiovascular Surgery, Maternity. ECMO Team Designated Gold Level Award for Excellence in Life Support.
- Commission on Cancer (Integrative Network Cancer Program) accredited program. NAPBC Breast Accreditation.

Health Equity

Advocate Aurora Health advances health equity through intentional efforts in clinical operations, civil rights, business diversity, and language services. Together, these services enhance access to care, foster an inclusive workplace, and strengthen community partnerships.

Advocate Christ 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. In December 2019, Advocate Christ completed its Community Health Needs Assessment (CHNA) Report. Advocate Christ's Community Health team has since developed evidence-based interventions to address the identified needs, which included violence prevention, mental health, access to care, maternal health and infant mortality.

Advocate Christ places a high value on community education, prevention, and COVID-19 vaccinations, as well as addressing other key issues exacerbated by the pandemic, such as food insecurity, housing, and the need to connect people to vital resources in the community. The Community Health team at Advocate Christ works closely with local stakeholders and serves as a fundamental partner of the Alliance for Health Equity (AHE) group in Illinois. The AHE is a collaborative of 37 hospitals working with the health departments and regional and community-based organizations to improve health equity, wellness, and quality of life across Chicago and Suburban Cook County. In 2021, the medical center focused its attention on the following health priorities:

- Violence Prevention: Advocate Christ participated in the Chicago Heal Initiative (CHI) which brings together hospitals from leading health systems to address violence in targeted Chicago neighborhoods.
- Advocate Trauma Recovery Center (TRC) provided trauma recovery services to 1,120 victims of trauma and referrals to community support and case management services.
- Advocate Christ partnered with University of Chicago Medicine to continue implementation of the Southland RISE initiative developed to address violence in southside Chicago neighborhoods addressing youth violence, COVID-19 mitigation strategies and social determinants of health identified during the COVID-19 pandemic.
- Advocate Christ partnered with the Sertoma Centre, Inc., and Faith & Health Partnerships to provide virtual programming for mental health education. The community health team partnered with the Alliance for Health Equity to collaborate on addressing access to mental health services and programs.

Other Hospital Programs for Key Populations

- Advocate Christ offered the National Diabetes Prevention Program (DPP) with recognition status as a CDC National Diabetes Prevention Program site.
- Advocate Children's Hospital in Oak Lawn with the Ronald McDonald House Charities of Chicagoland and Northwest Indiana provides access to free school physicals and immunizations for at-risk children through the Ronald McDonald Care Mobile.
- Advocate Children's in Oak Lawn's Centering Pregnancy program offers prenatal care to at risk pregnant women.
- Support Group and Clinics are provided such as a Stroke Survivor Class, Heart Failure Clinic, Cancer Support Groups and Gilda's Club.
- The Primary Care Connection program provides community resource navigators to serve patients in the emergency department. They conduct an assessment to identify social determinants of health and link the patients to social services and community resources.

2020 Community Benefits Summary

Community services provided by Advocate Christ Medical Center in 2021 that are relevant to safety net service are included in the Community Benefits Summary. This report does not include other expenses accrued by Advocate Christ Medical Center, reportable for community benefit, such as bad debt, cost of unreimbursed Medicaid and Medicare, charity care, and other reportable expenses document by AAH's Tax and Finance team.

Advocate Christ - 2021 Community Benefits	
Language Services	**$742,620**
In-Kind Donations	**$245,486**
Volunteer Services	**$242,035**
Health Professional Education	**$26,126,102**
Subsidized Health Services (events, screenings, programs, subsidized health services and community health operations)	**$7,839,110**
Total Site Costs for 2021	**$35,195,353**

The impact of Advocate Christ is far reaching and is a critical organization supporting the communities of Chicago's South and Southwest suburbs. The communities have come to rely on many of these programs outlined to meet the special needs of the population in the service area. Advocate Christ's team members are aware of changes in health care and in the community and have been developing new partnerships and services to support the health and wellbeing of everyone they serve.

Attachment 38

AdvocateAuroraHealth

DIVERSITY, EQUITY & INCLUSION

The Pathway to Achieve Health Equity

At Advocate Aurora Health, we believe a diverse workforce, in a thriving inclusive environment, delivers a higher level of equitable care, serving all patients across all communities. We continue to advance our strategy to transform our workplace and communities and fulfill our purpose of helping people live well.

OUR WHY

Diversity, equity and inclusion (DE&I) is more than just an organizational strategy; it drives meaningful change. And because health care is built upon relationships, we want the people we serve to trust us to meet their unique needs. By cultivating an atmosphere of inclusion and compassion, we create a welcoming environment where our patients can heal, team members can thrive and business can grow. That's how DE&I advances our Transformation 2025 plan to become a Destination Health organization consumers trust.

