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 Good Shepherd Hospital – Pharmacy Lab Modernization
Street Address: 450 West Highway 22
City and Zip Code: Barrington, IL 60010
County: Lake Health Service Area: 8 Health Planning Area: A-09

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital
Street Address: 450 West Highway 22
City and Zip Code: Barrington, IL 60010
Name of Registered Agent: C T Corporation System
Registered Agent Street Address: 600 S 2nd Street, Suite 104
Registered Agent City and Zip Code: Springfield, IL 62704-2550
Name of President: William Santulli
President Street Address: 2025 Windsor Drive
President City and Zip Code: Oak Brook, IL 60523
President Telephone Number: 630-929-8704

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: Karen Lambert
Title: President - Advocate Good Shepherd Hospital
Hospital Name: Advocate Good Shepherd Hospital
Address: 450 West Highway 22, Barrington, IL 60010
Telephone Number: 847-842-4004
E-mail Address: karen.lambert@aah.org
Fax Number:

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

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

Additional Contact [Person to receive ALL correspondence or inquiries]

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

Additional Contact [Person to receive ALL correspondence or inquiries]

Name: Dasha Gorkov
Title: Vice President, Operations - Advocate Good Shepherd Hospital
Hospital Name: Advocate Good Shepherd Hospital
Address: 450 West Highway 22, Barrington, IL 60010
Telephone Number: 847-842-4038
E-mail Address: darya.gorkov@aah.org
Fax Number:

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County: Lake Health Service Area: 8 Health Planning Area: A-09

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 Company
Registered Agent Street Address: 600 S 2nd Street Suite 104
Registered Agent City and Zip Code: Springfield IL 62704-2550
Name of President: William Santulli
President Street Address: 2025 Windsor Drive
President City and Zip Code: Oak Brook, IL 60523
President Telephone Number: 630-929-8704

Type of Ownership of Applicants

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

Exact Legal Name: Advocate Health, Inc.
Street Address: 2025 Windsor Drive
City and Zip Code: Oak Brook, IL 60523
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: 2025 Windsor Drive
Co-CEO City and Zip Code: Oak Brook, IL 60523
Co-CEO Telephone Number: (630) 572-9393

Type of Ownership of Applicants

☒ Non-profit Corporation ☐ Partnership
☐ For-profit Corporation ☐ Governmental
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Title: Vice President, Operations - Advocate Good Shepherd Hospital
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Address: 450 West Highway 22, Barrington, IL 60010
Telephone Number: 847-842-4038
E-mail Address: darya.gorkov@aah.org
Fax Number:

Post Permit Contact

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

Name: James Kokaska
Title: Vice President, Planning, Design & Construction
Company Name: Advocate Health
Address:
Telephone Number: 847-723-8898
E-mail Address: james.kokaska@aah.org
Fax Number:

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital
Address of Site Owner: 450 West Highway 22, Barrington, IL 60010
Street Address or Legal Description of the Site: 450 West Highway 22, Barrington, IL 60010 **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 Good Shepherd Hospital
Address: 450 West Highway 22, Barrington, IL 60010

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☐ 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 Good Shepherd Hospital, Advocate Aurora Health, Inc. and Advocate Health, Inc., the applicants, propose a modernization project on the Advocate Good Shepherd Hospital campus.

This project will include relocation and construction of the laboratory and pharmacy departments at Advocate Good Shepherd Hospital.

The project's total square footage will be 19,070 of modernization (14,095 of clinical and 4,975 of non-clinical space). This is a modernization project with new interior architectural walls, flooring/ceiling structures and mechanical, electrical, and plumbing infrastructure within an existing space in the hospital. The cost of the project cost is $26,414,552 with an anticipated completion date of June 1, 2026.

The project is classified as a non-substantive project, as it 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 $ NA.

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): June 1, 2026

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 Good Shepherd Hospital		**CITY: Barrington, Illinois**			
REPORTING PERIOD DATES: **From: Jan. 1, 2023, to Dec 31, 2023**					
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	120	7,791	31,826	-	120
Obstetrics	24	1,060	2,434	-	24
Pediatrics					
Intensive Care	32	682	2,495	-	32
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other					
TOTALS:	176	9,533	36,755	-	176

No bed changes are proposed as part of this project.

Note: Special care nursery is not included in the Admission or Patient Days data

CERTIFICATION

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

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

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

SIGNATURE

William Santulli
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18TH day of APRIL 2024

Signature of Notary

OFFICIAL SEAL
ANNA ZABOROWSKI
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 4/21/25

SIGNATURE

Dia Nichols
PRINTED NAME

Vice President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18TH day of APRIL 2024

Signature of Notary

Seal

OFFICIAL SEAL
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*Insert the EXACT legal name of the applicant

84240674.2

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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.

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William Santulli
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18TH day of APRIL 2024

Signature of Notary

Seal

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NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 4/21/25

SIGNATURE

Dia Nichols
PRINTED NAME

Vice President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18TH day of APRIL 2024

Signature of Notary

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SIGNATURE	SIGNATURE
Brett Denton PRINTED NAME	Bradley A. Clark PRINTED NAME
Secretary PRINTED TITLE	Treasurer PRINTED TITLE
State of North Carolina County of Mecklenburg Notarization: Subscribed and sworn to before me this 4th day of April, 2024	Notarization: Subscribed and sworn to before me this _____ day of _____
Wendy Ruth Paxton Signature of Notary My Commission Expires 1-28-28 Seal	Signature of Notary Seal

*Insert the EXACT legal name of the applicant

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SIGNATURE	SIGNATURE
Brett Denton PRINTED NAME	Bradley A. Clark PRINTED NAME
Secretary PRINTED TITLE	Treasurer PRINTED TITLE
Notarization: Subscribed and sworn to before me this _____ day of _____	Notarization: Subscribed and sworn to before me this 17 day of April, 2024
Signature of Notary	Signature of Notary
Seal	Seal

*Insert the EXACT legal name of the applicant

SAMANTHA JEFFERSON NOTARY PUBLIC MECKLENBURG COUNTY, NC My Commission Expires 11-12-2028

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

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

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

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

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

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

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

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

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

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

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

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

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

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

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

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

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

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

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

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

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

There is no shell space in the proposed project.

ASSURANCES:

Submit the following:

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

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

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

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

N/A

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

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

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

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

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

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) − Need Determination − Establishment
Service Modernization	(c)(1) − Deteriorated Facilities
	AND/OR
	(c)(2) − Necessary Expansion
	PLUS
	(c)(3)(A) − Utilization − Major Medical Equipment
	OR
	(c)(3)(B) − Utilization − Service or Facility
APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

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

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

VII. 1120.120 - AVAILABILITY OF FUNDS

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

$ 6,852,994	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.
$ 19,561,558	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.
$26,414,552	**TOTAL FUNDS AVAILABLE**

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

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

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

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

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

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

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION X. SAFETY NET IMPACT STATEMENT

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

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

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

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

Safety Net Impact Statements shall also include all the following:

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

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

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

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

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

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

SECTION X. CHARITY CARE INFORMATION

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

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

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

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

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

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

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

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

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

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

1. Applicant: _____
(Name) (Address)
(City) (State) (ZIP Code) (Telephone Number)

2. Project Location: _____
(Address) (City) (State)
(County) (Township) (Section)

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

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

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

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

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

FIRM Panel Number:_____ Effective Date:_____

Name of Official:_____ Title: _____

Business/Agency:_____ Address:_____

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

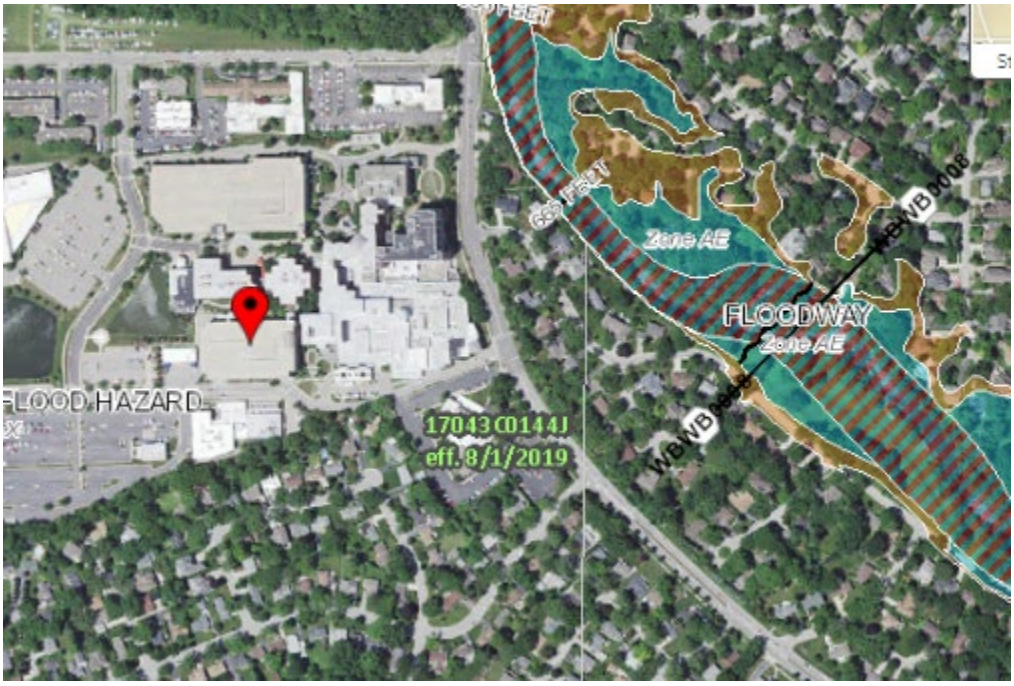
Signature:_____ Date: _____

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

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

Floodplain Map Example

The image below is an example of the floodplain mapping required as part of the IDPH swimming facility construction permit showing that the swimming pool, to undergo a major alteration, is outside the mapped floodplain.



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

INDEX OF ATTACHMENTS

Type of Ownership of Applicants

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

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

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

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

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

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

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

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)

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
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
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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

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
CTC85098...
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.**

7376-3B4

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: 2025 Windsor Drive, Oak Brook, IL 60523
Street Address or Legal Description of the Site: 450 West Highway 22, Barrington, IL 60010 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease**.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The proposed site is at the Advocate Good Shepherd Hospital located at 450 West Highway 22, Barrington, IL 60010. Please see Attachment #2 Exhibit 1.

#24-015

ADVOCATEHEALTH

PO Box 32861
Charlotte, NC 28232-2861

advocatehealth.org

April 18, 2024

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 Corporation d/b/a Good Shepherd Hospital Relocation and Renovation of Lab and Pharmacy

Dear Mr. Kniery:

This attestation letter is submitted to indicate that Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital owns the site of the hospital located at 450 West Highway 22, Barrington, Illinois 60010.

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 18TH day of APRIL, 2024

Notary Public

OFFICIAL SEAL
ANNA ZABOROWSKI
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 4/21/25

Operating Identity/Licensee

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital
Address: 1775 Dempster Street, Park Ridge, IL 60068

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

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

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

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.

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

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

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

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

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

See attached.

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

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

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

Any Authorized Officer's Signature

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

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

7155-8517

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

Section 6: NAMES AND ADDRESSES OF DIRECTORS AND OFFICERS

Officers:

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

4835-2888-4064.2

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
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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

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 S. LaSalle Street 814
   (Number / Street / Suite # (P.O. Box alone is unacceptable))

   Chicago 60604 Cook
   (City / ZIP Code / 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
CTC6509F... (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

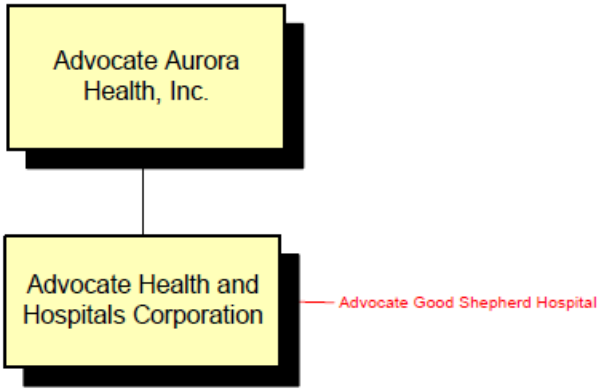
PURPOSE OF ADVOCATE HEALTH, INC. (THE "CORPORATION")

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.

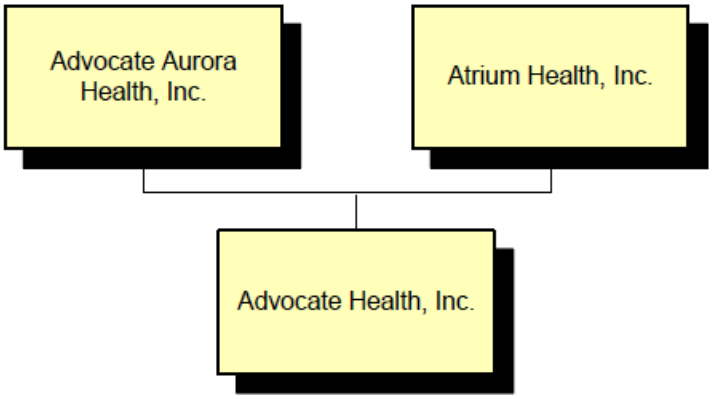
Organizational Relationships

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.

June 1, 2023

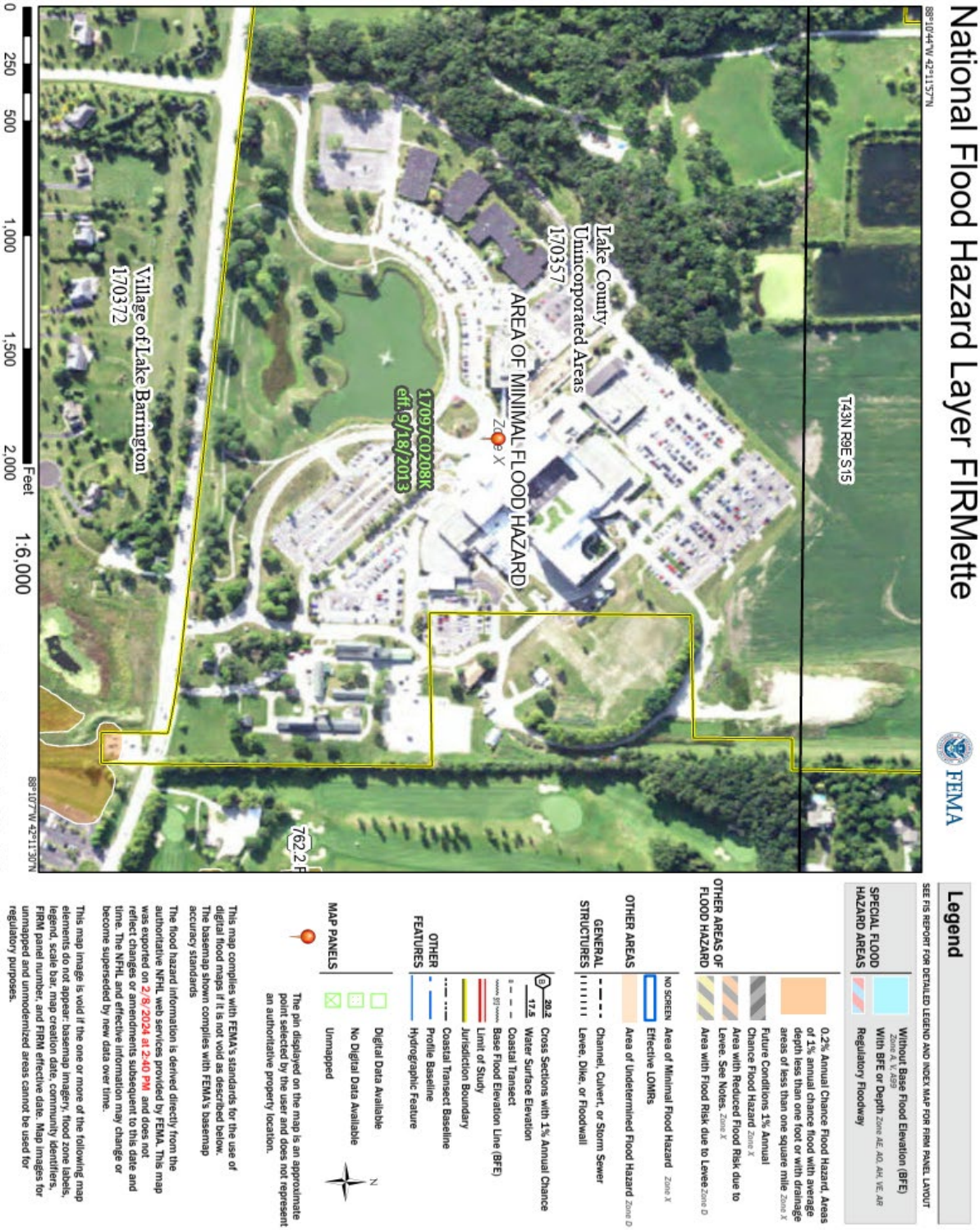
Flood Plain Requirements

[Refer to application instructions.]

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

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

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


National Flood Hazard Layer FIRMette
FEMA
88°10'44"W 42°11'57"N
88°10'7"W 42°11'30"N
T43N R9E S15
Lake County
Unincorporated Areas
170357
AREA OF MINIMAL FLOOD HAZARD
Zone X
17097C0208K
eff. 9/18/2013
Village of Lake Barrington
170372
762.2
0 250 500 1,000 1,500 2,000 Feet
1:6,000
Basemap Imagery Source: USGS National Map 2023
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE) Zone A, A99
With BFE or Depth Zone AE, AO, AH, VE, AR
Regulatory Floodway
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
Future Conditions 1% Annual Chance Flood Hazard Zone X
Area with Reduced Flood Risk due to Levee. See Notes. Zone X
Area with Flood Risk due to Levee Zone D
OTHER AREAS OF FLOOD HAZARD
NO SCREEN Area of Minimal Flood Hazard Zone X
Effective LOMRs
Area of Undetermined Flood Hazard Zone D
OTHER AREAS
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall
20.2 Cross Sections with 1% Annual Chance
17.5 Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
OTHER FEATURES
Profile Baseline
Hydrographic Feature
Digital Data Available
No Digital Data Available
Unmapped
MAP PANELS
The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.
This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards
The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 2/8/2024 at 2:40 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

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 April 1, 2024, requesting a determination letter for this project. The IDNR, Historic Preservation Division is in the process of replying to that request.
The Letter is provided as Attachment 6 Exhibit 1.

Advocate Health Care
Now part of ADVOCATEHEALTH

April 1,2024

Carol Wallace, Deputy State Historic Preservation Officer
Illinois State Historic Preservation Office
Illinois Department of Natural Resources
One Old State Capitol Plaza
Springfield, IL 62701

RE: National Historic Preservation Act

Dear Ms. Wallace,
Per the Certificate of Need, the guidance is to provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act. Identified as Attachment 6 to the CON application form; below is the following information provided with supporting documentation:

1. The project's county, street address, and municipality.

   450 West Highway 22
   Barrington, Illinois 60010, Lake County

2. Complete description of your project, including any proposed ground-disturbing activity.

The project includes renovations of two support areas of the hospital:

- The relocation of the hospital clinical Laboratory services. The relocation will take place in the hospital on the same "G" level.
- The relocation of the hospital clinical Pharmacy services. The relocation will take place in the hospital on the same "G" Level.

3. The names of state and/or federal agencies and entities that are providing funding, licenses, permits, or approvals for your project.
   a. Illinois Department of Public Health Licensing Code #0004796
   b. Illinois Department of Public Health, Div. of Life Safety of Public Health
   c. The County of Lake County, Illinois
      Building permit
4. The name, email address, phone, and mailing address of the project contact:

   Roberto Orozco, Director

   roberto.orozco@aah.org

   847.723.8520

   1775 Dempster Street, Park Ridge Illinois 60068

Advocate Health Care
Now part of ADVOCATEHEALTH

5. Previously assigned SHPO log numbers associated with your project (if any):

   NA

6. Total acreage involved in the project?

   The total acreage involved in this project is 0.4 acres.

7. Year of construction for each structure on the project site

   The Advocate Good Shepherd Hospital was constructred in and occupied in late 1979.

8. Description of any prior non-agricultural ground disturbance in the project area

   Not applicable, the area of the relocation is within the existing hospital.

9. Any known historical information, architectural significance, significance to community, or association with a significant individual for any cultural resources within the project area.

   Not applicable, no known historical significance.

Maps & images to include with your submission:

1. A map showing your project's location.

   See Attachment A

2. For projects that propose ground disturbance, please provide both a USGS 7.5-minute topographic map and recent aerial imagery with the project limits clearly outlined.

   Not Applicable, a USGS Map provided. See Attachment B

3. Newly taken, color, digital images of the existing site and of all structures within.

   See Attachment C

4. Representative interior photos of any structures over 40 years of age

   See Attachment D

5. High-resolution digital scans of relevant historic photographs and previous architectural plans (if applicable/available)

   Not available

Advocate Health Care
Now part of ADVOCATEHEALTH

If you have any questions, please contact me at roberto.orozco@aah.org.

Sincerely,

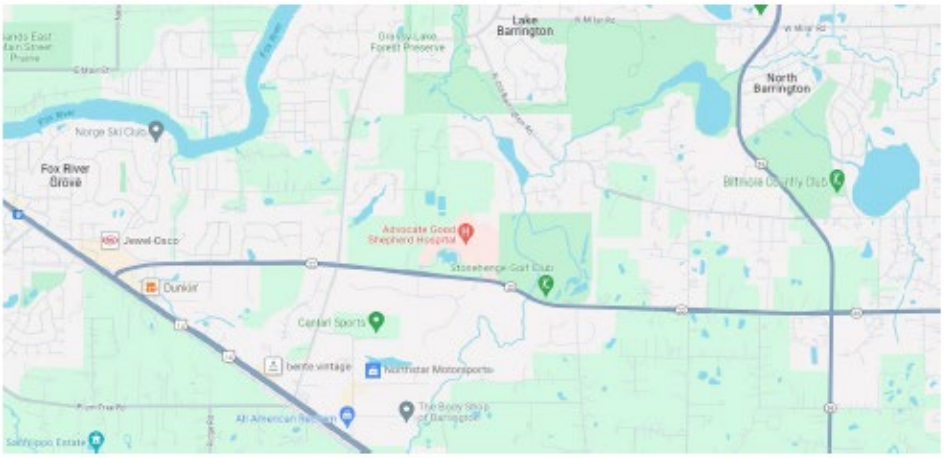
Roberto Orozco

Roberto Orozco
Advocate Health, Director, Planning, Design and Construction

Attachment A:

Advocate Health Care
Now part of ADVOCATEHEALTH

Advocate Good Shepherd Hospital



Attachment B:

Advocate Health Care
Now part of ADVOCATEHEALTH

Attachment C:

Advocate Health Care
Now part of ADVOCATEHEALTH

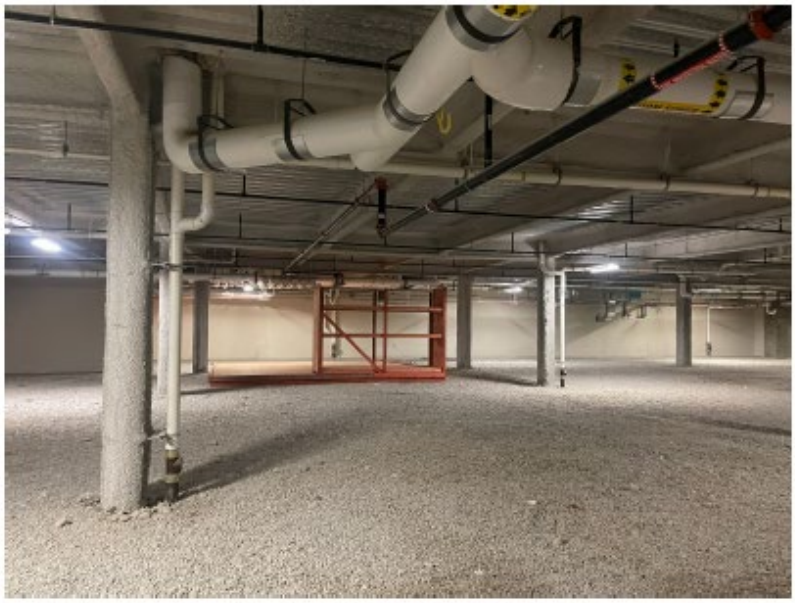
Attachment D:

Advocate Health Care
Now part of ADVOCATEHEALTH

Existing Unoccupied / Undeveloped Area (Area of Work)

Existing Unoccupied / Undeveloped Area (Area of Work)

Advocate Health Care
Now part of ADVOCATEHEALTH



Existing Unoccupied / Undeveloped Area (Area of Work)

Existing Unoccupied / Undeveloped Area (Area of Work)

Project Costs and Sources of Funds

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

PROJECT COSTS AND SOURCES OF FUNDS			
USE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Preplanning Costs	$ 125,000	$ 106,425	$ 231,425
Site Survey and Soil Investigation	$ 20,650	$ 5,000	$ 25,650
Site Preparation	$ 11,100	$ 598,900	$ 610,000
Off Site Work	$ 52,750	$ 76,300	$ 129,050
New Construction Contracts	$ -	$ -	$ -
Modernization Contracts	$ 5,681,865	$ 7,532,643	$ 13,214,508
Contingencies	$ 569,980	$ 1,417,342	$ 1,987,322
Architectural/Engineering Fees	$ 485,800	$ 759,396	$ 1,245,196
Consulting and Other Fees	$ 735,900	$ 757,879	$ 1,493,779
Movable or Other Equipment (not in construction contracts)	$ 985,650	$ 113,829	$ 1,099,479
Bond Issuance Expense (project related)	$ 178,498	$ 63,003	$ 241,501
Net Interest Expense During Construction (project related)	$ 550,340	$ 194,249	$ 744,589
Fair Market Value, Leased Space, Equipment			$ -
Other Costs To Be Capitalized	$ 3,058,868	$ 2,333,185	$ 5,392,053
Acquisition of Building or Other Property (excluding land)	$ -	$ -	$ -
TOTAL USES OF FUNDS	$ 12,456,401	$ 13,958,151	$ 26,414,552
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$ -	$ -	$ 6,852,994
Pledges	$ -	$ -	$ -
Gifts and Bequests	$ -	$ -	$ -
Bond Issues (project related)	$ -	$ -	$ 19,561,558
Mortgages	$ -	$ -	$ -
Leases (fair market value)	$ -	$ -	$ -
Governmental Appropriations	$ -	$ -	$ -
Grants	$ -	$ -	$ -
Other Funds and Sources	$ -	$ -	$ -
TOTAL SOURCES OF FUNDS			$ 26,414,552

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

Itemization of Costs

GSHP Lab and Pharmacy Relocation	
Pre-Planning	**$231,425**
Site and Facility Planning	55,625
Programming thru Conceptual Planning	175,800
Site survey (investigation, assessments)	**$25,650**
Site Preparation	**$610,000**
Prep Work (Demo, Temp. Construction, shoring & Utility Relocation)	610,000
Off-Site Work	**$129,050**
Misc. Concrete	52,750
Gas (Metering thru construction)	76,300
New Construction	**$0**
Modernization Contracts	**$13,214,508**
Contingencies	**$1,987,322**
Architect/Eng. Fees	**$1,245,196**
Consulting and Other Fees	**$1,493,779**
Reimbursable & Other fees	191,260
Operation Efficiency Consultants	245,519
MEP /Envelope, LEED Commissioning, AAH Healthy Spaces Roadmap	185,000
Sustainability	92,000
Miscellaneous	780,000
Movable / Equipment	**$1,099,479**
Lab Equipment	780,439
Pharmacy Equipment	254,040
Misc. Equipment	65,000
Bond Issuance / Finance Expense	**$241,501**
Net Interest	**$744,589**
Other Costs to be Capitalized	**$5,392,053**
FF&E	515,200
Security Systems and Head End Equipment	225,520
Site Signage/digital signage	195,000
Data Infrastructure, wireless, telecom	357,115
Miscellaneous costs	825,600
Costs CON, Lake County, IDPH	800,600
Digital Information Technology Costs	1,178,018
Automation Costs	1,295,000
TOTAL	**$26,414,552**

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): June 1, 2026
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 Condell Medical Center	#20-004
Advocate Illinois Masonic Medical Center	#22-009
Advocate Outpatient Center – South Elgin	#22-050
Advocate Outpatient Center – Chicago Webster	#23-002
Advocate Outpatient Center – Lakemoor	#23-010
Advocate Christ Medical Center	#23-021
Advocate ASTC – Chicago Webster	#23-007
Advocate Outpatient Center Hoffman Estates	#23-028

Cost Space Requirements

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

		Department Gross Square Feet		Amount of Proposed Total Department Gross Square Feet That Is:			
Dept. / Area	Total Costs	Existing	Proposed	CON New Const.	Modernized	As Is	Vacated Space
CLINICAL							
Laboratories	$ 7,619,547	6,358	8,755	0	8,755	0	6,358
Pharmacy	$ 4,836,854	2,530	5,340	0	5,340	0	2,530
Total Clinical	$ 12,456,401	8,888	14,095	0	14,095	0	8,888
NON-CLINICAL Non-Reviewable							
Staff Facilities	$ 2,575,745	0	1,499	0	1,499	0	0
Connecting Corridor	$ 905,644	0	565	0	565	0	0
Mechanical / Electrical / IT	$ 10,476,762	0	2,911	0	2,911	0	0
Total Non-Clinical	$ 13,958,151	0	4,975	0	4,975	0	0
Total	$ 26,414,552	8,888	19,070	0	19,070	0	8,888

The proposed use of the vacated space is outlined below.

Current Dept. / Area	Uses:	Gross Square Feet
Current Laboratories	Convert to Bed Storage	6,358
Current Pharmacy	Convert to Education/Staff Facilities	2,530
	TOTAL	8,888

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

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

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

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

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

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

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

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

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

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

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

1. **For the following questions, please 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 3 is the current state hospital license for Advocate Good Shepherd Hospital. Beyond those listed in Exhibit 1, there are no other Illinois hospitals owned by Advocate Aurora Health, Inc. in Illinois. The most recent DNV accreditation certificate for the Hospital is included as Attachment 11, Exhibit 2.

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

   By the signatures on the Certification pages 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.

3. **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.

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

   All licensure and accreditation information required with this Attachment 11 is attached and the applicants are not relying on a previously filed application.

5. **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 Street 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

DNV

HEALTHCARE CERTIFICATE

Certificate no.:
10000455947-MSC-CMS-USA

Initial certification date:
22 March, 2012

Valid:
22 March, 2024 – 22 March, 2027

This is to certify that the management system of

Advocate Good Shepherd Hospital

450 West Highway 22, Barrington, IL, 60010, 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:
Cincinnati, OH, 01 April, 2024

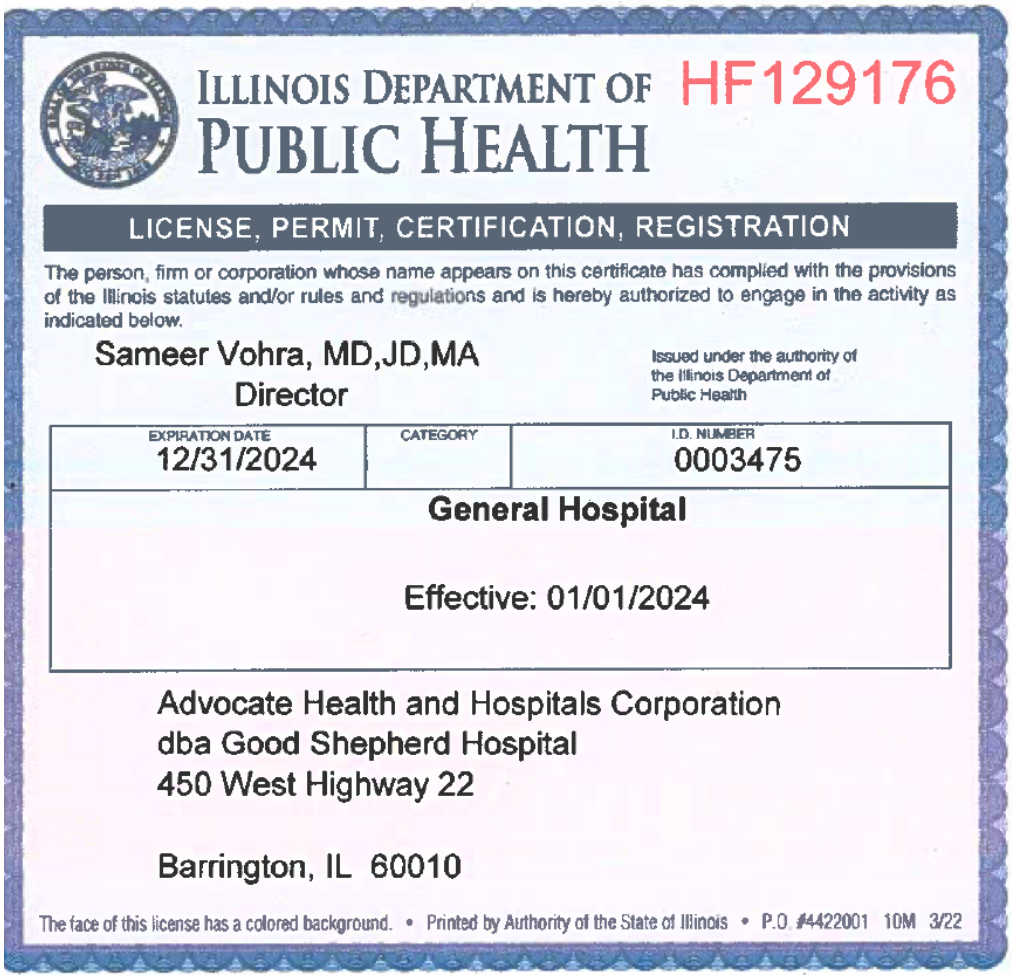
ACCREDITED Hospital

CMS CENTERS FOR MEDICARE & MEDICAID SERVICES

For the issuing office:
DNV Healthcare USA Inc.
4435 Aicholtz Road, Suite 900, Cincinnati, OH, 45245, USA

Kelly Proctor
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., 4435 Aicholtz Road, Suite 900, Cincinnati, OH, 45245, USA - TEL: +1 513-947-8343. www.dnvhealthcare.com



ILLINOIS DEPARTMENT OF PUBLIC HEALTH

HF129176

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
12/31/2024		0003475

General Hospital

Effective: 01/01/2024

Advocate Health and Hospitals Corporation
dba Good Shepherd Hospital
450 West Highway 22

Barrington, IL 60010

The face of this license has a colored background. • Printed by Authority of the State of Illinois • P.O. #4422001 10M 3/22

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

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

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

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

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

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.

Criterion 1110.110 – Background, Purpose of the Project, and Alternatives

1110.110(b) – Purpose of Project

READ THE REVIEW CRITERION and provide the following required information:

PURPOSE OF PROJECT

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

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

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

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

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

The purpose of the Project is to modernize and update hospital facilities to industry standards and to continue to meet the needs of the residents of the hospital service area. Advocate Good Shepherd Hospital is proposing the relocation and construction project of the pharmacy and laboratory services within the hospital. These services are key to the operation of all services within the hospital and are needed to be relocated due to facility infrastructure issues. Additionally, this new space will be designed to accommodate the expanded space needed to support the increased volume that these services experienced over the past few years and the replacement with state-of-the-art equipment needed to serve the patient population now and in the future.

These services are integral to Advocate Good Shepherd Hospital continuing to provide complex state of the art, high quality, inpatient, surgical and outpatient care to the communities in the service area.

A facility assessment was completed last year to evaluate current deficiencies in the infrastructure and determine the options to rectify the hospital's laboratory and pharmacy issues. The costs and current patient care were considered as the alternative space was identified for these services and the location in the hospital building that would be the most appropriate to modernize for these services.

The plan identified significant infrastructure needs in the current location. The project will address:

- The physical infrastructure needs for the laboratory and pharmacy services.
- The size of each department needed for current and projected volume for each service.
- The space needed for replacement equipment needed for these services.
- The department design to support state of the art technology and new equipment.

2. ***Define the planning area or market area.***

Advocate Good Shepherd Hospital's primary market area includes the southwestern Lake and eastern McHenry Counties. The hospital is located in the IHFSRB Planning Area A-09 as shown in Attachment 12, Exhibit 1. Attachment 12, Exhibit 2 provides a map of the hospital's service area. Population projections for the Service Area are provided in the table below. Although the total population in the service area is anticipated to be consistent over the next 5 years, the 65+ population is projected to grow by over 15%, an increase of 13,000 additional older residents. The Hospital is preparing for the increased demand for healthcare services that will accompany this demographic change.

Zipcode	Town	2023 Population	2028 Population
60010	Barrington	45,770	45,056
60012	Crystal Lake	11,098	11,017
60013	Cary	26,137	25,696
60014	Crystal Lake	48,614	47,901
60021	Fox River Grove	5,595	5,757
60042	Island Lake	8,032	7,852
60047	Lake Zurich	43,469	43,438
60050	McHenry	31,657	33,004
60051	McHenry	25,501	25,970
60067	Palatine	39,248	38,252
60073	Round Lake	60,104	59,022
60074	Palatine	36,876	35,954
60084	Wauconda	16,726	16,428
60098	Woodstock	33,023	32,666
60102	Algonquin	31,789	31,215
60110	Carpentersville	37,763	36,949
60142	Huntley	30,994	31,512
60156	Lake in the Hills	27,902	27,454
	TOTAL	**560,298**	**555,143**

Age Group		2023	2028
0-19		147,848	141,241
20-44		173,016	170,942
45-64		151,419	141,759
65+		88,015	101,201
TOTAL		**560,298**	**555,143**

Source: Esri 2023

The Hispanic population in this service area continues to increase. The Hispanic population is currently 21% of the total population and is projected to increase by 5% over the next 5 years. The Hospital is committed to meet the social and medical needs of this population.

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.***

- The physical infrastructure needs for the laboratory and pharmacy services.
- The size for current and projected volume for each service
- The space needed for replacement equipment needed for these services.

The physical infrastructure of the Advocate Good Shepherd Laboratory that was constructed in 1977 has significantly deteriorated and is considered end of life. The adjacent Pharmacy space has similar infrastructure concerns. Even with a highly phased construction plan to address the infrastructure deficiencies while maintaining Laboratory operations, it is neither possible to remediate all issues for compliant Laboratory functions nor complete phased work without significantly impacting patient safety and Laboratory operations for an extended time. Most importantly, the total costs of a highly phased construction plan to keep the Laboratory in its current location would likely exceed the cost to fully relocate both the Laboratory and Pharmacy to a new location on campus.

Replacement equipment is needed in the laboratory and pharmacy and requires additional space, updated infrastructure, and technology. This new equipment is needed to support the current and projected increased volumes at the hospital and will provide more rapid turnaround times as well as clinician response and care.

As Advocate Health Care 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 hospital's assets and the infrastructure. The project addresses the need to replace outdated facilities to meet industry standards to accommodate current procedures, and technology.

The hospital must continue to invest in these services to maintain the high-quality services to provide the continuum of health care services to families that live in the hospital's defined service area.