TAKING ACTION

We'll continue to create real change by:

- Creating an increasingly diverse workforce thriving at all levels, functions and geographies in an inclusive environment
- Delivering safe, consistent, equitable health outcomes and experiences, as the provider of choice across all communities
- Partnering in the community to better understand and meet the unique needs of everyone

Our commitment focuses on three areas – our workforce, consumers and communities – to ensure all people have a fair and just opportunity to be as healthy as possible.

WORKFORCE

Develop understanding and change behavior by:

- Driving change through our CEO-led systemwide Inclusion Council
- Investing in intentional recruiting and workforce development programs
- Delivering a learning strategy focused on awareness, and building and applying skills

Reinforce our behavioral expectations for an equitable and inclusive environment by:

- Hosting quarterly executive learning and decision-making sessions to foster a DE&I culture
- Instituting reverse mentoring to provide diverse perspectives to senior leaders
- Holding all team members accountable for leadership and team member behaviors

Enhance policies and processes to promote equity and opportunity by:

- Providing innovative onboarding, development and exposure for new leaders and physicians of color
- Establishing a decision filter to remove bias when making choices and reviewing policies
- Recruiting physicians at diversity-specific conferences
- Sharing DE&I-focused content consistently with our candidate pipeline
- Hiring a physician DE&I leader to support external and internal partnerships and increase population of future physicians of color

Attachment 38

CONSUMERS

Drive a leading health equity strategy by:

- Leveraging a cross functional Health Equity Council to focus our priorities
- Being a collaborator and thought leader in national and state health equity initiatives
- Enhancing our accredited LGBTQ+ strategy across our footprint
- Evaluating technologies for broader equitable access

Close the gap on identified health outcomes where there are inequities by:

- Leveraging analytics to help identify and track performance
- Implementing outreach initiatives with community partners
- Executing innovative solutions to address disparities in social determinants of health (SDOH) and health outcomes, including hypertension and maternal and infant health
- Designing innovative strategies to address inequities in the patient experience

Build cultural awareness capabilities within our care teams by:

- Innovating around culturally sensitive patient education resources
- Implementing EPIC clinical disparity dashboards
- Growing the Graduate Medical Education program by establishing competency-based models and advancing our DE&I Clinical Learning program
- Leveraging lessons learned from safety events and civil rights cases to address barriers to care and improve processes

COMMUNITIES

Leverage our community strategy to advance health equity by:

- Driving six focus areas targeting SDOH, including food security, housing, workforce development, community safety, and access to innovative solutions for care and for behavioral health

Close the gap on clinical health equity initiatives by:

- Developing outreach programs supported by our mobile health program
- Engaging community partners to support initiatives and expand impact
- Empowering communities to own initiatives and incorporate their voice

Invest in community programs, partnerships and services to address upstream drivers of health by:

- Screening and referring for SDOH
- Achieving business diversity spend targets
- Investing $50M to drive affordable housing, food centers and economic development
- Investing in workforce pipeline development
- Advocating for policy changes supporting equity

MEASURING OUR SUCCESS

Within each focus area, we've established actionable goals and objectives to deliver on our promise. And we're holding ourselves accountable with a DE&I dashboard as part of our organizational report card to ensure a laser focus on:

- **Workforce:** Increase representation of leaders and physicians of color
- **Consumers:** Enhance patient experience communication, decrease hypertension rates for Black and Hispanic communities, safely reduce primary cesarean births
- **Communities:** Grow business diversity spend

MORE RESOURCES

Visit the Diversity, Equity & Inclusion page found under the Communications Hub on our intranets.

Attachment 38

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.

See Attachment 39, Exhibit 1

Attachment 39

ADVOCATE CHRIST MEDICAL CENTER - CHARITY CARE			
	2019	2020	2021
Net Patient Revenue	$ 1,245,631,502	$ 1,230,689,381	$ 1,366,476,246
Amount of Charity Care (charges)	$ 88,608,133	$ 34,057,425	$ 65,020,118
Cost of Charity Care	$ 23,539,897	$ 9,616,064	$ 15,832,946

Source: Advocate Aurora Hospital records

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: Advocate Christ Medical Center
(Name)
4400 W. 95th Street Oak Lawn IL 60453 (708) 684-8000
(Address) (City) (State) (Zip code) (Telephone Number)