4. Cite the sources of the documentation.

Information used in this application included reports submitted to the State and various credentialing organizations, AAH Strategic and business plans, 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 Good Shepherd Hospital
- Advocate Good Shepherd Hospital Internal Assessment
- Illinois Department of Public Health Hospital Licensing Code
- Illinois Health Facilities and Services Review Board (HFSRB) Administrative Rules
- IHA Compdata
- FGI Guidelines for Design and Construction of Health Care Facilities
- USP 797/800 Guidelines
- Advocate Aurora Health Pharmac Sterile Compounding Facilities Standards Rev 6.2
- Esri Population 2023 and the US Census Bureau
- Sg2 Market Estimates and Projections

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

The primary purpose of this project is to meet the current and future needs of this community by continuing to offer the key clinical services required at Advocate Good Shepherd Hospital.

This Project will provide updated infrastructure that supports the health services to improve the healthcare and wellbeing of the population in the service area. The proposed project will provide enhanced patient, physician, and team member satisfaction.

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.

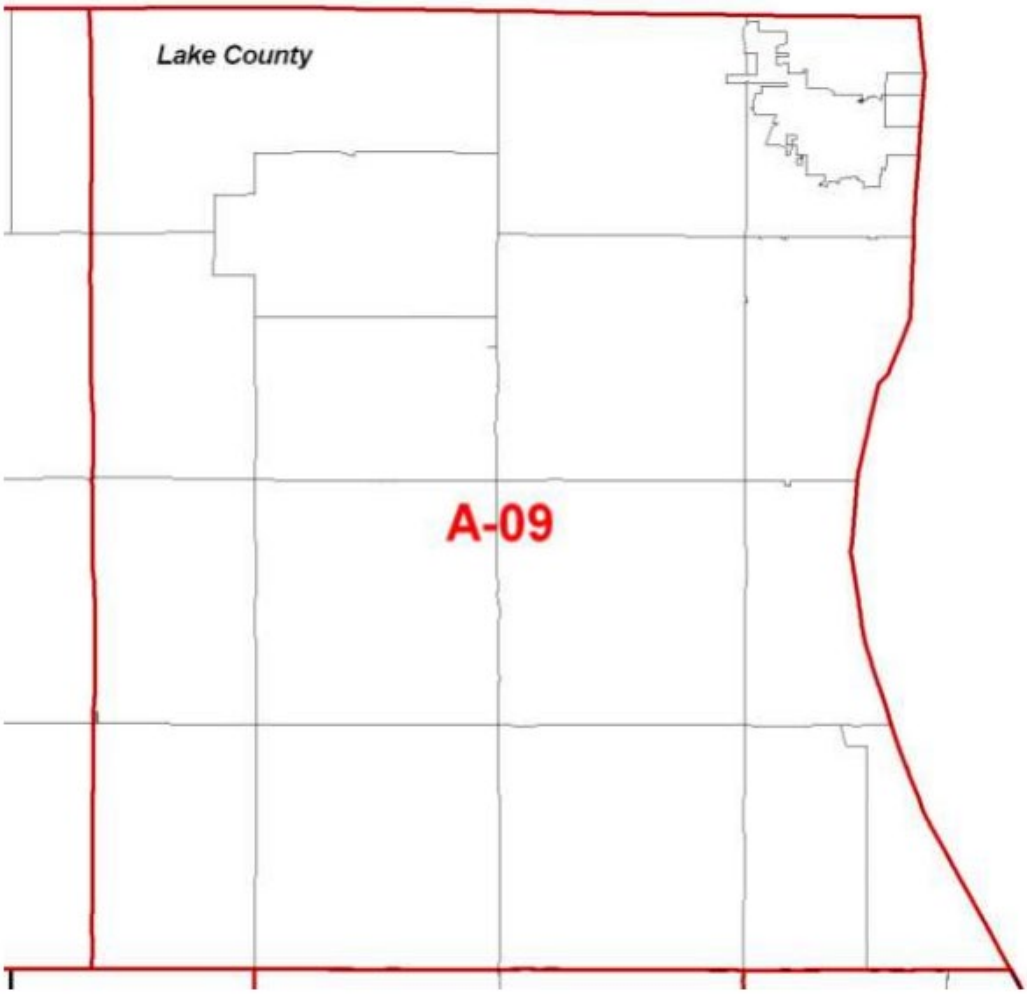
6. Provide goals for the proposed project.

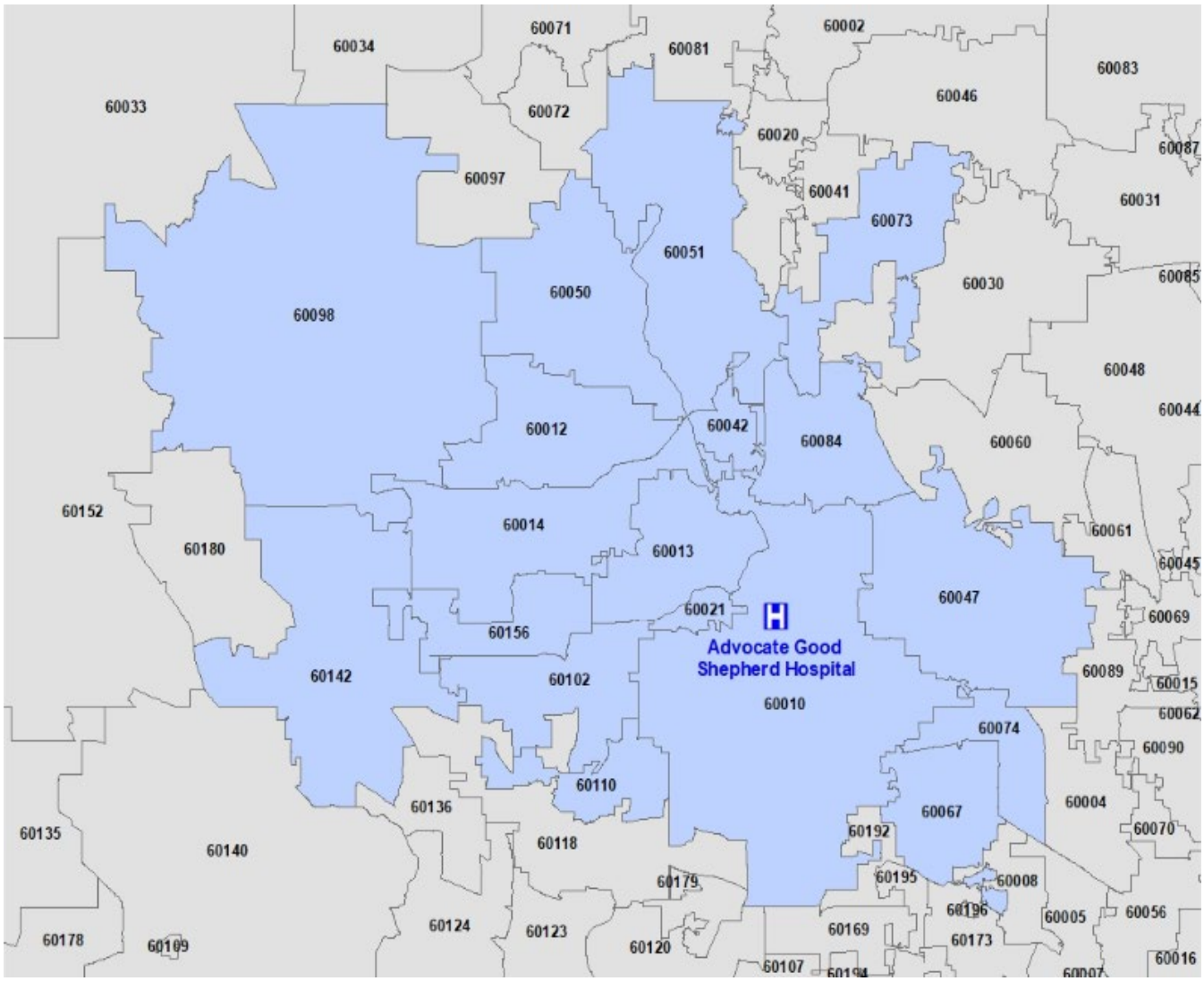
The principal goals for this project are to invest in and develop a modern and updated infrastructure, to allow Advocate Good Shepherd Hospital to continue to provide the highest level of care to residents in the community including:

- Maintain access to key hospital clinical services in the hospital.
- Provide state of the art equipment and space to deliver essential services.
- Upgrade the technology to support these departments for the future.
- Completion and occupancy of the new space and renovation of the existing space with total project completion by June 1, 2026.

Throughout this project, Advocate Good Shepherd Hospital is committed to spending 35% of construction cost with diversity, equity, and inclusion focused companies.
The phasing of this project was well thought out to provide the safest, high-quality care and minimized disruption to patients and clinicians.

I) **Planning Area A-9**: Lake County.

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Advocate Good Shepherd Hospital – Hospital Services

At Advocate Good Shepherd, we are committed to bringing academic level care to our patients and families in a personalized, community setting. We offer a myriad of medical surgical services from diagnosis thru treatment.

The following services are offered on our campus:

- Primary Care
- Surgical Services including Robotic Surgery
- Emergency Medicine
- Cancer Care
- Heart and Vascular Care
- Orthopedics
- Gastroenterology/Digestive Health Center
- Women's Health including Obstetrics
- Brain and Spine Service Line
- Center for Health Integrative Medicine
- Wound Care
- Comprehensive Weight Management including bariatric surgery
- Sleep Medicine

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.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

ALTERNATIVES

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

As part of the Advocate Good Shepherd Capital Planning process, it was determined that there was a critical need for relocation and modernization to address facility infrastructure deficiencies and growth for the laboratory and pharmacy services on the Advocate Good Shepherd Hospital campus. Several alternatives were evaluated based on the recommendations of the architects and the hospital's administration.

The project includes relocation and modernization of laboratory and pharmacy services to the ground level of the hospital's North Pavilion to allow continued high quality support services at the hospital.

Alternative One – Maintain services in current location without modernization.

The option to continue to offer Laboratory and Pharmacy services in their existing locations was not a reasonable option. This would not address the infrastructure or space deficiencies of the current services. This option was rejected as it would not address the significant infrastructure deficiencies in electrical, plumbing, HVAC and space that have accelerated over the past few years and the increasing cost to maintain a safe environment. Over the years, the expansion of Lab's equipment and services to meet regulatory standards has resulted in the department outgrowing its current footprint and infrastructure needs.

Cost: There is no capital cost for this alternative.

Alternative Two – Complete modernization in current location

This option would involve completing a construction and modernization project with multiple phases to address the infrastructure concerns. This option would be challenging for these services to continue to operate and would neither remediate all issues for compliant laboratory and pharmacy functions, or provide the expanded space needed for updated standards, equipment, technology, and growth.

It would not be possible to complete the phased work while maintaining the full functionality of these services without significantly impacting patient safety and department operations for an extended amount of time. A multiphase renovation would require additional enabling moves, and swing spaces to accommodate for the phased construction. Although the phased approach would allow lab and pharmacy departments to remain in their current locations, the cost of the project would exceed fully relocating both departments to the new location on the hospital campus.

Cost: $32,580,000

Alternative Three – Modernize only the Laboratory or only the Pharmacy.

This option would involve only relocating and modernizing the Laboratory, while maintaining the Pharmacy to be modernized in the future. Although this could address the infrastructure and size needs of the Laboratory, the Pharmacy would continue to experience these issues.

In this option, it would be difficult to prioritize one department over the other. It would be significantly costlier to complete the modernization of two departments in separate phases, complete these projects separately and would extend the timeframe for completion, as the two departments are adjacent to each other. In addition, it would be more disruptive to the patients and staff to complete these as two separate projects. As good financial stewards, it was determined that modernization for both services would be combined into one project.

Cost: $17,870,000 Pharmacy only
$19,716,000 Laboratory only

Alternative Four - Develop alternative settings to meet all or a portion of the project's intended purposes.

Unlike other ancillary services, the Laboratory and Pharmacy are essential functions for all inpatient and outpatient hospital services and are critical to be located within the hospital.
It is not an option to relocate these services to a location outside of the hospital building.

Cost: There is no capital cost for this alternative.

Alternative Five – Relocate and Modernize the Pharmacy and Laboratory to the Basement of the Hospital's North Pavilion

This option was selected as the Laboratory and Pharmacy services will be relocated and developed in an optimal location within the hospital and have the larger space needed for these services. It will be appropriately designed space with contemporary standards and functionality to support hospital services now and into the future. This will address the facility infrastructure and space deficiencies of the current location as this is new space that will be constructed and developed for these services.

Project Cost: $26,061,830

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?**

Clinical Components

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Laboratories	8,755	NA		Yes
Pharmacy	5,340	NA		Yes
TOTAL	14,095			

Non-Clinical Components

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

Non-Clinical Department/Areas	PROPOSED DGSF (in project)
Staff Facilities	1,499
Connecting Corridor	565
Mechanical/Electrical, IT	2,911
TOTAL	4,975

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 relocation and modernization of two of the most essential ancillary departments at Advocate Good Shepherd Hospital: The Pharmacy, and Laboratory services.

As outlined in Attachment 31, utilization of these services has increased year over year as patient volumes have increased. The historic and projected utilization for the Pharmacy and Laboratory services is outlined below.

DEPT./SERVICE	HISTORICAL UTILIZATION	PROJECTED UTILIZATION		STATE STANDARD	MEET STANDARD?
	2023	Year 1- 2025	Year 2 - 2026		
Laboratory - Tests	627,641	665,864	685,840	NA	Yes
Pharmacy - RVUs	6,623,637	7,629,208	8,163,252	NA	Yes

There are no state standards for utilization for the clinical services in the project.

UNFINISHED OR SHELL SPACE:

Provide the following information:

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

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

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

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

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

Not Applicable – no shell space.

ASSURANCES:

Submit the following:

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

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

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

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

Not Applicable – no shell space.

Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
☐ Laboratory	1 department	1 department
☐ Pharmacy	1 department	1 department
☐		
☐		

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

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) − Need Determination − Establishment
Service Modernization	(c)(1) − Deteriorated Facilities
	AND/OR
	(c)(2) − Necessary Expansion
	PLUS
	(c)(3)(A) − Utilization − Major Medical Equipment
	OR
	(c)(3)(B) − Utilization − Service or Facility

APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Laboratory

c) Service Modernization

The applicant shall document that the proposed Project meets the following:

1) – Deteriorated Facilities

The proposed project will address infrastructure issues in the current location.
The physical infrastructure of the Advocate Good Shepherd Laboratory and Pharmacy was constructed in 1977 and has significantly deteriorated and is considered end of life. For the last several years, Advocate Good Shepherd Hospital's facilities division has experienced monthly plumbing and draining issues in the Lab. Since Spring 2023, the frequency of water and sewage leaks from the above ceiling supply and waste lines increased to multiple times a month.

After a full evaluation, the following long-standing deficiencies were noted:

- Electrical: Electrical panels that support the Lab are full.
- Plumbing: Water and sanitary supply lines running above the Lab have significantly deteriorated over the years.
- Past leaks have resulted in disruption of Lab operations; accessing these supply lines to repair or reroute is impossible without an extended shutdown of the Lab or a highly phased construction schedule.
- Floor drains are undersized and inadequate for Lab functions.
- Heating, ventilation, A/C (HVAC): Cooling in the department is inadequate. If the department temperatures exceed regulation standards, sensitive equipment and patient specimens can become compromised.
- While the grossing area of the Lab has hood exhaust fans, the area's ventilation is barely meeting code minimums.
- Full HVAC remediation requires a complete shutdown of Lab operations to replace the dual duct box system with a new variable air volume (VAV) system featuring larger duct work and new building automation system (BAS) controls.

This project will relocate and modernize the laboratory and pharmacy to the ground level of the hospital's North Pavilion that is currently a concrete gravel floor slab that will need to be completely developed as there is no current infrastructure (HVAC, plumbing, electrical or technology). This space will be designed to meet the needs of current and future services.

2) - Necessary Expansion

The proposed project will address the space needed for hospital laboratory services. The core function of the clinical laboratory is to perform various tests on collected specimens. These tests can range from simple point-of-care tests to complex analyses involving biochemistry, hematology, microbiology, immunology, cytology, and molecular biology.

Over the last few years, the expansion of laboratory's equipment and services to meet regulatory standards has resulted in the department outgrowing its current footprint.

Replacement state-of-the-art equipment is needed and requires significantly more space and updated infrastructure. This new equipment is necessary to maintain state-of-the art care standards and continue to support the increased volume at the hospital. The new equipment will allow for more accurate as well as timely results for the tests that will be sent to the laboratory to be performed.

Expanded space is also needed to support required laboratory functions including maintenance of films for at least 10 years for patients and providers to have access for comparison of disease progression.

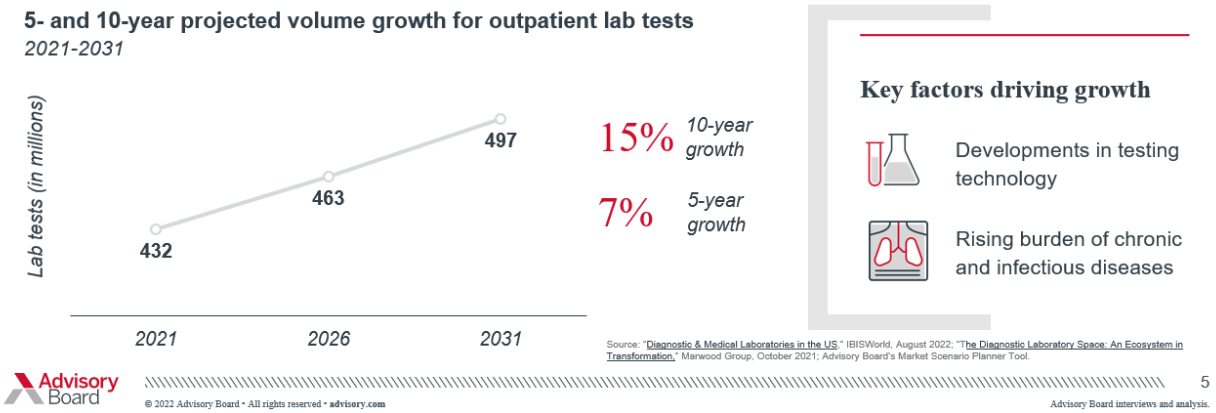
The new space is being designed for optimal clinician work efficiency and workflow.

3)(B) -Utilization – Service or Facility

The Inpatient and Outpatient Laboratory volume is provided below. Over the last two years, lab visits have increased by 7.6%. This increase is due to increased patient volumes and ongoing COVID testing completed at this site. This is similar to volumes projected by the Advisory Board, a National Consulting firm. Based on projections outlined, utilization is estimated to continue to increase over the next five years. The projected year over year growth outlined is due to an increased number of patients in the service area.

Number of Tests Performed	2021	2022	2023	% Change 2021-2023
Laboratory	583,362	603,771	627,641	7.6%

Number of Tests – Volume Projections	2024	2025	2026	% Change 2024-2026
Laboratory	646,470	665,864	685,840	6.1%



There are no utilization standards for the Laboratory function.

Pharmacy

c) Service Modernization

The applicant shall document that the proposed Project meets the following:

1) – Deteriorated Facilities

The proposed project will address the infrastructure issues identified for the Hospital's Pharmacy. The current pharmacy is adjacent to the laboratory and is experiencing the same facilities and space deficiencies highlighted for the laboratory. The relocation and modernization will co-locate the pharmacy and laboratory in the new project.

2) - Necessary Expansion

The proposed project will address the space needed for hospital pharmacy services.
Similar to the laboratory, the pharmacy has outgrown its space, and the project will provide the appropriate design to support the state-of-the-art equipment and technology needed for this service. Replacement with updated equipment and technology is needed to support current capacity and equipment that is at end of life. This will include:

- **Carousels** - expanded capacities of carousels will allow pharmacy enhanced inventory management and control, expiration date checking, and quality assurance with selecting and dispensing medications to patients. AGSH pharmacy implements and monitors systems to prevent medication errors and ensure patient safety. This includes verifying medication orders, checking for allergies and interactions, and ensuring compliance with regulatory requirements. These carousels require expanded size.

- **Refrigerators** - expanded refrigerator capacity will allow for enhanced and optimal storage and temperature control of medications requiring refrigerated storage. The addition of expanded refrigerated storage capacity in the sterile compounding areas allows staff to stay in this space instead of retrieving medications from central pharmacy storage and reenter the clean room requiring staff to continually de-garb and re-garb upon entering this space.
  Medications must be stored under appropriate conditions to maintain their integrity. AGSH Pharmacy manages inventory, tracks stock levels, and ensures proper storage conditions, including monitoring temperature and humidity control for sensitive medications, as well as ambient room temperatures.

- **Additional biological safety cabinet** (BSC) - As infusion volume has increased significantly for Oncology and other service lines, the addition of a second BSC in the hazardous medication clean room buffer zone allows for pharmacy's ability to continue to provide for expanded volumes for chemotherapy and other infusions.

- **Expanded pharmacy services** – Additional designated space in the pharmacy will be developed that includes the:
  - Implementation of kit checks for accurate and efficient preparation of pharmacy emergency kits. This technology provides improved tracking for lot numbers and recalls.
  - Development of a "meds to beds" program allowing the pharmacy to provide patient medications to patients' besides prior to discharge. The primary goal is to ensure that

patients leave the hospital with all necessary prescribed medications in hand, reducing the need for them to stop at a pharmacy post-discharge, which increases medication adherence issues, patient satisfaction and reduce the risk for readmissions. The program will support inpatients as well as ED patients and those undergoing outpatient surgery and other interventional procedures.

This equipment requires additional space and updated infrastructure. This new equipment is necessary to continue to support the continued volume at the hospital.

3)(B) -Utilization – Service or Facility

The Pharmacy volume is provided below. Based on the forecasted projections outlined, utilization is estimated to increase in the service area. The pharmacy utilization is reflected in in relative value units (RVUs) which measures dispensed inpatient and outpatient doses and applies a weighted formulary based on the complexity of the dose.

Number of Pharmacy RVUs	2021	2022	2023	% Change 2022-2023
Pharmacy	NA	6,151,620	6,623,637	7.7%

Number of Pharmacy RVU Projections	2024	2025	2026	% Change 2024-2026
Pharmacy	7,130,101	7,629,208	8,163,252	14.4%

Industry standards were used by the Design and Construction and architect team to develop the appropriate number of rooms.

There are no utilization standards for Pharmacy services.

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]:**

$ 6,852,994	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.
$ 19,561,558	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.
$26,414,552	**TOTAL FUNDS AVAILABLE**

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

The criterion is not applicable. 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. See Attachment 34.

FitchRatings

RATING ACTION COMMENTARY

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

Fri 21 Jul, 2023 - 1:01 PM ET

Fitch Ratings - Chicago - 21 Jul 2023: 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 or Illinois Finance Authority on behalf of AAH.

The Rating Outlook is Stable.

In addition, Fitch has affirmed AAH's short-term rating at 'F1+' on variable rate debt and CP debt supported by AAH's self-liquidity.

Advocate Health Joint Operating Agreement (JOA)

AAH is now a member of Advocate Health. Advocate Health is the result of the December 2022 combination of AAH and Charlotte, NC-based Atrium Health. The combined Advocate Health system recorded more than $28 billion in operating revenue in FY 2022. While the organizations have not yet combined debt obligations, Advocate Health operates with a common management team and one board and the system is already deeply integrated. Most of the financial ratios in this release reference the combined Advocate Health (unless otherwise noted). For the rest of this release "Advocate Health" and "Advocate" refer to the new combined system, while "AAH" refers to the legacy Advocate Aurora Health.

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

Analytical Conclusion

AAH's 'AA' IDR considers a very strong financial profile in the context of an already sound market position and geographic reach that is enhanced by the recent combination with Atrium and formation of Advocate Health. Combined, Advocate Health treats nearly six million unique patients in more than 1,000 sites of care (including 67 hospitals) across six states in the Midwest (Illinois and Wisconsin) and Southeast (North Carolina, South Carolina, Georgia, and Alabama). The system also benefits from being the primary teaching affiliate of the Wake Forest University School of Medicine. While like most acute care providers in the U.S. Advocate's operating margins were compressed in FY 2022 due to macro trends such as labor pressures and inflation, Fitch believes that the system has the foundation to generate good margins in the long term. Moreover, Advocate's combined capital-related metrics should remain quite strong in Fitch's forward-looking scenario analysis, even in a stress case.

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.

SECURITY

AAH 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. Atrium Health and AAH are not yet co-obligated on each other's debt.

KEY RATING DRIVERS

Revenue Defensibility - 'bbb'

Broad Reach Across Multiple Service Areas; Competition Present in Key Markets

Advocate Health has diversified operations across multiple markets in six states in distinct regions of the U.S. (the Midwest and Southeast). While diversified among many service areas, hospital operations are centered around the Chicago area in Illinois, Milwaukee and Green Bay in Wisconsin, Charlotte and Winston-Salem in North Carolina, and the Macon area in Georgia. AAH is the largest health system in both Illinois and Wisconsin, and Advocate maintains the market lead in most core service areas, although competition is present in many 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.

Advocate Health 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 sound characteristics such as median household income levels in-line with or better than the national average, although population trends tend to be somewhat stagnant. The Charlotte metro area and Winston-Salem area enjoy generally favorable demographics with strong population growth. Combined Advocate Health system Medicaid and self-pay area below Fitch's threshold of 25% of gross revenue for a midrange assessment. 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. North Carolina has legislation pending to expand Medicaid per the ACA.

Operating Risk - 'a'

Track-Record of Sound Operating Results; Macro Trends Compressed Margins in 2022

Both AAH and Atrium have a track record of sound operating results. Together (per management combination of audited results), the combined Advocate Health would have generated an average operating margin of roughly 3.1% and operating EBITDA margin of about 8.5% in the four years prior to FY 2022, despite the pandemic (and of course these ratios do not include any potential efficiencies or synergies from the combination). Like the rest of the sector, Advocate Health was not immune to macro labor and inflationary pressures, as well as a spike in average length of stay (ALOS), in 2022. As a result, the combined system recorded a -0.8% operating margin and 4.3% operating EBITDA margin in FY 2022.

While Advocate Health's operating metrics were pressured in 2022, Fitch notes that margin compression was in-line with industry trends. Also, these trendline of results for the combined Advocate Health track those of AAH, which recorded an average operating margin of 3.7% and operating EBITDA margin of 8.9% between FY 2018 and FY 2021, which compressed to -0.3% and 4.7%, respectively, in FY 2022.

Moving forward, Fitch expects Advocate Health to show steady improvement and to record solid profitability and an operating EBITDA margin closer to historical averages. Favorably, Advocate was profitable in 1Q FY 2023 with a 0.1% operating margin and the operating EBITDA margin improved to 5.1% (compared to -1.4% and 3.6%, respectively, for 1Q FY 2022) (the legacy AAH's operating margin improved to 2.5% in 1Q23 from 0.1% in 1Q22). The gain in 1Q23 over the same period 2022 (and over budget) is due to: volume growth in many key areas, including discharges (up 8.5% over 1Q22), observation stays (up nearly 18%), and surgeries (up 9.4%); a decline in ALOS, from 6.02 days to 5.62 days; and recording $36 million of FEMA reimbursement.

Fitch notes that these improvements are only the early stages of management's expected synergies from the combination. Management has identified significant opportunities over the next three years. Key areas of synergies and efficiencies include: supply chain, pharmacy optimization, revenue cycle, continued reduction in contract labor and nurse vacancy, and IT consolidation. Also, there are potential changes to Medicaid in North Carolina that could yield additional benefits to Advocate.

Capital Spending

Advocate Health has maintained a steady pace of capital spending over time (e.g., AAH's capital spending ratio averaged about 1.1x between FY 2018 and FY 2022, while Atrium's averaged more than 1.5x between FY 2019 and FY 2022). The combined system's average age of plant measured a sound 11.4 years at FYE 2022. Fitch expects the Advocate system will continue to reinvest in its plant, and at a manageable pace. The 2023 capex budget is just under $2 billion. Highlighted ongoing and future projects include a replacement hospital in Sheboygan (WI), a new hospital/MOB in Mt. Pleasant, a new patient tower in Winston-Salem (NC), a new hospital in Cornelius (NC), expansion of Greensboro presence, and the Pearl (a joint venture education and research project in Charlotte with the Wake Forest School of Medicine). Both AAH and Atrium are on the Epic EMR platform, so a major EMR update is not required at this point. Fitch expects that a system of Advocate's scope and reach will access the debt markets on a regular basis.

Financial Profile - 'aa'

Very Strong Capital-Related Ratios Should be Sustained

Advocate Health's financial profile is strong, reflective of the combined balance sheet strength of AAH and Atrium. Capital-related ratios should remain strong in the forward-looking scenario analysis, including in a stress case.

At FYE 2022, combined Advocate Health had approximately $19.6 billion of unrestricted cash and investments (nearly $10.7 billion at AAH) and almost $9.1 billion of debt ($3.9 billion of which was AAH). Collectively, Advocate sponsors six private defined benefit (DB) pension plans, each of which is at least 80% funded (Fitch's threshold for inclusion as a debt equivalent). Atrium also has the Charlotte-Mecklenburg Hospital Authority (CMHA) government DB pension, which is approximately 60% funded. Even including the underfunded CHMA DB plan as a debt equivalent, Advocate Health's net adjusted debt (adjusted debt minus unrestricted cash and investments) is favorably negative and cash-to-adjusted debt exceeds 200%.

Advocate's capital-related ratios should remain strong, even in the stress case of Fitch's forward-looking scenario analysis. In the stress case, net adjusted debt-to-adjusted EBITDA is favorably negative in every year and cash-to-adjusted debt does not drop below 195% (and exceeds 250% 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 approximately $1.1 billion of theoretical maximum potential debt supported by self-liquidity. AAH's self-liquidity supported demand debt includes puttable variable rate demand bonds (VRDB) not supported by standby bond purchase agreements (SBPAs) as well as the $1 billion maximum authorized under the taxable CP program.

Asymmetric Additional Risk Considerations

There are no asymmetric risk considerations affecting the rating.

Advocate Health's debt is comprised of approximately 50% variable rate and 50% fixed rate. Variable rate debt includes bank private placements, VRDB, floating rate notes (FRN), and CP. Combined Advocate Health maximum annual debt service (MADS) is $472 million, based on smoothing debt service. Advocate's MADS coverage based on FY 2022 results was sound at 4.4x (despite the softer cash flow generation) and does not pose an asymmetric risk. The legacy AAH's MADS coverage was 4.7x in FY 2022. AAH's MTI includes a minimum historical debt service coverage covenant of 1.10x.

The combined Advocate Health had just over 260 days cash on hand at FYE 2022 (AAH was nearly 280 days and Atrium just over 245 days), and therefore days cash does not pose an asymmetric risk.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Compression in operating margins, such that the operating EBITDA margin is expected to remain closer to 6% for a sustained period, which would lead to an operating risk profile more consistent with a midrange assessment;

--Weaker balance sheet metrics, leading to thinner capital-related ratios in the long term, particularly if compounded with a weaker operating risk assessment.

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.

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.

PROFILE

Advocate Health is the result of the December 2022 combination of AAH and Atrium. The combined system operates 67 hospitals and more than 1,000 sites of care. Advocate has acute care operations in six states: Illinois and Wisconsin (making up Advocate Health - Midwest, the legacy AAH); and North Carolina, South Carolina, Georgia, and Alabama (Advocate Health - Southeast, the legacy Atrium). Core hospital operations are diversified, with particular penetration around Milwaukee and Green Bay in Wisconsin, the Chicago area in Illinois, and Charlotte and Winston-Salem in North Carolina. Advocate Health treated nearly six million unique patients in 2022. Combined total operating revenue measured more than $28 billion in FY 2022, making Advocate one of the five largest not-for-profit health systems in the U.S.

Advocate Health is the largest health system in Illinois, Wisconsin, and North Carolina. The system is co-headquartered in Charlotte and Chicago until January 2024, after which Charlotte will be the HQ. The system is structured as a JOA, currently operating with co-CEOs: Eugene Woods (the CEO of the legacy Atrium) and Jim Skogsbergh (the CEO of the legacy AAH; Mr. Skogsbergh plans to retire in 2024). Advocate Health has a common board with 20 members (10 each from AAH and Atrium). While AAH and Atrium are not obligated on each other's respective debt, it is Fitch's belief that management and the board are committed to the combined Advocate Health system and are already deeply integrated.

Sources of Information

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.

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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. 27 Apr 2023) (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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S&P Global
Ratings

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Advocate Health, North Carolina; CP; Joint Criteria; System

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Advocate Health, North Carolina; CP; Joint Criteria; System

Credit Profile		
Atrium Health		
Long Term Rating	AA/Stable	Upgraded
Atrium Health hosp VRDB ser 2007B		
Long Term Rating	AA/A-1/Stable	Upgraded
Atrium Health hosp VRDB ser 2007C		
Long Term Rating	AA/A-1/Stable	Upgraded
Atrium Health JOINTCRIT		
Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	AA(SPUR)/Stable	Upgraded
Atrium Hlth		
Long Term Rating	AA/A-1+/Stable	Upgraded
Atrium Hlth var rate hlth care rev bnds		
Long Term Rating	AA/A-1/Stable	Upgraded
Atrium Hlth var rate hlth care rev bnds		
Long Term Rating	AA/A-1/Stable	Upgraded
Atrium Hlth var rt hlth care rev bnds ser 2018E dtd 12/01/2021 due 01/15/2048		
Long Term Rating	AA/Stable	Upgraded
Illinois Finance Authority, Illinois		
Advocate Aurora Health, Illinois		
Illinois Fin Auth (Advocate Aurora Health Credit Group) sys		
Long Term Rating	AA/Stable	Affirmed
North Carolina Medical Care Commission, North Carolina		
Wake Forest Baptist Obligation Group, North Carolina		
North Carolina Med Care Comm (Wake Forest Baptist Obligated Group)		
Long Term Rating	AA/Stable	Upgraded
Wake Forest Baptist Medical Center, North Carolina		
Wake Forest Baptist Obligation Group, North Carolina		
Wake Forest Baptist Med Ctr taxable new money bnds (Wake Forest Baptist Oblig Grp) ser 2016 dtd 11/10/2016 due 12/01/2046		
Long Term Rating	AA/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating on various series of debt issued by Charlotte-Mecklenburg Hospital Authority (d.b.a. Atrium Health), N.C. to 'AA' from 'AA-'.
- S&P Global Ratings also raised its dual rating on the authority's series 2018F variable-rate demand bonds (VRDBs) supported by the authority's self-liquidity to 'AA/A-1+' from 'AA-/A-1+', and affirmed its 'A-1+' short-term rating on

the authority's commercial paper (CP) program, also supported by self-liquidity.

- S&P Global Ratings also raised its dual rating on the authority's series 2007B, 2007C, 2018G, and 2018H VRDBs to 'AA/A-1' from 'AA-/A-1', all of which are supported by standby bond purchase agreements (SBPAs) from JPMorgan Chase Bank.
- In addition, we affirmed our 'AAA/A-1+' dual rating on the authority's series 2007E bonds and raised its underlying rating (SPUR) to 'AA' from AA-'.
- Concurrently, we raised our long-term rating on various series of debt issued by the North Carolina Medical Care Commission for Wake Forest Baptist Obligated Group (WFB) to 'AA' from 'AA-' We also raised our long-term rating on WFB's series 2016 taxable bonds to 'AA' from 'AA-'.
- Finally, we affirmed our 'AA' long-term rating on various series of taxable debt issued by Advocate Aurora Health (AAH), Ill. and various series of tax-exempt debt issued by the Illinois Finance Authority (IFA) and the Wisconsin Health and Education Facilities Authority for Advocate Aurora Health.
- We also affirmed our 'AA/A-1+' dual rating on the IFA's series 2011B VRDBs supported by Advocate Aurora Health's self-liquidity, and affirmed our 'A-1+' short-term rating on Advocate Aurora Health's CP program, also supported by self-liquidity.
- Lastly, we affirmed our 'AA/A-1' dual rating on IFA's series 2008C-1 and 2008C-2B bonds, which are supported by SBPAs from JPMorgan Chase Bank. We also affirmed our 'AA/A-1+' dual rating on IFA's series 2008C-3A bonds, which are supported by an SBPA from Northern Trust.
- The outlook on all ratings, where applicable, is stable.

Security

Atrium Health bonds are secured by revenues of the Charlotte-Mecklenburg Hospital Authority obligated group, which is composed of the authority and the Atrium Health Foundation. There are no designated affiliates at this time; hence, the combined group is the same as the obligated group. Atrium Health Navicent and Atrium Health Floyd are not members of the obligated group. Wake Forest Baptist Obligated Group bonds are general, unsecured obligations of the obligated group, which includes North Carolina Baptist Hospital, Wake Forest University Health Sciences, and Wake Forest University Baptist Medical Center; Wake Forest University is not a member of the obligated group. Lastly, Advocate Aurora Health bonds are general, unsecured obligations of the obligated group.

Although Atrium Health, Wake Forest Baptist, and Advocate Aurora Health currently maintain rated debt across separate obligated groups, all are now a part of a larger consolidated system called Advocate Health following the execution of a joint operating agreement in December 2022. Given the terms of the integration agreement and our expectation that the systems will now operate as one entity, and will move towards consolidating its obligated group structure over the medium term, we rate the systems based on the group credit profile of Advocate Health per our group rating methodology criteria, with each affiliate considered core. As such, this analysis focuses on the enterprise and financial profile characteristics of Advocate Health as a whole, and all metrics cited are for the entire system unless stated otherwise. Advocate Aurora Health and Atrium Health, the latter inclusive of Wake Forest Baptist, Atrium Health Navicent, and Atrium Health Floyd, both have a Dec. 31, fiscal year end.

For VRDBs supported by SBPAs, the long-term rating component reflects the 'AA' long-term rating on the healthcare

obligor, and the short-term rating component reflects the short-term rating on the respective banks. For the Charlotte-Mecklenburg Hospital Authority's series 2007E VRDBs supported by a letter of credit (LOC) from TD Bank, we base the long-term rating component on the application of joint criteria between TD Bank and the 'AA' SPUR on the authority. The short-term rating component reflects the 'A-1+' short-term rating on TD Bank. The 'AAA' long-term rating on its series 2007E variable-rate demand bonds is eligible to be rated above the sovereign based on joint criteria and the fact that the rating is not constrained by the sovereign rating.

Credit overview

The rating reflects our view of the credit strength of the consolidated Advocate Health, namely an extremely broad and diverse service area spanning several noncontiguous states, a robust and diverse medical staff with numerous academic relationships, including full integration with Winston-Salem-based Wake Forest Baptist. In addition to its large and geographically diverse revenue base, Advocate Health maintains solid balance sheet metrics characterized by sound days' cash on hand and only moderate debt levels.

Recent operating performance is the rating weak point, with both legacy systems generating operating losses in their respective fiscal 2022. That said, we view the relative magnitude of the loss as comparatively favorable and reflective of each entity's solid operating model and culture. Our rating incorporates improved earnings as contract labor reliance normalizes, but more significantly, as operating synergies and next-level improvement opportunities are unlocked as the system unifies and standardizes operating processes and strategy. Management has identified sizable financial benefits to be realized over the medium term, which we will continue to monitor in subsequent reviews as current performance is light for the rating level.