2. Project Location: 4400 W. 95th Street Oak Lawn IL
(Address) (City) (State)

Cook Worth 03
(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_X_

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN?: Yes ___ No X

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:
_____

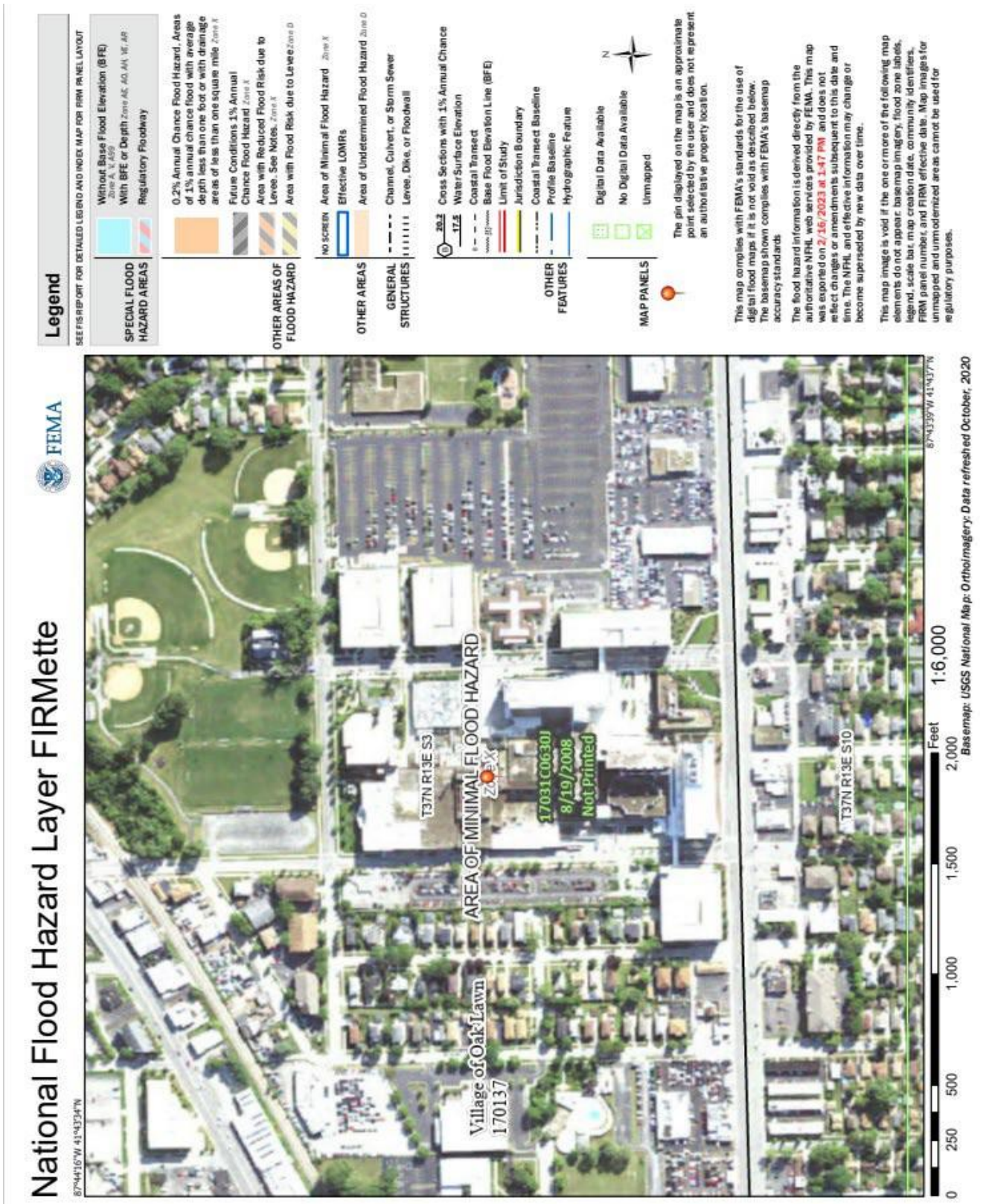
Business/Agency:_____Address:
_____

(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



Attachment 40, Exhibit 1

INDEX OF ATTACHMENTS

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.
TABLE OF CONTENTS

Building a better working world

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

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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").

AGC
THE CONSTRUCTION ASSOCIATION

JULY

2022

CONSTRUCTION INFLATION ALERT

For more than two years the U.S. construction industry has been buffeted by unprecedented increases in materials costs, supply-chain bottlenecks, and a tight labor market. To help project owners, government officials, and the public understand how these conditions are affecting contractors and their workers, the Associated General Contractors of America (AGC) has posted frequent updates of the Construction Inflation Alert.

Several recent developments have raised the specter of a sharp slowdown or even a recession in the U.S. economy. Inflation is at a 40-year high, sapping consumers' purchasing power despite elevated wage increases. Major stock indexes have declined sharply—a frequent but not foolproof harbinger of recession. A growing number of companies have announced layoffs, although the job market remains vibrant, as indicated by large monthly employment increases, near-record job openings, and a persistently low unemployment rate

However, a recession is far from certain. Demand for infrastructure, manufacturing, and power construction appears to be strong and likely to strengthen further, perhaps for several years to come. In any case, the cost of construction materials and labor does not generally move in sync with the overall economy. In short, owners should not assume that delaying projects will enable them to avoid volatility and disruptions in construction costs, delivery times, and labor supply, even if the economy slows significantly.