We view the unified management team's successful integration experience with previous combinations and planned move toward a single CEO model over the near term as factors supporting the current rating, although we recognize the operating headwinds in the current environment. Over the outlook period, the system's leadership team is preparing its first strategic and long-range financial plans, which we expect will reflect improved performance and include refined assumptions based on continued progress on combining the two entities. We anticipate that earnings recovery will be a critical rating factor in future reviews, especially given Advocate Health's elevated capital spending plans and desire to maintain existing balance sheet strength.

The rating is based on our view of Advocate Health's credit strengths:

- Substantial geographic and revenue diversity, anchored around acute care operations in Illinois, Wisconsin, North Carolina, and Georgia;
- Healthy operating liquidity, with days' cash on hand near 260 days and manageable debt load relative to net assets and operations;
- Expansive and diverse clinical staff of over 15,000 active physicians, including faculty, employed and independent physicians, residents, and fellows;
- Recent management experience with integration activities given both legacy systems were born from recent combinations of their own; and
- Compelling and ambitious strategy to drive change in the sector, supported by a newly solidified leadership team that we view as well-qualified.

The strengths are partly offset, in our view, by the following credit weaknesses:

- Softened performance in fiscal 2022 with a more muted earnings outlook, concurrent with integration and execution risk over the coming years, as we believe a combination of this size and complexity could carry challenges;
- Expected heightened capital spending over the next several years, which we think could pressure reserve growth, particularly if operating cash flow does not improve or investment markets remain volatile; and
- Reliance on supplemental funding programs and COVID-19 stimulus in recent periods to support operating results.

Environmental, social, and governance

We view Advocate Health's social capital risk as lower within our credit rating analysis given the size of its multi-state service area, including several markets with healthy demographic trends such as population and employment growth, though this is partially offset by markets with weaker growth prospects. Additionally, the system, like many in the sector, is subject to higher human capital risks tied to labor supply, with elevated contract labor exposure being the primary factor driving weaker profitability in fiscal 2022. We expect challenges related to recruitment will continue for the next few years but could be less severe in its growth markets.

We analyzed Advocate Health's environmental and governance risks and determined that both are neutral in our credit rating analysis. We believe the system's geographic diversity provides some hedge against the already minimal physical risks faced in each service area. In addition, the system's parent board will become self-perpetuating over the coming years and this is described in greater detail below. Atrium Health includes multiple governing boards with various levels of local authority and specific legacy appointment structures, but key reserve powers rest with the Advocate Health parent.

Outlook

The stable outlook reflects our view that Advocate Health's increased geographic diversity and scale, coupled with healthy balance sheet measures, lend stability to the rating during periods of operating stress and early integration efforts. The outlook is further reflective of our view that the system likely returns to positive operations in fiscal 2023, with its combined strength, along with the management's disciplined approach to integration and achieving synergies, positioning it well to address secular sector profitability pressures.

Downside scenario

We believe below-expectation operating performance would be the most likely contributor to rating pressure. While we believe Advocate Health possess numerous other credit strengths, failure to execute on operating improvement and synergy initiatives could result in a negative action, given it would challenge one of the key rationales for the combination of the legacy systems. Erosion or lack of improvement in balance sheet measures, whether due to weaker earnings, continued system growth, or higher capital spending, could also pressure the rating.

Upside scenario

We do not expect to raise the rating over the outlook period given recent operating performance trends and the recency of this combination. Over the longer-term, a higher rating would be predicated on sustained robust profitability, with continued accumulation of balance sheet cushion.

Credit Opinion

Enterprise Profile--Very Strong

Unified system governance; management team assembled

Advocate Health is governed by a single 20-member board, which holds key reserve powers. Initial board members were equally split among Advocate Aurora Health and Atrium Health, but will transition to a self-perpetuating structure over the coming four years; Wake Forest Baptist controls three of the board seats by way of the same appointments at the Atrium Health level. The new board will honor all existing commitments of the legacy systems, namely those of Atrium Health related to its combinations with Wake Forest Baptist, Atrium Health Navicent, and Atrium Health Floyd.

Gene Woods of Atrium Health and Jim Skogsbergh of AAH will serve as co-CEOs of the system until early 2024, at which time Skogsbergh is expected to step down. Executive leadership has also been restructured with a mix of leaders from both systems, though the chief financial officer role is held by Anthony DeFurio, also of Atrium Health. We believe the leadership of Advocate Health is of a caliber commensurate with its size and consider this to be exemplified in the system's ambitious strategy and vision to be a next generation academic health system. Though operating under one management team and a cohesive system strategy, we understand existing care delivery brands within markets will not change.

Each system had fairly complementary missions, visions, and values, which we view as a tailwind to early integration efforts. While we anticipate refinement in the strategic plan over the medium term as leadership addresses its strategic capabilities, we expect it will be anchored upon Advocate Health's key pledges covering the areas of health equity, affordability, clinical quality and safety, workforce, learning and discovery, and environmental sustainability. We also anticipate continued smart growth will be a pillar of management's future strategy.

Broad, diverse, noncontiguous service area

The system serves a large population of over 16 million based on the combined service areas of AAH (11.9 million) and Atrium Health (4.4 million). Demographics and growth projections contrast significantly across regions, with slight population decline projected in the large Illinois and Wisconsin markets (AAH) and smaller Georgia service area (Atrium Health Navicent and Atrium Health Floyd), rapid expansion in the Charlotte, N.C. metropolitan statistical area (Atrium Health), and growth in line with national averages in Winston-Salem, N.C. (WFB). As a whole we view the system's footprint favorably as we believe it lends considerable geographic diversity to Advocate Health.

In addition, each system has maintained a sound payor mix, with a healthy portion of net patient revenue coming from commercial insurers. On a gross basis, AAH yields a slightly higher commercial mix despite the weaker demographics. We consider this a testament of its strong market position and clinical offerings, as well Atrium Health's role as the major safety net provider in Charlotte. We do not anticipate material movement in value or risk-based contracts for the system over the near term as management further develops its strategic direction.

National market position supported by diverse portfolio of access points, robust medical staff

We view Advocate Health as having a relevant, though not always leading, market share across all its discrete service areas. In addition to robust coverage of the care continuum through both inpatient, outpatient, and digital access points, this view is further supported by the system's medical staff of over 15,000 active physicians, further supported by over 40,000 nurses. Clinical offerings are further enhanced by academic affiliations including long-term teaching affiliations with the University of Illinois at Chicago Health Sciences Center, Rosalind Franklin University, and Midwestern University at AAH, and Wake Forest Baptist at Atrium Health. We expect the system will continue to integrate and leverage translational research and educational activities across its footprint as a means of market differentiation.

The system competes directly with several strong regional systems and academic medical centers including NorthShore University Health System, Northwestern Memorial HealthCare, Novant Health, among many other well-regarded providers. In addition, we believe Advocate Health, like other systems, could be affected by new entrants into the health care sector, generally in the area of primary and ambulatory care. We believe Advocate Health is well-positioned to compete or partner with such entities given its footprint, financial strength, and sophisticated management team.

Table 1

Advocate Health, North Carolina enterprise statistics

	--Pro forma historical results--		
	2022	**2021**	**2020**
Inpatient admissions	447,734	458,227	453,267
Equivalent inpatient admissions	1,155,387	1,156,780	1,109,276
Emergency visits	2,048,726	2,040,456	1,743,869
Inpatient surgeries	117,263	129,476	114,499
Outpatient surgeries	298,967	298,062	231,719
FTE employees	127,851	125,302	122,761
Active physicians	15,400	14,280	N.A.

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. Enterprise statistics include both the Atrium Health, Inc. and Advocate Aurora Health, Inc. N.A.--Not available.

Financial Profile--Very Strong

Operations soften in 2022; expected recovery supported by integration synergies and North Carolina Medicaid changes

Advocate Health's operating earnings in 2022 were affected by sector-wide labor challenges, including a reliance on costly contract labor, as well as broader inflationary expense pressures. If assuming a full year of combined operations, the system posted an operating loss in excess of $370 million in 2022, which equates to a comparatively resilient negative 1.3% margin. These figures incorporate S&P Global Ratings performance adjustments, including removing unrestricted contributions and investment activity from operating revenue and adding non-controlling interest to operating expenses. Fiscal 2022 results also include a meaningful amount of various COVID-19 stimulus funding, which is not expected in subsequent periods. In previous years, both systems maintained solid operating results,

though Atrium Health's performance has trailed that of Advocate Aurora Health partly due to a lack of Medicaid expansion in its service area. Despite our pro forma view of fiscal 2022, it's important to note the two systems operated independently for the vast majority of the year.

The system's fiscal 2023 operating targets were based on bridge budgets for the various legacy entities, and we anticipate a more robust and holistic budgeting process in coming years, in alignment with management's to-be-developed long-range financial plan. While the current plan is aiming for breakeven in 2023, we believe above budget and positive operations are likely given notable budgetary exclusions highlighted below.

Given the immense scale of each legacy system, we believe there are considerable synergy opportunities in the near term as processes are standardized and duplication is reduced. What's more, each system has significant integration experience their own sizable combinations in recent years. Management's baseline expectation for achievable integration synergies aims for $1.5 billion in improvements over the next ten years. Early wins in this area include consolidated supply chain and insurance contracts, revenue cycle vendor alignment, and standardized pharmacy and lab protocols. In addition to these initiatives, Advocate Health has estimated significant further opportunities in the areas of operating efficiencies and broader portfolio optimization, with meaningful gains from these areas likely over the coming few years. Lastly, and separate from integration benefits, North Carolina is expected to implement Medicaid expansion over the near term, with a subsequent rate enhancement program that will have a substantial and positive impact on Atrium Health given its large Medicaid patient mix. The final approval and implementation timing is still open and contingent on passage of the state budget.

All of the aforementioned are excluded from Advocate Health's 2023 budget, which we believe provides substantial budgetary cushion against stubborn contract labor expenses. We anticipate the long-range financial plan will display an improving earnings trajectory over the coming years, largely a result of realized synergies and greater certainty with the North Carolina Medicaid program. Failure to show such improvement, whether due to below expectation synergies or otherwise, could pressure the rating and outlook over time.

Healthy unrestricted reserves add cushion to financial profile, should remain sound despite elevated spending plans

Both systems possessed ample and comparable unrestricted reserve cushion, and the combined Advocate Health reflects this strength, despite a material decline in 2022 given $2.3 billion in unrealized investment losses. The system expended a combined $1.2 billion on capital items in 2022, near 106% of depreciation expense. We anticipate healthy capital spending over the coming years given ongoing and contemplated growth projects, though management is preparing Advocate Health's inaugural long-range financial plan later this year. Meaningful ongoing projects include master campus plans and discrete growth projects across both regions. We will evaluate future projections including key assumptions and benchmarks in subsequent reviews, but we anticipate sustaining strong operating liquidity will remain a key pillar of management's plan. We broadly expect strong operating cash flow will sufficiently support management's capital appetite over the coming years.

We view the consolidated investment portfolio as appropriate for the system, but note key differences in investment policies across the legacy systems. Notably, AAH had a much larger private equity and alternative mix, with over $2 billion in commitments over the coming seven years, contrasted with just $13 million at Atrium Health.

The system retains ample liquidity within its unrestricted reserves, further supplemented by AAH's $1.0 billion authorized CP program ($50 million outstanding) and $1.15 billion line of credit capacity ($0 drawn), Atrium Health's $400 million authorized CP program ($400 million outstanding), and $300 million line of credit capacity via WFB ($19 million drawn). Atrium Health's CP balance is deducted from unrestricted reserves and excluded from debt measures given it is primarily used for working capital purposes.

Advocate Health has identified approximately $1.3 billion in combined assets (market value) as of Mar. 31, 2023, to cover authorized CP programs and self-liquidity VRDBs including AAH's series 2011B VRDBs and Atrium Health's series 2018F VRDBs. The identified assets are a subset of Advocate Health's unrestricted reserves and include cash and equivalents, money market funds, and U.S. government fixed-income securities. In the event of a failed remarketing, it is our opinion that the assets identified in the portfolio would provide sufficient liquidity. The system has also provided us with the operational procedures that will be followed to provide for timely payment in the event of a failed CP rollover or remarketing of the windows bonds. We monitor the credit quality, liquidity, and sufficiency of the assets identified by management on a monthly basis.

Manageable debt load and benefit exposure; diverse debt portfolio

We view the system's leverage as appropriate for the rating near 24%, with a sound debt burden near 1.7x aided by the large total revenue base. There are currently no material new money debt plans, but the medium term outlook is subject to management's upcoming long-range financial plan. In addition, we anticipate more frequent market activity in the form of remarketing, refunding, and commercial paper actions given Advocate Health's diverse debt structure and noteworthy event and renewal risk, though we believe this is manageable. Just over 40% of long-term debt is considered contingent per S&P Global Ratings, inclusive of VRDBs, CP, direct placement debt, and put bonds; Atrium Health's debt portfolio was more heavily contingent than that of AAH. All obligated groups and entities were compliant with financial covenants in fiscal 2022.

The system's interest rate swap portfolio includes five swaps from AAH ($351 million notional value as of Dec. 31, 2022) and eleven swaps from Atrium Health ($859 million notional value). Just $1.2 million in combined collateral was posted at year-end, related to WFB's lone swap. The swaps support a debt structure that is 70% fixed rate or synthetically fixed.

Advocate Health includes seven distinct defined-benefit pension plans of various legal classifications, with all but one closed to new participants with benefit accruals frozen. The combined net shortfall across all plans was around $900 million as of Dec. 31, 2022, assuming an average discount rate of 5.3%, equating to moderate funded status of 78%. The most material pension exposure stems from the Atrium Health Charlotte plan, which carries a $544 million shortfall. When viewed in the context of the system's consolidated financial profile, we anticipate pension exposure will remain manageable. Other post-employment benefits are immaterial, with less than a $40 million liability in 2022.

Table 2

Advocate Health, North Carolina financial statistics

	--Pro forma historical results--			Medians for 'AA' rated health care systems
	2022	2021	2020	2021
Financial performance				
Net patient revenue ($000s)	25,046,827	23,991,171	20,918,702	4,409,886
Total operating revenue ($000s)	28,081,026	26,895,323	24,229,216	5,319,909
Total operating expenses ($000s)	28,452,749	26,151,267	24,079,338	5,141,836
Operating income ($000s)	(371,723)	744,056	149,878	185,339
Operating margin (%)	(1.32)	2.77	0.62	4.00
Net nonoperating income ($000s)	613,386	1,080,322	443,011	310,496
Excess income ($000s)	241,663	1,824,378	592,889	514,701
Excess margin (%)	0.84	6.52	2.40	9.80
Operating EBIDA margin (%)	3.76	7.66	6.01	9.30
EBIDA margin (%)	5.82	11.23	7.70	14.20
Net available for debt service ($000s)	1,670,124	3,140,889	1,900,023	758,893
Maximum annual debt service ($000s)	472,282	472,282	472,282	87,494
Maximum annual debt service coverage (x)	3.54	6.65	4.02	8.00
Operating lease-adjusted coverage (x)	2.57	4.51	3.01	5.40
Liquidity and financial flexibility				
Unrestricted reserves ($000s)	19,440,700	22,360,778	19,431,443	5,428,508
Unrestricted days' cash on hand	260.1	325.7	308.4	350.8
Unrestricted reserves/total long-term debt (%)	259.3	292.1	283.9	334.9
Unrestricted reserves/contingent liabilities (%)	614.2	699.0	733.7	1,036.6
Average age of plant (years)	11.4	11.3	10.5	11.3
Capital expenditures/depreciation and amortization (%)	105.9	135.1	137.4	148.9
Debt and liabilities				
Total long-term debt ($000s)	7,498,272	7,654,943	6,843,442	1,425,146
Long-term debt/capitalization (%)	24.4	23.5	23.6	20.0
Contingent liabilities ($000s)	3,165,423	3,198,805	2,648,461	491,170
Contingent liabilities/total long-term debt (%)	42.2	41.8	38.7	31.3
Debt burden (%)	1.65	1.69	1.91	1.60
Defined benefit plan funded status (%)	78.16	79.96	84.63	90.40
Miscellaneous				
Medicare advance payments ($000s)*	11,000	924,600	1,393,678	MNR
Short-term borrowings ($000s)*	400,000	400,000	250,000	MNR
COVID-19 stimulus recognized ($000s)	181,113	240,654	1,243,758	MNR
Total net special funding ($000s)	333,790	568,175	712,004	MNR

*Excluded from unrestricted reserves, long-term debt, and contingent liabilities. Financial statistics are based on S&P Global Ratings internal consolidation of audited results. MNR--Median not reported.

Credit Snapshot

- Group rating methodology: We consider the obligated groups of Advocate Aurora Health, Atrium Health, and Wake Forest Baptist to all be core to the group credit profile of Advocate Health. The obligated groups remain separate and do not secure or guarantee any debt of each other.
- Organization description: Advocate Health is the parent entity of the combined system that includes Advocate Aurora Health and Atrium Health. The latter also includes Wake Forest Baptist, Atrium Health Navicent, and Atrium Health Floyd. The system has 67 inpatients facilities across Illinois, Wisconsin, North Carolina, and Georgia, supplemented by hundreds of various outpatient access points. The system is headquartered in Charlotte, N.C.

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 May 22, 2023)

Advocate Aurora Health taxable bnds		
Long Term Rating	AA/Stable	Affirmed
Advocate Aurora Health taxable comm pap nts ser 2019 dtd 02/25/2019 due 08/01/2019		
Short Term Rating	A-1+	Affirmed
Atrium Health taxable hlth care comm pap rev bnds ser 2015B1,2,3,4		
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
Wisconsin Health & Education Facilities Authority, Wisconsin		
Advocate Aurora Health, Illinois		
Wisconsin Hlth & Educational Fac Auth (Advocate Aurora Health Credit Group)		

Ratings Detail (As Of May 22, 2023) (cont.)		
Long Term Rating	AA/Stable	Affirmed
Wisconsin Hlth & Educational Fac Auth (Advocate Aurora Health Credit Group)		
Long Term Rating	AA/Stable	Affirmed
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
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 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 2018B dtd 08/16/2018 due 08/15/2054		
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

Many issues are enhanced by bond insurance.

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.

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

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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.

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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:

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

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

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.

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).

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

D. Projected Operating Costs

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

F. Total Effect of the Project on Capital Costs

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

APPEND DOCUMENTATION AS ATTACHMENT 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.

ADVOCATE HEALTH

PO Box 32861
Charlotte, NC 28232-2861

advocatehealth.org

April 18, 2024

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 Corporation d/b/a Good Shepherd Hospital Relocation and Renovation of Lab and Pharmacy

Dear Mr. Kniery:

This letter is to attest to the fact that the selected form of debt financing for the purpose of the Advocate Good Shepherd Hospital project will be the lowest net cost available, or if a more costly form of financing is selected, that form is more advantageous due to such 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 18TH day of APRIL, 2024

Notary Public

OFFICIAL SEAL
ANNA ZABOROWSKI
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 4/21/25

Reasonableness of Project and Related Costs

Cost & Gross Square Feet by Department									
Dept. / Area	A	B	C	D	E	F	G	H	
	Cost / Sq. Ft.		Gross Sq. Ft.		Gross Sq. Ft.		Const. $	Mod. $	Total Cost (G+H)
	New	Mod.	New	Circ.*	Mod.	Circ.*	A x C	B x E	(G+H)
REVIEWABLE									
Laboratories	$0	$392	0	15%	8,755	15%	$0	$3,428,075	$3,428,075
Pharmacy	$0	$422	0	15%	5,340	15%	$0	$2,253,790	$2,253,790
Total Clinical			0		14,095		$0	$5,681,865	$5,681,865
Clinical Contingency									$569,980
Total Clinical Reviewable + Contingency									$6,251,845
Staff Facilities	$0	$399	0	15%	1,499	15%	$0	$598,125	$598,125
Connecting Corridor	$0	$306	0	15%	565	15%	$0	$173,000	$173,000
Mechanical/Electrical, IT	$0	$2,323	0	15%	2,911	15%	$0	$6,761,518	$6,761,518
Total Non-Clinical			0		4,975		$0	$7,532,651	$7,532,643
Non-Reviewable Contingency									$1,457,342
Total Clinical Non-Reviewable + Contingency									$8,989,985
Total									$15,201,830

* Include the percentage (%) of space for circulation

With the review of this project's costs being compared against a typical interior renovation, this list is intended to identify a number of project specific required conditions that account for additional project costs in excess of a typical interior renovation.

AGSH Lab & Pharmacy Modernization	Estimated Premium $
Exterior Wall Improvements: The existing exterior foundation walls are uninsulated and not prepared for an interior buildout. Costs have been included to install the required insulation improvements to prepare this space for a new interior build out.	$ 75,000
Infrastructure Needs: The current space has no infrastructure for Plumbing, HVAC, HVAC Piping, HVAC Controls, or Electrical Distribution that a typical interior build out would have in place. Costs have been included for new Plumbing, a new Air Handling Unit (AHU), all new ductwork, HVAC Piping, and HVAC Controls, as well as new Electrical Distribution to support the new space.	$ 1,000,000
Concrete Slab-on-Grade: The existing space was left as graded stoned. Costs have been included in this project to install a new concrete slab on grade with the appropriate vapor barrier to support a new usable interior space.	$ 200,000
Exterior Duct Riser for Isolation Exhaust: The build out of this space requires a new Isolation Fan for the Pharmacy. With the location of this project in the Lower Level of the Hospital, it is critical that this exhaust be terminated ABOVE the 5th floor roof, which will require a new 6 story exterior riser.	$ 250,000
Work in Existing Pharmacy & Lab: After the existing Lab & Pharmacy have relocated to the new location, there is some minor work required to prepare the existing spaces for the purposes identified in this package. Those costs are reflected here.	$ 700,000
Project Specific Construction Cost Premiums	**$ 2,225,000**

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 Operating Costs	
	Cost Per EPD Year 1
Operating Costs	**$3,331.35**

Impact of Project on Capital Costs	
	Cost Per EPD Year 1
Capital Costs	**$226.21**

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.

ADVOCATE GOOD SHEPHERD HOSPITAL Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2020**	**2021**	**2022**
Inpatient	37	142	84
Outpatient	2,766	3,700	3,748
Total	**2,803**	**3,842**	**3,832**
Charity (cost in dollars)			
Inpatient	1,008,000	971,000	331,000
Outpatient	1,221,000	1,441,000	692,000
Total	**2,229,000**	**2,412,000**	**1,023,000**
MEDICAID			
Medicaid (# of patients)	**2020**	**2021**	**2022**
Inpatient	633	656	616
Outpatient	12,433	17,264	20,255
Total	**13,066**	**17,920**	**20,871**
Medicaid (revenue)			
Inpatient	$6,618,638	$6,398,176	$5,935,056
Outpatient	$3,469,162	$5,047,362	$6,101,145
Total	**$10,087,800**	**$11,445,538**	**$12,036,201**

Advocate Good Shepherd Hospital has a strong history of serving the health needs of the residents and visitors in southwestern Lake and eastern McHenry Counties. The hospital is part of Advocate Health, a top not-for-profit health system. The original hospital opened in 1979 in response to the requests of community members to place a hospital in their community with a donation of land from the Quaker Oats corporation. Expansion of population and emerging technology brought about a modernization and expansion project which was completed in 2017, resulting in the format of the current campus.

Advocate Good Shepherd is a community hospital with 176 licensed beds. More than 850 doctors and 590 nurses provide care in 67 specialties. More than 1,000 newborns are welcomed each year, with specialty care provided in a level two-plus nursery. The Emergency Department, which cares for approximately 38,000 patients per year in a level two trauma setting, is specially designated to treat seniors and children. Other areas recognized for clinical excellence include cardiac care, bariatric surgery and weight loss, cancer care, neurology, and women's health.

The hospital has been a Magnet designated hospital for nursing excellence each year since the original application in 2013, with the most recent redesignation coming in 2023. Annually, nurses participate in conferences and poster presentations to demonstrate continuing effort to create the best possible nursing team. The hospital has been recognized as an MBSAQIP Accredited Comprehensive Center for bariatric surgery, having demonstrated high-quality, safe, advanced care for weight reduction surgery. Diabetic care is provided in a program recognized by the American Diabetes Association for consistently meeting national standards. From pre-operative to post-operative state, patients participate in a Surgical Team Approach to Advanced Recovery, STAAR, program designed to enhance patient preparedness and satisfaction in surgery and improve surgical outcomes.

Recent recognitions from outside agencies include: PINC 100 Best Hospitals, PINC 50 Best Cardiac Hospitals, CME Five Stars for Overall Quality, DNV Comprehensive Stroke Center, Commission on Cancer Accredited Program (American College of Surgeons), American Heart Association Get with the Guidelines Gold Plus for Stroke, Beacon Award for Excellence, NAPBC Accredited Breast Care, and Emergency Nurses Association Lantern Award. Good Shepherd has been accredited by DNV since 2012, with the most recent reaccreditation visit in February 2024. In 2008, Good Shepherd was certified as an ISO9001 facility.

<u>Diverse and Culturally Competent Care</u>

Advocate Good Shepherd Hospital leadership and team members continually seek opportunities to identify the unique needs of a diverse patient population and ensure culturally competent care. Having identified that breast cancer is the # 1 life ending cancer for Latinas, a Hispanic Breast Care Center was established, resulting in 34% increase in screening for Latinas since 2019. The center includes a Spanish speaking navigator to assist with disparities ranging from inability to pay to lack of health literacy. The navigator works in the communities the hospital serves to promote annual exams in a caring, inclusive environment. This work is supported by Mission and Spiritual Care Congregational Outreach. A bi-lingual representative of the hospital engages with all types of congregations in the area and provides critical information and translation for members seeking improved health literacy and regular screenings. Mission and Spiritual Care is also involved in the provision of Mental Health First Aid training for those who provide service to patients in crisis.

In 2022, Advocate Good Shepherd used available land to partner in the development of a Smart Farm. Thirty acres of hospital land are dedicated to supporting the work of sustainable, local farming. The produce harvested is used to support patients with chronic diseases to boost nutritional value, keep local food pantries supplied with fresh food, and bring produce to Advocate Good Shepherd's sister hospital in Chicago, Advocate Trinity Hospital. Approximately 16,000 pounds of food per year is donated to various organizations. Twice monthly during the growing season hospital team members and visitors can shop for produce at an indoor farmer's market in the hospital lobby. In the interest of organic, sustainable farming, plants are also for sale for home gardening.

Several other areas of focus that are intended to address the needs of specific subsets of the hospital's patient base include the following. The Emergency Department leads the effort to identify potential victims of human trafficking. Partnerships with local organizations outside of the health system are in place to help victims and families. Community Health, in partnership with the local Fire District has forged agreements with others to staff and provide community paramedicine that will benefit identified patients in the Good Shepherd service area such as polypharmacy and medication compliance, food insecurity, fall prevention, and general lifestyle. Local food pantries are supported with donations and special collections with a strong emphasis on including collection and distribution of diapers and adult incontinence products. Hospital volunteers participate in the annual Hispanic Heritage Day in a local community as well as National Night Out, distributing bicycle helmets to decrease head injuries.

The Senior Services Department hosts regularly scheduled Senior Breakfast Club meetings which highlight speakers addressing topics of interest to the group. Examples include heart health, gastrointestinal health, nutrition, and safe driving. Financial counseling including assistance with Medicare and supplemental insurance forms is provided free of charge by the Senior Health Insurance Program. Free or reduced cost health screenings such as blood pressure checks, and diabetes screening are offered. All community members 65 years and older are eligible for discounted membership to the Advocate Good Shepherd Health & Fitness Center. Matter of Balance classes help seniors avoid falls and the numerous complications from falling.

Women and newborns receive care in a modern, state of the art, birthing center. Additional services include the Pampered Pregnancy Program, which provides an OB navigator and personalized educational materials. Breastfeeding resources are available before birth, during a family stay, and after delivery through the Baby Bistro support group held weekly. Milk donations are accepted for mothers who need assistance through a cooperative effort between Mother's Milk Bank of the Midwest and Advocate Good Shepherd. For those who suffer an unfortunate loss, bereavement services are available. A robust support group meets monthly. This comes in the form of an interdisciplinary collaboration with all Advocate sites. Teammates are educated annually on caring for family loss. The program includes an annual memorial service for families who have suffered a loss, and recognition of "rainbow babies" (parents who deliver their next baby after a loss).

The Center for Health and Integrative Medicine was recently opened under the leadership of a fellowship-trained physician to address diverse needs. Programming is based on an evidence-based combination of traditional and holistic medicine. Services are available for patients seeking acupuncture, massage therapy, integrative psychotherapy, nutrition counseling, health coaching,

yoga, mindfulness, aromatherapy, and vitamin supplementation. The center works closely with the Health Management Center in the hospital. Disciplines housed in this center are weight management/bariatric surgery, wound care, diabetic education, and traditional nutrition services. In late 2024, the center will add a Bone Health Clinic to help patients avoid bone loss and properly treat patients who suffer a fracture.

Advocate Good Shepherd teammates are founding partners in the formation of Choose Your Path Coalition, representing School District 118 communities. Choose Your Path Coalition describes itself as a "grassroots coalition" with the mission is to change attitudes, encourage action, and mobilize stakeholders around the issues of substance abuse. Twelve sectors of community members form strategic alliances within the community to create a safe, healthy, and drug-free community for youth including a Youth Advisory Board. In 2020, the coalition was awarded federal funding under the Drug Free Communities grant program; in 2023, the coalition was one of 15 named as a Blue-Ribbon Coalition by the White House.

Community Health Needs Assessment

A Community Health Needs Assessment (CHNA) is completed every three years. A Community Health Council (CHC), consisting of community stakeholders and hospital team members meet under leadership of hospital Community Health leaders to analyze the significant data collected. In the recent CHNA, the top five health concerns identified were obesity, cardiovascular disease, diabetes, behavioral health (mental health and substance use), and maternal child reproductive health. Rounding out the top ten areas of concern were respiratory diseases, sexually transmitted infections, unintentional falls, dental health, and cancer.

CHC members selected the top health issues, based on prevalence, incidence, mortality rates, current Lake and McHenry County health priorities, Healthier Barrington Study results, and the availability of resources to address issues. Healthy People 2030, (through the US Health and Human Service's Government's Office of Disease Prevention and Health Promotion), goals serve as critical benchmarks in development of goals, objectives, and metrics to track effectiveness of strategies developed.

Top health needs were selected by the CHC as priorities were obesity and behavioral health, including both mental health and substance use. Culturally appropriate interventions are in development to address these health concerns and will remain ongoing.

Education

Advocate Good Shepherd offers learning opportunities for students at the hospital. Rotations include Podiatric surgery residents, Nursing students from Marquette University, Harper College, and others for inpatient care and Imaging students participate in hands on training in the hospital's imaging department. Annually, the hospital hosts community high school students and their families to a medical careers fair where interested students can learn about clinical and non-clinical careers in healthcare. Good Shepherd is represented on the board of the Harper College Educational Foundation.

The impact of the Good Shepherd Hospital services is far reaching, and the hospital is an important organization supporting the communities within the service area. The residents have come to rely on many of these programs designed to focus on improving access to care, addressing special needs, and improving overall community health in the service area.

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.

ADVOCATE GOOD SHEPHERD HOSPITAL CHARITY CARE			
	2020	2021	2022
Net Patient Revenue	$ 297,578,445	$ 364,783,646	$ 375,246,094
Amount of Charity Care (charges)	$ 7,592,000	$ 9,556,000	$ 4,203,000
Cost of Charity Care	$ 2,229,000	$ 2,412,000	$ 1,023,000

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

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

Applicant: Advocate Good Shepherd Hospital (Name) 450 West Highway 22 (Address)
(City) Barrington (State) IL (ZIP Code) 60010 (Telephone Number) 847-381-0123

4. Project Location CAC address - 450 West Highway 22 (Address) Barrington (City) IL (State)
Lake (County) Barrington (Township) (Section)

5. 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.

APPENDIX

#24-015

Advocate Aurora Health, Inc.

Consolidated Financial Statements and Supplementary Information
As of and for the Years Ended December 31, 2023 and 2022

Document Dated as of April 22, 2024

ADVOCATE AURORA HEALTH, INC.
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Report of Independent Auditors

The Board of Directors

Advocate Health, Inc.

Opinion

We have audited the consolidated financial statements of Advocate Aurora Health, Inc. (the Organization), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022, 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:

Building a better working world

- 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 Annual Disclosure Statements 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

April 22, 2024

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

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 857,599	$ 372,898
Assets limited as to use	179,288	153,557
Patient accounts receivable	1,906,747	1,796,499
Other current assets	1,093,683	975,406
Total current assets	4,037,317	3,298,360
Assets limited as to use	11,863,519	11,306,120
Property and equipment, net	5,919,233	5,971,542
Other assets		
Goodwill and intangible assets, net	56,938	476,564
Operating lease right-of-use assets	305,114	305,311
Other noncurrent assets	815,699	520,373
Total other assets	1,177,751	1,302,248
Total assets	**$ 22,997,820**	**$ 21,878,270**

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

	December 31, 2023	December 31, 2022
Liabilities		
Current liabilities		
Long-term debt and commercial paper, current portion	$ 172,759	$ 101,204
Long-term debt subject to short-term financing arrangements	354,720	165,035
Operating lease liabilities, current portion	69,062	73,026
Accrued salaries and employee benefits	1,245,445	1,165,861
Accounts payable and other accrued liabilities	1,164,041	1,128,954
Third-party payors payables	404,496	357,177
Accrued insurance and claims costs, current portion	237,771	204,592
Total current liabilities	3,648,294	3,195,849
Noncurrent liabilities		
Long-term debt, less current portion	2,939,221	3,255,423
Operating lease liabilities, less current portion	273,134	276,116
Accrued insurance and claims cost, less current portion	686,643	634,468
Obligations under swap agreements	31,681	29,514
Other noncurrent liabilities	1,159,793	1,039,353
Total noncurrent liabilities	5,090,472	5,234,874
Total liabilities	**8,738,766**	**8,430,723**
Net assets		
Without donor restrictions		
Controlling interest	13,823,021	13,037,580
Noncontrolling interests in subsidiaries	191,582	171,791
Total net assets without donor restrictions	14,014,603	13,209,371
With donor restrictions	244,451	238,176
Total net assets	**14,259,054**	**13,447,547**
Total liabilities and net assets	**$ 22,997,820**	**$ 21,878,270**

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, 2023	Year Ended December 31, 2022
Revenue		
Patient service revenue	$ 12,987,089	$ 12,065,771
Capitation revenue	1,206,918	1,197,327
Other revenue	1,559,047	1,281,148
Total revenue	15,753,054	14,544,246
Expenses		
Salaries, wages and benefits	8,975,567	8,601,734
Supplies and drugs	3,063,799	2,659,287
Purchased services and other	2,359,535	2,070,036
Contracted medical services	542,880	518,834
Depreciation and amortization	614,084	599,923
Interest	125,568	118,319
Total expenses	15,681,433	14,568,133
Operating income (loss)	**71,621**	**(23,887)**
Nonoperating income (loss)		
Investment income (loss), net	819,180	(723,225)
Other nonoperating (loss) income, net	(57,951)	41,404
Total nonoperating income (loss), net	761,229	(681,821)
Revenue in excess of (less than) expenses	**832,850**	**(705,708)**
Less income attributable to noncontrolling interests	(58,518)	(45,124)
Revenue in excess of (less than) expenses - attributable to controlling interest	**$ 774,332**	**$ (750,832)**

(Continued)

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(in thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net assets without donor restrictions, controlling interest		
Revenue in excess of (less than) expenses - attributable to controlling interest	$ 774,332	$ (750,832)
Pension-related changes other than net periodic pension costs	9,311	(133,071)
Net assets released from restrictions for purchase of property and equipment	7,319	4,159
Other, net	(5,521)	5,462
Increase (decrease) in net assets without donor restrictions, controlling interest	785,441	(874,282)
Net assets without donor restrictions, noncontrolling interests		
Revenues in excess of expenses	58,518	45,124
Distributions to noncontrolling interests	(38,727)	(40,773)
Increase in net assets without donor restrictions, noncontrolling interests	19,791	4,351
Net assets with donor restrictions		
Contributions	17,861	11,702
Investment income (loss), net	8,737	(8,261)
Net assets released from restrictions for operations	(13,060)	(12,760)
Net assets released from restrictions for purchase of property and equipment	(7,319)	(3,864)
Other, net	56	(318)
Increase (decrease) in net assets with donor restrictions	6,275	(13,501)
Increase (decrease) in net assets	**811,507**	**(883,432)**
Net assets at beginning of period	13,447,547	14,330,979
Net assets at end of period	**$ 14,259,054**	**$ 13,447,547**

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities		
Increase (decrease) in net assets	$ 811,507	$ (883,432)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	603,847	590,030
Amortization of operating lease right-of-use assets	59,697	64,119
Loss on debt refinancing	40	33
(Gain) loss on sale of property and equipment	(212)	836
Change in fair value of swap agreements	2,167	(61,703)
Pension-related changes other than net periodic pension cost	(9,311)	133,071
Net assets released from restrictions for operations	(13,060)	(12,760)
Distribution to noncontrolling interests	37,539	46,809
Distributions from unconsolidated entities	11,265	35,746
Changes in operating assets and liabilities		
Trading securities, net	(482,997)	1,423,034
Patient accounts receivable	(110,248)	20,300
Third-party payors receivables and payables, net	(30,238)	1,745
Other assets and liabilities, net	206,760	(790,543)
Net cash provided by operating activities	1,086,756	567,285
Cash flows from investing activities		
Capital expenditures	(521,414)	(498,759)
Proceeds from sale of property and equipment	808	3,814
(Purchases) sales of investments designated as non-trading, net	(92)	(303)
Investments in unconsolidated entities, net	(18,504)	(18,569)
Acquisition of MobileHelp, net of cash acquired	—	(286,133)
Other	(913)	(7,896)
Net cash used in investing activities	(540,115)	(807,846)
Cash flows from financing activities		
Repayments of long-term debt, net	(51,000)	(46,898)
Distribution to noncontrolling interests	(37,539)	(46,809)
Proceeds from restricted contributions and income on investments	26,599	3,441
Net cash used in financing activities	(61,940)	(90,266)
Net increase (decrease) in cash and cash equivalents	**484,701**	**(330,827)**
Cash and cash equivalents at beginning of period	372,898	703,725
Cash and cash equivalents at end of period	**$ 857,599**	**$ 372,898**
Supplemental disclosures of noncash information		
Operating lease right-of-use assets in exchange for new operating lease liabilities	$ 59,500	$ 105,805

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(dollars in thousands)

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

Advocate Aurora Health, Inc., a Delaware nonprofit corporation (the "Parent Corporation"), owns and operates primarily not-for-profit healthcare facilities in Illinois and Wisconsin. 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.

Effective December 2022, the System and Atrium Health, Inc., a North Carolina not-for-profit corporation, ("AHI") entered into a joint operating agreement pursuant to which they created Advocate Health, Inc. ("Advocate Health"), a Delaware nonprofit corporation, to manage and oversee an integrated health care delivery and academic system that will focus on meeting patients' needs by redefining how, when and where care is delivered. The System and AHI are the two corporate members of Advocate Health. The System maintains its separate legal existence and no sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of Advocate Health.