Meanwhile, Russia's ongoing attack on Ukraine and Western sanctions against Russia have disrupted production and transport of dozens of commodities. China's prolonged lockdown of Shanghai and other areas in an attempt to control the spread of covid has also affected production and shipping. New variants of covid, as well as a growing number of people with lingering or recurrent symptoms ("long-haul covid"), add to uncertainty about labor supply.

This version of the Alert is the seventh update since the first edition was posted in March 2021—an indication that the situation remains far from "normal." This document will continue to be revised to keep it timely as conditions affecting demand for construction, labor supply, and materials costs and availability change. Each new version is posted here: https://www.agc.org/learn/construction-data/agc-construction-inflation-alert

Please send comments and feedback, along with "Dear Valued Customer" letters or other information about materials costs and supply-chain issues, to AGC of America's chief economist, Ken Simonson, ken.simonson@agc.org.

www.agc.org

Recent changes in input costs

Previous editions of this guide have highlighted the extreme runup in materials costs that began in early 2020. More recently, prices have moved in divergent directions for different materials. But, on balance, they continue to climb at a much higher rate than the consumer price index.

The extent of these increases is documented by the Bureau of Labor Statistics (BLS). BLS posts producer price indexes (PPIs) around the middle of each month for thousands of products and services (at www.bls.gov/ppi). Most PPIs are based on the prices that sellers say they charged for a specific item on the 11th day of the preceding month. Producers include manufacturers and fabricators, intermediaries such as steel service centers and distributors, and providers of services ranging from design to trucking.

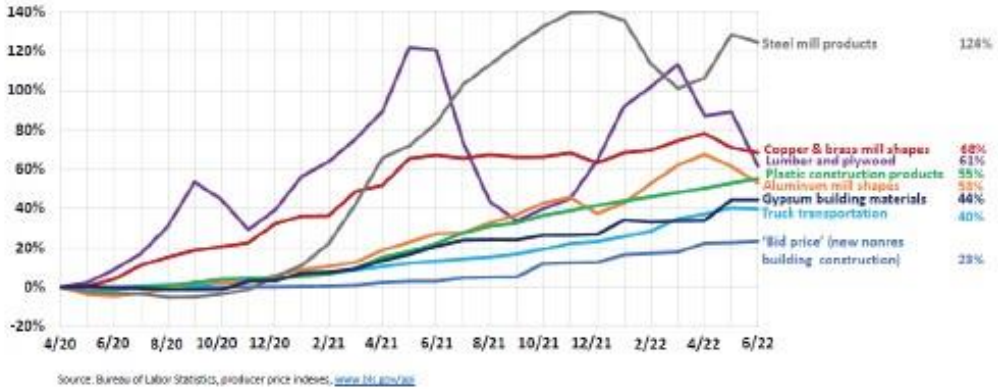
Figure 1 shows the magnitude of the increases for seven widely used categories of construction inputs. From April 2020, the low point for prices of many goods during the early stage of the pandemic, to June 2022, the PPI for steel mill products more than doubled (up 124% in 26 months). There were increases of more than 60% in the indexes for copper and brass mill shapes (up 68%) and lumber and plywood (up 61%). PPIs rose by more than half for plastic construction products (up 55%) and aluminum mill shapes (up 53%). The index for gypsum products increased 44% and the PPI for truck transportation climbed 40%. Numerous other indexes rose by more than the 23% increase in the "bid price" index.

124%

The PPI for steel mill products rose 124% in 26 months

Figure 1

PPIs for construction bid prices and selected inputs
cumulative change in PPIs, April 2020-June 2022 (not seasonally adjusted)



Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

Supply-chain issues

From the first days of the pandemic, availability and delivery times for materials have been never-ending headaches for construction firms. Problems began as early as February 2020, when factories in China and northern Italy were shut down, causing shortages of items as diverse as elevator parts, floor tiles, and kitchen appliances. Two years later, another round of covid-related restrictions in China disrupted production and shipping from that country.

Russia's attack on Ukraine, Western countermeasures against Russia, and diversions or blockages of cargo ships are impeding or cutting off supplies of items as diverse as pig iron used in steelmaking, neon for lasers used in semiconductor manufacturing and other applications, and Ukrainian clay used in producing ceramic tile exported to the U.S. from Italy and Spain. Some of these impacts are far down the supply chain from the actual construction item. For instance, a producer of electrical switchgear reported in May that the time for delivering products from its plant had doubled from 20 weeks to 40, in part because of difficulty acquiring a fire-retardant chemical produced in Europe that goes into a plastic resin used to make the housing for its switchgear.

Adding to these pandemic- and conflict-induced problems, a series of unusual mishaps interfered with output or delivery of numerous goods. The biggest impact for construction came from the severe freeze in Texas in February 2021 that damaged all of the petrochemical plants producing resins for a host of construction plastics. Damage to the electrical grid in Louisiana from Hurricane Ida last September further interfered with the production of some plastics inputs. Some cement plants have incurred unusually long outages, in part because of delays in sourcing replacement parts.

466,000

The number of job openings at the end of May, a record for the month

Contractors have also been affected by the much-publicized shortage of computer chips. Not only is the construction industry a major buyer of pickup trucks that are in short supply, but deliveries of construction equipment also have been held up by a lack of semiconductors.

Contractors have reported being quoted exceptionally long lead times and/or allocations (less-than-full shipments, generally tied to previously ordered quantities) for inputs as varied as electrical transformers, traffic signal equipment, highway striping paint, wallboard, insulation, windows, and roofing fasteners. Strong demand, plant outages, and truck driver shortages have meant long delays in completing ready-mix concrete pours in several states in the Southeast and West.

So far, there is little sign that the supply chain will consistently improve before 2023—or even 2024, in the case of some computer chips. While the lead time for some items has shortened, deliveries for many materials remain delayed or unpredictable. In fact, the expiration of labor contracts for West Coast longshore workers and rail workers nationwide could result in new disruptions of shipments later this year.

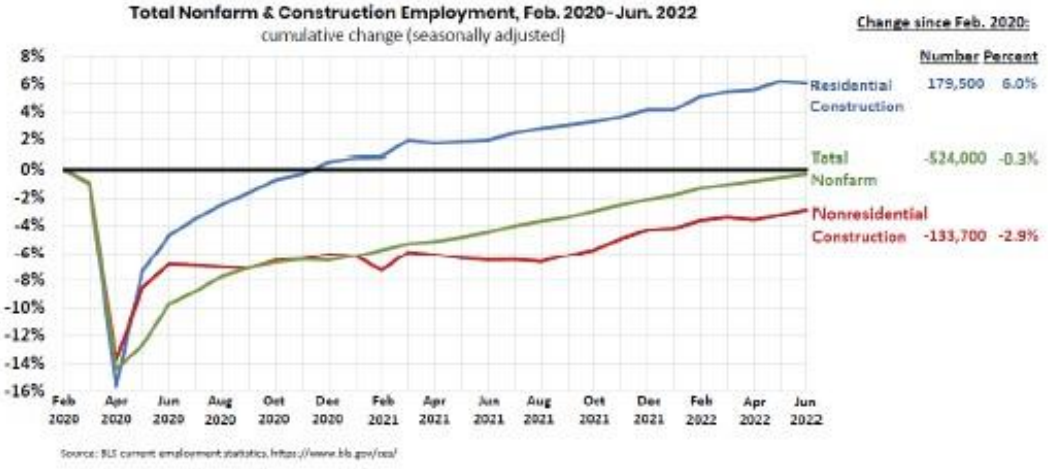
Labor supply and cost

Construction employment has bounced back well from the early months of the pandemic. However, construction firms are far short of the number of workers they have been seeking. They have partially closed the gap by getting more overtime from the workers they have, but this cannot continue indefinitely.

The construction industry lost 1.1 million employees from February to April 2020—a 15% decline in just two months. While both residential and nonresidential construction employment rebounded somewhat in May 2020, employment stalled for more than a year after that among nonresidential firms—nonresidential building and specialty trade contractors plus civil and heavy engineering construction firms. During that period, thousands of experienced workers moved into residential construction (homebuilding and remodeling), found jobs in other sectors, or left the workforce completely.

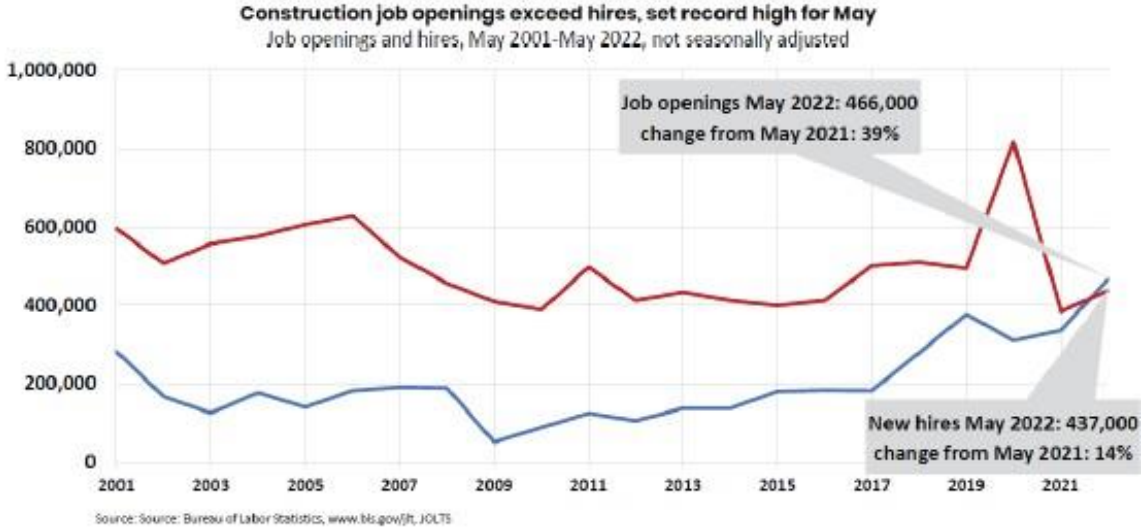
By June 2022, seasonally adjusted construction employment totaled 7,670,000—modestly higher than the 7,624,000 employed in February 2020. But there was a large shift between residential and nonresidential subsectors. Compared to February 2020 levels, residential construction firms had added nearly 180,000 workers, while employment in nonresidential construction was still down 134,000 employees or 2.9%, as shown in Figure 2.