The System provides a continuum of care through its 25 acute care hospitals, an integrated children's hospital, a psychiatric hospital, primary and specialty physician services, outpatient centers, physician office buildings, pharmacies, rehabilitation and home health and hospice care in northern 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

The federal COVID-19 Public Health Emergency expired in May 2023 and management does not expect COVID-19 to have a material adverse impact on the financial condition of the System going forward. The System still has outstanding applications 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 Coronavirus Aid, Relief and Economic Security Act ("CARES Act") 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. At December 31, 2023 and December 31, 2022, $9,878 and $37,060, respectively, is included in other current assets in the accompanying consolidated balance sheets for the employee retention tax credit. 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 that all significant terms and conditions to have been met for recognition to occur.

The System was awarded approximately $76,000 in Federal Emergency Management Agency funds to reimburse the System for personal protective equipment used during the COVID-19 pandemic. The System recognized approximately $40,000 and $36,000 for the years ended December 31, 2023 and 2022, respectively, as revenue that is included in other operating revenue within the accompanying consolidated statements of operations and changes in net assets.

On April 1, 2022, the System purchased MobileHelp Group Holdings, LLC (“MobileHelp”) for $286,133, net of cash acquired.

On December 15, 2023, the System approved the sale of SH Corporate Company, Inc. and SHF Acquisition Company, Inc. (collectively "Senior Helpers") and MobileHelp as they no longer fit the strategic priorities of Advocate Health. The sale of Senior Helpers closed in March 2024 and management expects the MobileHelp sale to close later in 2024. As of December 31, 2023, the related disposal group for Senior Helpers and MobileHelp was reclassified to held for sale. A majority of the disposal group consists of goodwill and intangible assets, $192,323 and $161,497, respectively. The System recorded an impairment of $150,000 related to the expected sale that is included in purchased services and other expenses in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2023.

The following represents the classification of the disposal groups in the accompanying consolidated balance sheets as of December 31, 2023:

Other current assets	$	50,172
Other noncurrent assets		237,126
Other current liabilities		(10,905)
Other noncurrent liabilities		(25,723)
Total disposal group	$	250,670

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 ("GAAP") 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 revenue 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 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 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, retirement plan assets, 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.

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.

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 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 typically occurs within days or weeks of the end of the reporting period.

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 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.

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. 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 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. As a result, there is a possibility that recorded estimates will change by a material amount.

For the years ended December 31, 2023 and 2022, 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, 2023 and 2022 were not material.

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.

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 $44,096 and $267,385 and intangible assets of $12,842 and $209,179 are included in goodwill and intangible assets, net in the accompanying consolidated balance sheets as of December 31, 2023 and 2022, respectively. The majority of the decrease in goodwill and intangible assets for the year ended December 31, 2023 is due to the reclassification of goodwill and intangible assets of Senior Helpers and MobileHelp as held for sale. See additional disclosure in Note 2. SIGNIFICANT EVENTS. The System has elected to amortize goodwill using the straight-line method over a 10-year period. Intangible assets with expected useful lives are amortized over that period. Amortization is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets. Amortization expense was $55,591 and $50,837 for the years ended December 31, 2023 and 2022, respectively.

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. As described in Note 2. SIGNIFICANT EVENTS, for the year ended December 31, 2023, an impairment of $150,000 related to the expected loss on the sale of MobileHelp was included in purchased services and other expenses in the accompanying consolidated statements of operations and change in net assets. There were no material impairment charges recorded for the year ended December 31, 2022.

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 purchased services and other expense in the accompanying consolidated statements of operations and changes in net assets.

Investments in Unconsolidated Entities

Investments in unconsolidated entities are accounted for using 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 health-related unconsolidated entities is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. The income (loss) on non-health-related unconsolidated entities is included in other nonoperating (loss) income, net 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 (loss) 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 (loss), net.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are amortized over the term of the bonds using the effective interest method and are included in long-term debt, 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 as increases to net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets. 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.

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 retail pharmacy revenue, clinical integration revenue, managed care risk/quality shared savings revenue and other miscellaneous revenue.

Other Nonoperating (Loss) Income, Net

Revenues and expenses related to the delivery of health care services 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 (loss) income, net. Other nonoperating (loss) income, net primarily consists of fund-raising expenses, contributions to charitable organizations, income taxes, income (loss) from non-health related unconsolidated entities, unrealized changes in fair value of swaps and the net non-service components of the periodic benefit expense of the System's pension plans.

Revenue in Excess of (Less Than) Expenses and Changes in Net Assets

The accompanying consolidated statements of operations and changes in net assets includes the revenue in excess of (less than) expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from revenue in excess of (less than) 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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments- Credit Losses (Topic 326)*. This guidance replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments- Credit Loss (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842)*, which deferred the effective date for the System until fiscal years beginning after December 15, 2022. The System adopted this guidance effective January 1, 2023, on a prospective basis. The guidance did not have a material impact on the System's accompanying consolidated financial statements.

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, 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. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,* which defers the sunset date of Topic 848 to December 31, 2024. Management has evaluated the impact of this guidance and does not expect it to have a material impact on the System's consolidated financial statements.

Reclassifications in the Consolidated Financial Statements

Certain reclassifications were made to the 2022 consolidated financial statements to conform to the classifications used in 2023. There was no impact on previously reported 2022 net assets or revenues less than expenses.

4. COMMUNITY BENEFIT

The System provides health care services without charge or at discounted rates to patients who meet the criteria of its financial assistance 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 $110,000 and $102,000 for

the years ended December 31, 2023 and 2022, 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, which 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

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

	Year Ended December 31, 2023		Year Ended December 31, 2022	
Managed care	$ 6,738,790	52 %	$ 6,506,440	53 %
Medicare	4,197,545	32 %	3,813,381	32 %
Medicaid	1,668,531	13 %	1,443,200	12 %
Self-pay and other	382,223	3 %	302,750	3 %
	$ 12,987,089	100 %	$ 12,065,771	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.

Revenue disaggregated by state and service line is as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Illinois	$ 5,920,220	$ 5,417,029
Wisconsin	7,066,869	6,648,742
Total patient service revenue	$ 12,987,089	$ 12,065,771
Hospital	$ 9,772,918	$ 8,910,925
Clinic	2,914,123	2,773,500
Other	300,048	381,346
Total patient service revenue	$ 12,987,089	$ 12,065,771

Currently, the State of Illinois utilizes supplemental reimbursement programs to increase reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the Centers for Medicare & Medicaid Services and are funded with a combination of state and federal resources, including assessments levied on the

providers. Under these supplemental programs, the System recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured. Reimbursement and the assessment under these programs are reflected in the accompanying consolidated statements of operations and changes in net assets as follows:

	Classification	Year Ended December 31, 2023	Year Ended December 31, 2022
Reimbursement	Patient service revenue	$ 410,119	$ 331,438
Assessment	Purchased services and other	216,793	173,141

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 as follows:

	Classification	Year Ended December 31, 2023	Year Ended December 31, 2022
Reimbursement	Patient service revenue	$ 120,033	$ 123,358
Assessment	Purchased services and other	100,668	99,010

Patient accounts receivable

The composition of patient accounts receivable is summarized as follows:

	December 31, 2023		December 31, 2022	
Managed care	$ 877,778	46 %	$ 913,665	51 %
Medicare	475,482	25 %	390,456	22 %
Medicaid	164,872	9 %	154,029	9 %
Self-pay and other	388,615	20 %	338,349	18 %
	$ 1,906,747	100 %	$ 1,796,499	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 $6,309,366 and $5,990,443 at December 31, 2023 and 2022, 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, 2023, the System had additional commitments to fund alternative investments, including recallable distributions of $2,382,003 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 $17,089 and $7,529 at December 31, 2023 and 2022, respectively. The gross notional value of the derivatives outstanding was $220,940 and $331,094 at December 31, 2023 and 2022, respectively.

By using derivative financial instruments, the System exposes itself to credit 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 $61,462 and $13,769 at December 31, 2023 and 2022, respectively. Unsettled purchases resulted in payables due to brokers of $102,517 and $69,023 at December 31, 2023 and 2022, respectively.

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Interest income and dividends	$ 162,493	$ 61,893
Income from alternative investments	260,904	327,168
Net realized (losses) gains	(22,992)	63,760
Net unrealized gains (losses)	474,143	(1,134,151)
Total	$ 874,548	$ (681,330)

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Other revenue	$ 46,631	$ 50,156
Investment income (loss), net	819,180	(723,225)
Net assets with donor restrictions	8,737	(8,261)
Total	$ 874,548	$ (681,330)

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, 2023	December 31, 2022
Internally designated for capital and other	$ 10,822,009	$ 10,301,972
Held for self-insurance	508,709	564,195
Donor restricted	106,325	98,293
Funds held under retirement plans	412,776	324,928
Investments under securities lending program	13,700	16,732
Total noncurrent assets limited as to use	11,863,519	11,306,120
Cash and cash equivalents	857,599	372,898
Current assets limited as to use	179,288	153,557
Total cash and cash equivalents and assets limited as to use	$ 12,900,406	$ 11,832,575

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, 2023 and 2022, the System loaned $13,700 and $16,732, respectively, in securities and accepted collateral for these loans in the amount $14,557 and $17,402, respectively, which represents cash and governmental securities, and are included in other current liabilities and other current assets 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 measured at fair value on a recurring basis are as follows:

	December 31, 2023	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	$ 1,112,802	$ 1,098,116	$ 14,686	$ —
Corporate bonds and other debt securities	719,092	—	719,092	—
United States government bonds	652,278	—	652,278	—
Bond and other debt security funds	420,039	109,367	310,672	—
Non-government fixed-income obligations	31,706	—	31,706	—
Equity securities	819,568	804,152	15,416	—
Equity funds	2,403,817	140,723	2,263,094	—
Funds held under retirement plans	412,776	85,091	327,685	—
	6,572,078	$ 2,237,449	$ 4,334,629	$ —
Investments at net asset value				
Alternative investments	6,328,328			
Total investments	$ 12,900,406			
Collateral proceeds received under securities lending program	$ 14,557		$ 14,557	
Liabilities				
Obligations under swap agreements	$ (31,681)		$ (31,681)	
Liabilities under retirement and benefit plans	$ (412,776)		$ (412,776)	
Obligations to return capital under securities lending program	$ (14,557)		$ (14,557)	

	December 31, 2022	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	$ 789,689	$ 540,092	$ 249,597	$ —
Corporate bonds and other debt securities	720,424	—	720,424	—
United States government bonds	586,517	—	586,517	—
Bond and other debt security funds	465,762	96,219	369,543	—
Non-government fixed-income obligations	32,307	—	32,307	—
Equity securities	761,237	746,574	14,663	—
Equity funds	2,143,486	121,424	2,022,062	—
Funds held under retirement plans	324,928	70,275	254,653	—
	5,824,350	$ 1,574,584	$ 4,249,766	$ —
Investments at net asset value				
Alternative investments	6,008,225			
Total investments	$ 11,832,575			
Collateral proceeds received under securities lending program	$ 17,402		$ 17,402	
Liabilities				
Obligations under swap agreements	$ (29,514)		$ (29,514)	
Other noncurrent liabilities	$ (324,928)		$ (324,928)	
Obligations to return capital under securities lending program	$ (17,402)		$ (17,402)	

8. PROPERTY AND EQUIPMENT, NET

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

	December 31, 2023	December 31, 2022
Land and improvements	$ 493,107	$ 479,733
Buildings and other improvements	8,467,723	8,289,707
Fixed and movable equipment	2,877,402	3,007,315
Construction-in-progress	391,764	279,791
	12,229,996	12,056,546
Accumulated depreciation and amortization	(6,310,763)	(6,085,004)
Property and equipment, net	$ 5,919,233	$ 5,971,542

During 2023, the System wrote off fully depreciated property and equipment totaling $298,333.

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 $558,493 and $549,086 for the years ended December 31, 2023 and 2022, 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.

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

Leases	Classification	December 31, 2023	December 31, 2022
Assets			
Operating	Operating lease right-of-use assets	$ 305,114	$ 305,311
Finance	Property and equipment, net	207,232	226,039
Total lease assets		$ 512,346	$ 531,350
Liabilities			
Current			
Operating	Operating lease liabilities, current portion	$ 69,062	$ 73,026
Finance	Long-term debt and commercial paper, current portion	20,330	17,942
Noncurrent			
Operating	Operating lease liabilities, less current portion	273,134	276,116
Finance	Long-term debt, less current portion	234,016	247,979
Total lease liabilities		$ 596,542	$ 615,063

Finance lease assets are recorded net of accumulated amortization of $114,889 and $90,244 as of December 31, 2023 and 2022, respectively.

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

Lease cost	Classification	December 31, 2023	December 31, 2022
Operating lease cost	Purchased services and other	$ 79,919	$ 76,869
Short term lease cost	Purchased services and other	22,230	17,187
Variable lease cost	Purchased services and other	37,343	37,133
Finance lease cost			
Amortization of lease assets	Depreciation and amortization	24,677	18,795
Interest on lease liabilities	Interest	18,824	18,898
Sublease income	Other revenue	(372)	(2,140)
Net lease cost		$ 182,621	$ 166,742

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

	December 31, 2023	December 31, 2022
Weighted average remaining lease term (in years)		
Operating	6.0	6.0
Finance	8.7	9.6
Weighted average discount rate		
Operating	2.65 %	2.39 %
Finance	8.22 %	8.17 %
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 91,424	$ 81,534
Operating cash flows from finance leases	18,824	18,898
Financing cash flows from finance leases	19,676	17,370

Future maturities of lease liabilities at December 31, 2023 are as follows:

	Operating Leases	Finance Leases	Total
2024	$ 77,005	$ 36,555	$ 113,560
2025	70,643	38,621	109,264
2026	63,979	38,672	102,651
2027	45,539	37,958	83,497
2028	36,665	44,876	81,541
Thereafter	78,170	165,492	243,662
Future minimum lease payments	372,001	362,174	734,175
Less remaining imputed interest	29,805	107,828	137,633
Total	$ 342,196	$ 254,346	$ 596,542

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 $108,041 and $94,302 at December 31, 2023 and 2022, respectively, and is presented within other noncurrent assets in the accompanying consolidated balance sheets. The System's interest in the investment income (loss) is reflected in the investment income (loss), net line in the accompanying consolidated statements of operations and changes in net assets and amounted to $17,184 and $(23,905) for the years ended December 31, 2023 and 2022, respectively. Cash distributions of $4,586 and $4,077 were received by the System from MFHF under terms of the Agreement during the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
Total assets	$ 112,048	$ 99,802
Total liabilities	3,531	4,786
Net assets	108,517	95,016
Total revenue	$ 18,300	$ (22,495)
Revenue in excess of (less than) expenses	13,606	(28,382)

11. LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31, 2023	December 31, 2022
Revenue bonds and revenue refunding bonds		
Series 2008A (weighted average rate of 4.32% and 4.35% during 2023 and 2022, respectively), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	86,385	103,810
Series 2008C (weighted average rate of 3.39% and 1.22% during 2023 and 2022, respectively), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	272,065	272,065
Series 2011B (weighted average rate of 3.66% and 1.49% during 2023 and 2022, 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	69,660	69,660
Series 2011C (weighted average rate of 4.95% and 2.05% during 2023 and 2022, 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	49,755	49,755
Series 2011D (weighted average rate of 4.95% and 2.05% during 2023 and 2022, 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	49,755	49,755
Series 2013A, 5.00%, principal payable in varying annual installments through June 2024	7,025	13,090
Series 2014, 4.00% to 5.00%, principal payable in varying annual installments through August 2038	74,695	82,095
Series 2015, 4.13%, principal payable in varying annual installments through May 2045	30,620	30,620
Series 2015B, 4.00% to 5.00%, principal payable in varying annual installments through May 2044	13,665	13,860
Series 2018A, 4.00% to 5.00%, principal payable in varying annual installments through August 2044	97,500	97,500
Series 2018B (weighted average rate of 5.00% during 2023 and 2022), principal payable in varying annual installments through August 2054; interest based on prevailing market conditions at time of remarketing	181,160	184,420
Series 2018C (weighted average rate of 4.30% and 2.37% during 2023 and 2022, 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	186,845	190,300
	1,119,130	1,156,930
Taxable bonds		
Taxable Bond Series 2018, 3.83% to 4.27%, principal payable in varying annual installments through August 2048	799,510	799,510
Taxable Bond Series 2019, 3.39%, principal payable in October 2049	443,180	443,180
Taxable Bond Series 2020A, 2.21% to 3.01%, principal payable in varying annual installments through June 2050	700,000	700,000
	1,942,690	1,942,690
Finance lease obligations and financing arrangements	258,553	270,423
Commercial paper, weighted average interest rate of 5.14% and 1.74% during 2023 and 2022, respectively	50,000	50,000
Taxable Term Loan, (weighted average rate of 2.68% during 2023 and 2022), principal payable in varying annual installments through September 2024	69,895	70,485
	3,440,268	3,490,528
Net unamortized premiums and unamortized bond issuance costs	26,432	31,134
	3,466,700	3,521,662
Less amounts classified as current		
Long-term debt and commercial paper, current portion	(172,759)	(101,204)
Long-term debt subject to short-term financing arrangements	(354,720)	(165,035)
	(527,479)	(266,239)
	$ 2,939,221	$ 3,255,423

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, 2028, are as follows:

2024	$ 122,759
2025	48,201
2026	42,840
2027	44,312
2028	444,867

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 2011C of $49,755, Series 2011D of $49,755, Series 2018B-3 of $48,560 and Series 2018C-4 of $50,350, 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, 2023, the principal amount of such bonds has been classified 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, 2023, 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, 2023, 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: $87,694 in September 2024, $58,225 in September 2025 and $129,456 in January 2026.

In January 2023, $46,310 of the Series 2018B-2 Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on June 24, 2026. In connection with the remarketing, $3,260 of the Series 2018B-2 Bonds were redeemed and a loss of refinancing was recorded in the amount of $19.

In January 2023, $49,065 of the Series 2018C-3 Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on June 24, 2026. In connection with the remarketing,

$3,455 of the Series 2018C-3 Bonds were redeemed and a loss of refinancing was recorded in the amount of $21.

As of December 31, 2023, the System has authorized the issuance of up to $1,000,000 in commercial paper aggregate principal outstanding. As of December 31, 2023, $50,000 of commercial paper notes was outstanding, with maturities ranging from 5 to 43 days. As of December 31, 2022, $50,000 of commercial paper was outstanding, with maturities ranging from 9 to 41 days.

At December 31, 2023, the System had lines of credit with banks aggregating to $1,100,000 in available commitments. These lines of credit provide for various interest rates and payment terms and as of December 31, 2023 expire as follows: $150,000 in August 2024, $325,000 in December 2024, $325,000 in December 2025 and $300,000 in December 2026. 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, 2023, letters of credit totaling $70,507 have been issued under one of these lines. At December 31, 2023, 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 encompasses 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 $132,830 and $126,333 for the years ended December 31, 2023 and 2022, respectively. The System capitalized interest of $4,526 and $5,698 for the years ended December 31, 2023 and 2022, 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 as described in Note 6. INVESTMENTS .

At December 31, 2023, 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. To limit the variability of its interest payments 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, 2023:

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	23,200	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 other nonoperating (loss) income, net 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 $31,681 and $29,514 as of December 31, 2023 and 2022, respectively. No collateral was posted under these swap agreements as of December 31, 2023 and 2022.

Amounts recorded in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net cash payments on interest rate swap agreements (interest expense)	$ 572	$ 8,432
Change in fair value of interest rate swaps (other nonoperating (loss) income, net)	$ (2,167)	$ 61,703

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 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 net pension benefit obligation of $161,376 and $174,023 at December 31, 2023 and December 31, 2022, respectively, for the Advocate Plan is included in other noncurrent liabilities in the accompanying consolidated balance sheets. During the years ended December 31, 2023 and 2022, no contributions were made to the Advocate Plan.