Figure 2



There is strong evidence that the construction industry would have added many more workers if they had been available. Job openings in construction at the end of May totaled 466,000 (not seasonally adjusted), a jump of 130,000 or 39% from a year earlier and by far the largest May total in the 22-year history of the data, as shown in Figure 3. In fact, job openings exceeded the 437,000 workers hired in May, implying that construction firms would have hired twice as many workers that month as they were able to, if there had been enough qualified applicants.

Figure 3



Source: Source: Bureau of Labor Statistics, www.bls.gov/jlt, JOLTS

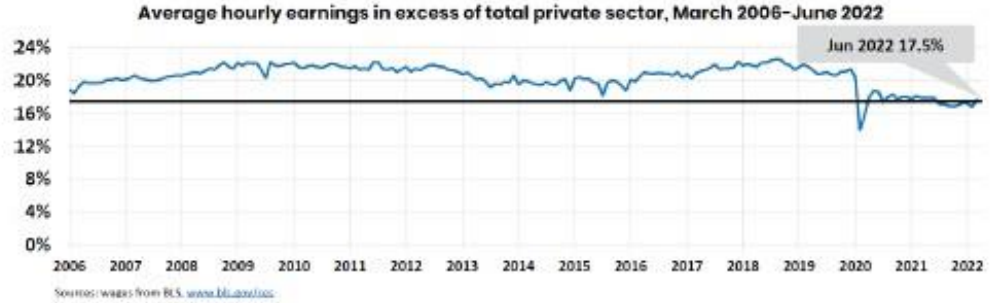
In order to attract, retain, and bring back workers, construction firms are raising pay. Average hourly earnings in construction for "production and nonsupervisory employees"—mainly hourly craft workers—rose 6.0% from June 2021 to June 2022. That compared with increases of 4.0% in the previous 12 months and 2.8% in the 12 months ending in June 2000.

Despite the acceleration in wages, construction pay has not risen as fast as in other industries. Historically, as shown in Figure 4, contractors paid a "premium" to attract workers willing to work in the conditions, locations, and hours required for construction. Specifically, average hourly earnings for production workers in construction typically averaged 20% to 23% more than for all private sector employees, up until the onset of the pandemic. This premium shrank to less that 18% since the start of the pandemic as restaurants, warehouses, delivery services, and other industries drastically increased pay. Other sectors were also able to offer greater flexibility regarding hours and worksites, including work from home, that are not possible for construction.

Figure 4

Wage premium for construction has shrunk

- "Premium" for construction wages relative to total private sector has shrunk from 20-23% pre-pandemic to 17.5% for production & nonsupervisory employees as other sectors boost pay, benefits and offer flexible hours and locations
- Implications: Contractors will have raise pay still more, pay more overtime, invest more in labor-saving software and equipment



Sources: wages from BLS, www.bls.gov/ces

These differences imply that construction wages will have to rise even more steeply to restore (and perhaps expand) the pay "premium." In addition, it is likely that contractors will pay more overtime to make up for the workers they don't have. They may also turn more to offsite production and onsite drones, robotics, 3-D printers, and other ways of reducing the number or skill level of the workers they employ.

Changes in bid prices

The extreme runup in so many input costs caused financial hardship for many contractors and subcontractors, especially for those whose purchases are concentrated in materials with extra-steep increases.

BLS posts several PPIs for new nonresidential construction. Since every construction project is unique, it is not possible to collect prices for identical construction "products" in the same way as for most goods and services. Instead, the agency creates "bid price" PPIs (BLS refers to them as output price indexes) through a two-step process. Each quarter it receives data from construction cost-estimating firms regarding the cost of a package of installed components or "assemblies" of a particular nonresidential building. Every month BLS asks a fixed group of contractors the amount of overhead and profit they would charge to erect that building—the same building that contractor was asked about previously. BLS combines the answers from a set of contractors to create PPIs for new warehouse, school, office, industrial, and healthcare building construction, along with a weighted average of these building types for an overall index for new nonresidential building construction.

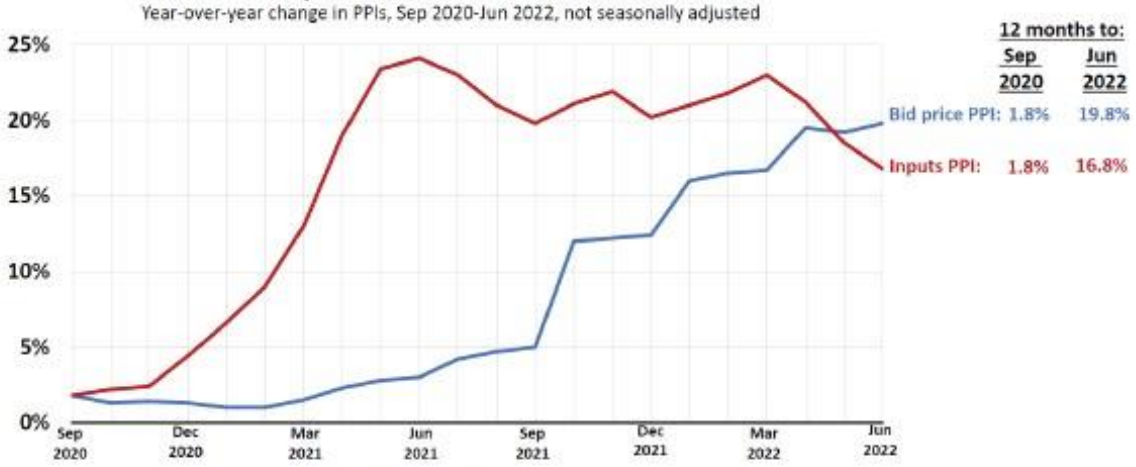
BLS also creates PPIs for inputs to construction--weighted averages of the cost of materials and services purchased for every type of project.

As shown in Figure 5, the PPI for bid prices rose at the same rate as the PPI for inputs from September 2019 to September 2020, 1.8% year-over-year. The bid-price PPI continued rising at a modest rate through mid-2021, while the year-over-year change in input prices accelerated to more than 24% by June 2021.

Since mid-2001, the bid-price PPI also has accelerated considerably, as contractors attempt to pass on their rising materials and labor costs. By June 2022, the bid-price index was climbing at a 19.8% year-over-year rate, compared to 16.8% for the PPI for inputs to new nonresidential construction.

Figure 5

Costs vs. bid prices for new nonresidential construction
Year-over-year change in PPIs, Sep 2020-Jun 2022, not seasonally adjusted



Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

The bid-price index only indicates the price contractors propose for new starts. On projects for which they had already submitted a bid or begun work, contractors were stuck with paying elevated materials prices that they could not pass on.

What's next for bid prices?

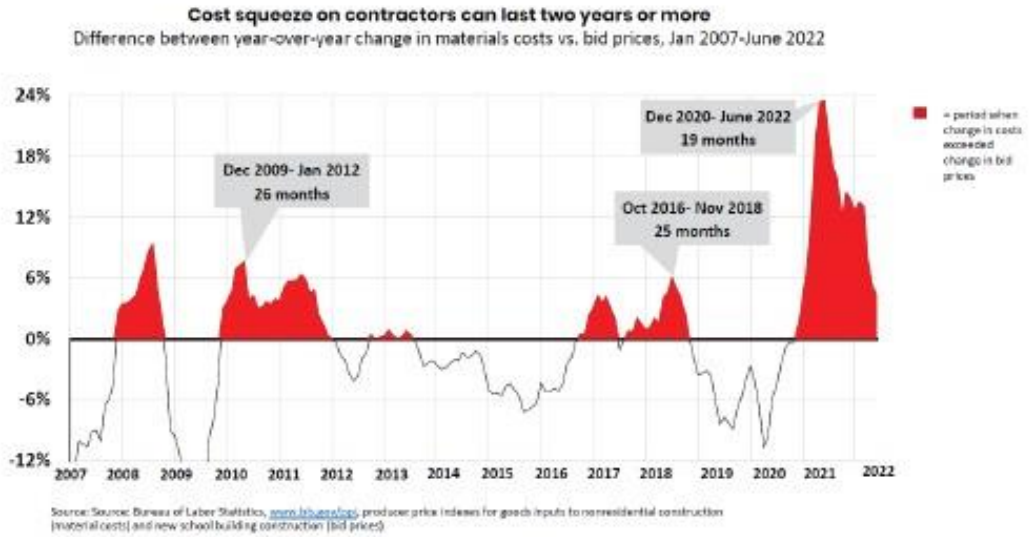
There is no fixed relationship between input costs and bid prices. For every firm and time period, the relationship depends on specific market conditions and expectations.

However, it is possible to look at past relationships. Figure 6 shows the difference between the year-over-year change in the PPI for materials costs for goods inputs to construction and the bid-price index for new school construction. The areas in red indicate periods in which the year-over-year change in the PPI for exceeded the bid-price PPI for schools. (Similar patterns exist for the bid-price indexes for new warehouse, office, industrial and healthcare buildings.)

Materials costs outran bid prices for as long as 26 months from late 2009 to early 2012 and for 25 months from late 2016 to late 2018. The current gap hasn't lasted as long but the peak was more than twice as high as in previous episodes, indicating the pain for contractors has been that much more intense.

26 months
The year-over-year change in materials costs may exceed the change in bid prices for 2 years or more

Figure 6



Source: Source: Bureau of Labor Statistics, www.bls.gov/ppi, producer price indexes for goods inputs to nonresidential construction (material costs) and new school building construction (bid prices)

What can contractors and owners do?

Contractors can provide project owners with timely and credible third-party information about changes in relevant material costs and supply-chain snarls that may impact the cost and completion time for a project that is underway or for which a bid has already been submitted.

Owners can authorize appropriate adjustments to design, completion date, and payments to accommodate or work around these impediments. Nobody welcomes a higher bill, but the alternative of having a contractor go out of business because of impossible costs or timing is likely to be worse for many owners.

For projects that have not been awarded or started, owners should start with realistic expectations about current costs and the likelihood of increases. They should provide potential bidders with accurate and complete design information to enable bidders to prepare bids that minimize the likelihood of unpleasant surprises for either party.

Owners and bidders may want to consider price-adjustment clauses that would protect both parties from unanticipated swings in materials prices. Such contract terms can enable the contractor to include a smaller contingency in its bid, while providing the owner an opportunity to share in any savings from downward price movements (as has occurred recently with lumber, diesel fuel, and some metals prices). The ConsensusDocs set of contract documents (www.consensusdocs.org) is one source of industry-standard model language for such terms. The ConsensusDocs website includes a price escalation resource center (https://www.consensusdocs.org/price-escalation-clause/).

The parties may also want to discuss the best timing for ordering materials and components. Buying items earlier than usual can provide protection against cost increases. But purchase before use entails paying sooner for the items; potentially paying for storage, security against theft and damage, and insurance; and the possibility of design changes that make early purchase unwise.

Conclusion

The construction industry is in the midst of a period of exceptionally steep and fast-rising costs for a variety of materials, compounded by major supply-chain disruptions and difficulty finding enough workers—a combination that threatens the financial health of many contractors. No single solution will resolve the situation, but there are steps that government officials, owners, and contractors can take to lessen the pain.

Federal trade policy officials can act immediately to end tariffs and quotas on imported products and materials. With many U.S. mills and factories already at capacity, bringing in more imports at competitive prices will cool the overheated price spiral and enable many users of products that are in short supply to avoid layoffs and shutdowns.

The federal government can improve the labor supply by allowing employers to sponsor more foreign-born workers to fill positions for which there are not enough qualified applicants. In addition, the federal government should fund and approve more apprenticeship and training programs to enable students and career-switchers to acquire the skills needed for construction trades.

Officials at all levels of government should review all regulations, policies, and enforcement actions that may be unnecessarily driving up costs and slowing importation, domestic production, transport, and delivery of raw materials, components, and finished goods.

Owners need to recognize that fast-changing materials costs and availability require a quick decision regarding bids and requests for changes. For new and planned projects, owners should expect quite different pricing from previous estimates. They may want to consider building in more flexibility regarding design, timing, or cost-sharing.

Contractors need, more than ever, to closely monitor costs and delivery schedules for materials and to communicate information with owners, both before submitting bids and throughout the construction process.

Materials prices do eventually reverse course. Owners and contractors alike will benefit when that happens. Until then, cooperation and communication can help reduce the damage.

AGC resources

This document will be updated if market conditions warrant. Check for the latest edition at:
https://www.agc.org/learn/construction-data/agc-construction-inflation-alert for the latest edition

The AGC website, www.agc.org, has a variety of resources available to contractors, owners, and others wanting to know more about the construction industry.

AGC posts tables showing changes in PPIs and national, state, and metro construction employment each month at:
https://www.agc.org/learn/construction-data

AGC's Data DIGest is a weekly one-page summary of economic news relevant to construction. Subscribe at:
https://store.agc.org/Store/Store/StoreLayouts/Item_Detail.aspx?iProductCode=4401
or email chief economist Ken Simonson at ken.simonson@agc.org.

Construction documents are available for viewing and purchase from ConsensusDocs at www.consensusdocs.org, including the price escalation resource center, www.consensusdocs.org/price-escalation-clause/