The Advocate Aurora Health Pension Plan (“AAH Plan”) was created through a merger of the Condell Health Network Retirement Plan (frozen effective January 1, 2008) and the Aurora Health Care, Inc. Pension Plan (frozen effective December 31, 2012). The net pension benefit obligation of $110,675 and $105,335 at December 31, 2023 and December 31, 2022, respectively, is included in other noncurrent

liabilities in the accompanying consolidated balance sheets. During the years ended December 31, 2023 and 2022, no contributions were made to the AAH Plan.

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2023 is as follows:

	Advocate	AAH	Total
Change in plan assets:			
Plan assets at fair value at beginning of period	$ 863,209	$ 982,492	$ 1,845,701
Actual return on plan assets	79,100	79,473	158,573
Benefits paid	(49,414)	(47,917)	(97,331)
Plan assets at fair value at end of period	$ 892,895	$ 1,014,048	$ 1,906,943
Change in projected benefit obligation:			
Projected benefit obligation at beginning of period	$ 1,037,232	$ 1,087,827	$ 2,125,059
Interest cost	52,102	55,482	107,584
Actuarial loss	14,351	29,331	43,682
Benefits paid	(49,414)	(47,917)	(97,331)
Projected benefit obligation at end of period	$ 1,054,271	$ 1,124,723	$ 2,178,994
Plan assets less than projected benefit obligation	$ (161,376)	$ (110,675)	$ (272,051)
Accumulated benefit obligation at end of period	$ 1,054,271	$ 1,124,723	$ 2,178,994

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2022 is as follows:

	Advocate	AAH	Total
Change in plan assets:			
Plan assets at fair value at beginning of period	$ 982,077	$ 1,405,674	$ 2,387,751
Actual return on plan assets	(55,218)	(378,408)	(433,626)
Benefits paid	(63,650)	(44,774)	(108,424)
Plan assets at fair value at end of period	$ 863,209	$ 982,492	$ 1,845,701
Change in projected benefit obligation:			
Projected benefit obligation at beginning of period	$ 1,057,089	$ 1,463,291	$ 2,520,380
Interest cost	39,130	43,849	82,979
Actuarial loss (gain)	4,663	(374,539)	(369,876)
Benefits paid	(63,650)	(44,774)	(108,424)
Projected benefit obligation at end of period	$ 1,037,232	$ 1,087,827	$ 2,125,059
Plan assets less than projected benefit obligation	$ (174,023)	$ (105,335)	$ (279,358)
Accumulated benefit obligation at end of period	$ 1,037,232	$ 1,087,827	$ 2,125,059

The AAH Plan actuarial gain of $374,539 for the year ending December 31, 2022 was primarily driven by an increase in discount rates and an increase in the expected long-term rate of return on plan assets.

The Advocate Plan paid lump sums totaling $45,541 and $60,526 in 2023 and 2022, respectively. The amount in 2022 was greater than the sum of the Advocate Plan's service cost and interest cost, resulting in a settlement charge in the amount of $17,789.

Pension plan expense is included in other nonoperating (loss) income, net in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2023:

	Advocate	AAH	Total
Interest cost	$ 52,102	$ 55,482	$ 107,584
Expected return on plan assets	(52,910)	(56,606)	(109,516)
Amortization of:			
Actuarial loss	4,459	—	4,459
Prior service cost	—	3	3
Net pension expense (income)	$ 3,651	$ (1,121)	$ 2,530

Pension plan expense is included in other nonoperating (loss) income, net in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2022:

	Advocate	AAH	Total
Interest cost	39,130	43,849	82,979
Expected return on plan assets	(44,909)	(52,179)	(97,088)
Amortization of:			
Actuarial loss	3,491	6,034	9,525
Prior service cost	—	3	3
Settlement	17,789	—	17,789
Net pension expense	$ 15,501	$ (2,293)	$ 13,208

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, 2023:

	Advocate	AAH	Total
Net change recognized	$ (16,298)	$ 6,462	$ (9,836)

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, 2022:

	Advocate	AAH	Total
Net change recognized	$ 83,510	$ 50,011	$ 133,521

Included in net assets without donor restrictions at December 31, 2023 are the following amounts that have not yet been recognized in net pension expense:

	Advocate	AAH	Total
Unrecognized prior credit	$ —	$ 91	$ 91
Unrecognized actuarial loss	311,339	396,929	708,268
	$ 311,339	$ 397,020	$ 708,359

Expected employee benefit payments to be paid from the pension plans are as follows:

	Advocate	AAH	Total
2024	$ 72,861	$ 58,629	$ 131,490
2025	71,605	61,737	133,342
2026	70,533	65,211	135,744
2027	70,800	67,851	138,651
2028	70,011	70,263	140,274
2029-2033	359,414	374,175	733,589
Total	$ 715,224	$ 697,866	$ 1,413,090

No contributions are expected to the pension plans in 2024.

Employer contributions are 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, 2023		December 31, 2022	
Asset Category - Advocate Plan	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	70 %	68 %	70 %	70 %
Domestic and international equity securities	21	23	21	20
Alternative investments	6	6	6	7
Cash and fixed-income securities	3	3	3	3
	100 %	100 %	100 %	100 %

	December 31, 2023		December 31, 2022	
Asset Category - AAH Plan	**Target**	**Actual**	**Target**	**Actual**
De-risking portfolio	85 %	82 %	85 %	82 %
Domestic and international equity securities	12	15	12	15
Real estate	1	1	1	1
Cash and fixed-income securities	2	2	2	2
	100 %	100 %	100 %	100 %

The de-risking portfolio is comprised of cash and fixed-income instruments designed to hedge Plan liabilities.

At December 31, 2023, the Advocate Plan had commitments to fund alternative investments, including recallable distributions of $14,549 over the next three 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, 2023 are as follows:

	Advocate	AAH	Total
Cash and security collateral provided	$ 17,115	$ 7,307	$ 24,422
Gross notional value	$ (418,971)	$ 253,937	$ (165,034)

Derivative contract information at December 31, 2022 are as follows:

	Advocate	AAH	Total
Cash and security collateral provided	$ 15,659	$ 6,819	$ 22,478
Gross notional value	$ (398,544)	$ 232,011	$ (166,533)

By using derivative financial instruments, the System exposes itself to credit risk and market risk as described in Note 6. INVESTMENTS .

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, 2023, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7. FAIR VALUE:

Description	December 31, 2023	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	$ 54,958	$ 784	$ 54,174	$ —
Corporate bonds and other debt securities	828,052	—	828,052	—
United States government obligations	545,538	—	545,538	—
Bond and other debt security funds	49,068	—	49,068	—
Equity securities	14,177	14,177	—	—
Equity funds	354,901	9,473	345,428	—
Real estate funds	13,610	—	13,610	—
	1,860,304	$ 24,434	$ 1,835,870	$ —
Investments at net asset value				
Alternative investments	49,561			
Total plan investments	1,909,865			
Accruals carried at cost	(2,922)			
Total plan assets	$ 1,906,943			

The following are the Plans' financial instruments at December 31, 2022, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7. FAIR VALUE:

Description	December 31, 2022	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	$ 89,470	$ 1,155	$ 88,315	$ —
Corporate bonds and other debt securities	748,185	—	748,185	—
United States government obligations	540,677	—	540,677	—
Bond and other debt security funds	44,071	—	44,071	—
Equity securities	13,393	13,393	—	—
Equity funds	335,434	9,418	326,016	—
Real estate funds	16,407	—	16,407	—
	1,787,637	$ 23,966	$ 1,763,671	$ —
Investments at net asset value				
Alternative investments	59,579			
Total plan investments	1,847,216			
Accruals carried at cost	(1,515)			
Total plan assets	$ 1,845,701			

Assumptions used to determine benefit obligations are as follows:

	December 31, 2023	December 31, 2022
Discount rate - Advocate Plan	4.99 %	5.19 %
Discount rate - AAH Plan	5.04 %	5.23 %
Assumed rate of return on assets - Advocate Plan	6.30 %	6.00 %
Assumed rate of return on assets - AAH Plan	5.40 %	4.50 %
Interest crediting rate - Advocate Plan	4.13 %	4.10 %

Assumptions used to determine net pension expense are as follows:

	December 31, 2023	December 31, 2022
Discount rate - Advocate Plan	5.19 %	2.85 %
Discount rate - AAH Plan	5.23 %	3.05 %
Assumed rate of return on assets - Advocate Plan	6.00 %	4.50 %
Assumed rate of return on assets - AAH Plan	4.50 %	3.80 %
Interest crediting rate - Advocate Plan	4.10 %	1.80 %

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 2023 and 2022 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.

In addition to these Plans, the System sponsors a defined contribution plan for its employees. Expense related to the plan, which is included in salaries, wages and benefits expense in the accompanying consolidated statements of operations and changes in net assets, was $332,918 and $312,816 for the years ended December 31, 2023 and 2022, respectively.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	December 31, 2023	December 31, 2022
Purchases of property and equipment	$ 17,171	$ 19,422
Medical education and other health care programs	227,280	218,754
	$ 244,451	$ 238,176

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, marketing, purchasing and human resources. A majority of fundraising costs are reported as other nonoperating (loss) income, net in the accompanying consolidated statements of operations and changes in net assets.

Functional operating expenses for the year ended December 31, 2023 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	$ 8,156,018	$ 819,549	$ 8,975,567
Supplies and drugs	3,009,944	53,855	3,063,799
Purchased services and other	1,709,147	650,388	2,359,535
Contracted medical services	542,880	—	542,880
Depreciation and amortization	574,943	39,141	614,084
Interest	125,568	—	125,568
Total operating expenses	$ 14,118,500	$ 1,562,933	$ 15,681,433

Functional operating expenses for the year ended December 31, 2022 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	$ 7,810,612	$ 750,010	$ 8,560,622
Supplies and drugs	2,611,489	47,798	2,659,287
Purchased services and other	1,528,218	582,930	2,111,148
Contracted medical services	518,834	—	518,834
Depreciation and amortization	563,195	36,728	599,923
Interest	118,319	—	118,319
Total operating expenses	$ 13,150,667	$ 1,417,466	$ 14,568,133

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, 2023	December 31, 2022
Current assets		
Cash and cash equivalents	$ 857,599	$ 372,898
Assets limited as to use	179,288	153,557
Patient accounts receivable	1,906,747	1,796,499
Third-party payors receivables	100,958	23,400
Collateral proceeds under securities lending program	14,557	17,402
Total current assets	3,059,149	2,363,756
Assets limited as to use		
Internally designated for capital and other	10,822,009	10,301,972
Held for self-insurance	508,709	564,195
Donor restricted	106,325	98,293
Funds held under retirement plans	412,776	324,928
Investments under securities lending program	13,700	16,732
Total assets limited as to use	11,863,519	11,306,120
Total financial assets	$ 14,922,668	$ 13,669,876
Less		
Amounts unavailable for general expenditures		
Alternative investments	(3,536,782)	(3,000,238)
Total amounts unavailable for general expenditure	(3,536,782)	(3,000,238)
Amounts unavailable to management without approval		
Held for self-insurance	(687,997)	(717,752)
Held for employees under retirement plans	(412,776)	(324,928)
Donor restricted	(106,325)	(98,293)
Investments under securities lending program	(13,700)	(16,732)
Total amounts unavailable to management without approval	(1,220,798)	(1,157,705)
Total financial assets available to management for general expenditure within one year	$ 10,165,088	$ 9,511,933

17. COMMITMENTS AND CONTINGENCIES

Future Obligations

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 $498,224, of which $224,860 has been incurred as of December 31, 2023.

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 $50,000 over the next seven years and approximately $3,000 and $19,000 is included in accounts payable and other accrued liabilities and other noncurrent liabilities, respectively in the accompanying consolidated balance sheets at December 31, 2023. The System has also entered into various other agreements. The future commitments under these agreements are $25,335 over the next three years.

Litigation

From time to time, the System receives and responds to investigations and requests concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes, environmental regulations and other regulations of health care providers from federal and state regulatory agencies. 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.

The System also is involved in litigation such as medical malpractice and contractual disputes, as both plaintiff and defendant, and other routine labor matters, proposed class action complaints, tax examinations, security events resulting in potential privacy incidents, internal compliance activities and regulatory investigations and examinations arising in the ordinary course of business.

Based on System's assessment of the above matters, the uncertainty of litigation, and the preliminary stages of many of the matters, the System cannot estimate the reasonable possible loss or range of loss that may result from these matters, except as stated in the consolidated financial statements, including this note. Management of the System is of the opinion, however, that the resolution of these legal actions will not have a material effect on the financial position of the System.

Two sets of plaintiffs have filed separate putative class action civil lawsuits against the Advocate Aurora Health, Inc. ("AAH"), in 2022 and 2023, alleging violations of Federal and State antitrust law arising out of, among other things, the System's arrangements with certain health plans. The matters are in the discovery and pleadings stages, respectively. The System cannot estimate the reasonable possible loss or range of loss that may result from either of these matters and there can be no assurance that the resolution of either of these matters will not have a material adverse effect on System's consolidated financial position or results of operations.

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 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 4.00% and 3.00% as of December 31, 2023 and 2022, respectively. Total accrued insurance liabilities would have been $122,143 and $81,651 greater at December 31, 2023 and 2022, respectively, had these liabilities not been discounted.

19. RELATED-PARTY TRANSACTIONS

As part of the Advocate Health joint operating agreement as described in Note 1. ORGANIZATION AND BASIS OF PRESENTATION, the System and AHI share certain expenses related to the management of Advocate Health. As of December 31, 2023, the System has a receivable from Advocate Health of $1,870 included in other current assets in the accompanying consolidated balance sheets.

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, 2023, the System had $160,318 of federal and $150,532 of state net operating loss carryforwards with unutilized amounts of state net operating loss carryforwards expiring between 2023 and 2039. At December 31, 2022, the System had $153,352 of federal and $113,825 of state net operating loss carryforwards with unutilized amounts of state net operating loss carryforwards expiring between 2022 and 2039. 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 $160,318 of federal net operating loss carryforwards at December 31, 2023, $145,397 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 and liabilities as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Other deferred tax assets	$ 14,811	$ 30,381
Net operating loss carryforwards	45,781	41,562
Valuation allowances	(45,024)	(40,580)
Net deferred tax assets	15,568	31,363
Deferred tax liabilities	(15,660)	(30,748)
Net deferred tax (liabilities) assets	$ (92)	$ 615

Provisions (credits) for federal and deferred income taxes are included in other nonoperating (loss) income, net in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Federal	$ 13,270	$ (15,041)
Deferred	709	12,443
	$ 13,979	$ (2,598)

21 SUBSEQUENT EVENTS

The System evaluated events and transactions subsequent to December 31, 2023 through April 22, 2024, the date of consolidated financial statement issuance.

In January 2024, $48,560 of the Series 2018B-3 Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on June 22, 2029. In connection with the remarketing, $4,430 of the Series 2018B-3 Bonds were redeemed and a loss on refinancing was recorded in the amount of $25.

In January 2024, $50,350 of the Series 2018C-4 Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on June 22, 2029. In connection with the remarketing, $4,590 of the Series 2018C-4 Bonds were redeemed and a loss on refinancing was recorded in the amount of $26.

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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 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 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

April 22, 2024

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2023

(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 1,226,001	$ (368,402)	$ —	$ 857,599
Assets limited as to use	166,695	12,593	—	179,288
Patient accounts receivable	1,691,538	235,338	(20,129)	1,906,747
Receivable from subsidiaries	21,111	1,380	(22,491)	—
Other current assets	918,895	174,788	—	1,093,683
Total current assets	4,024,240	55,697	(42,620)	4,037,317
Assets limited as to use	11,765,129	377,391	(279,001)	11,863,519
Note receivable from subsidiaries	154,868	—	(154,868)	—
Property and equipment, net	5,539,766	379,467	—	5,919,233
Other assets				
Goodwill and intangible assets, net	50,044	6,894	—	56,938
Investment in subsidiaries	822,129	—	(822,129)	—
Operating lease right-of-use assets	271,304	33,810	—	305,114
Other noncurrent assets	514,914	300,785	—	815,699
Total other assets	1,658,391	341,489	(822,129)	1,177,751
Total assets	**$ 23,142,394**	**$ 1,154,044**	**$ (1,298,618)**	**$ 22,997,820**

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2023

(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Current liabilities				
Long-term debt and commercial paper, current portion	$ 172,113	$ 646	$ —	$ 172,759
Long-term debt subject to short-term financing arrangements	354,720	—	—	354,720
Operating lease liabilities, current portion	62,064	6,998	—	69,062
Accrued salaries and employee benefits	1,186,058	59,387	—	1,245,445
Accounts payable and accrued liabilities	878,322	305,848	(20,129)	1,164,041
Third-party payors payables	401,737	2,759	—	404,496
Accrued insurance and claims costs, current portion	225,178	12,593	—	237,771
Accounts payable to subsidiaries	(1,380)	23,871	(22,491)	—
Total current liabilities	3,278,812	412,102	(42,620)	3,648,294
Noncurrent liabilities				
Long-term debt, less current portion	2,931,196	162,893	(154,868)	2,939,221
Operating lease liabilities, less current portion	244,591	28,543	—	273,134
Accrued insurance and claims cost, less current portion	655,236	31,407	—	686,643
Obligations under swap agreements	31,681	—	—	31,681
Due to subsidiaries	279,001	—	(279,001)	—
Other noncurrent liabilities	1,104,365	55,428	—	1,159,793
Total noncurrent liabilities	5,246,070	278,271	(433,869)	5,090,472
Total liabilities	**8,524,882**	**690,373**	**(476,489)**	**8,738,766**
Net assets				
Without donor restrictions				
Controlling interest	14,447,395	(102,878)	(521,496)	13,823,021
Noncontrolling interests in subsidiaries	—	492,215	(300,633)	191,582
Total net assets without donor restrictions	14,447,395	389,337	(822,129)	14,014,603
With donor restrictions	170,117	74,334	—	244,451
Total net assets	**14,617,512**	**463,671**	**(822,129)**	**14,259,054**
Total liabilities and net assets	**$ 23,142,394**	**$ 1,154,044**	**$ (1,298,618)**	**$ 22,997,820**

ADVOCATE AURORA HEALTH, INC.

CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended December 31, 2023

(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Revenue				
Patient service revenue	$ 11,787,118	$ 1,537,629	$ (337,658)	$ 12,987,089
Capitation revenue	666,791	544,099	(3,972)	1,206,918
Other revenue	840,850	1,102,127	(383,930)	1,559,047
Total revenue	13,294,759	3,183,855	(725,560)	15,753,054
Expenses				
Salaries, wages and benefits	7,997,098	993,334	(14,865)	8,975,567
Supplies and drugs	2,320,028	744,046	(275)	3,063,799
Purchased services and other	2,059,828	573,382	(273,675)	2,359,535
Contracted medical services	237,667	646,842	(341,629)	542,880
Depreciation and amortization	515,174	98,910	—	614,084
Interest	122,285	13,799	(10,516)	125,568
Total expenses	13,252,080	3,070,313	(640,960)	15,681,433
Operating income (loss)	**42,679**	**113,542**	**(84,600)**	**71,621**
Nonoperating income (loss)				
Investment income, net	805,466	13,714	—	819,180
Other nonoperating (loss) income, net	(300,596)	242,632	13	(57,951)
Total nonoperating income, net	504,870	256,346	13	761,229
Revenue in excess of expenses	547,549	369,888	(84,587)	832,850
Less income attributable to noncontrolling interests	—	(143,105)	84,587	(58,518)
Revenue in excess of expenses- attributable to controlling interests	**$ 547,549**	**$ 226,783**	**$ —**	**$ 774,332**

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").

#24-015

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.

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.

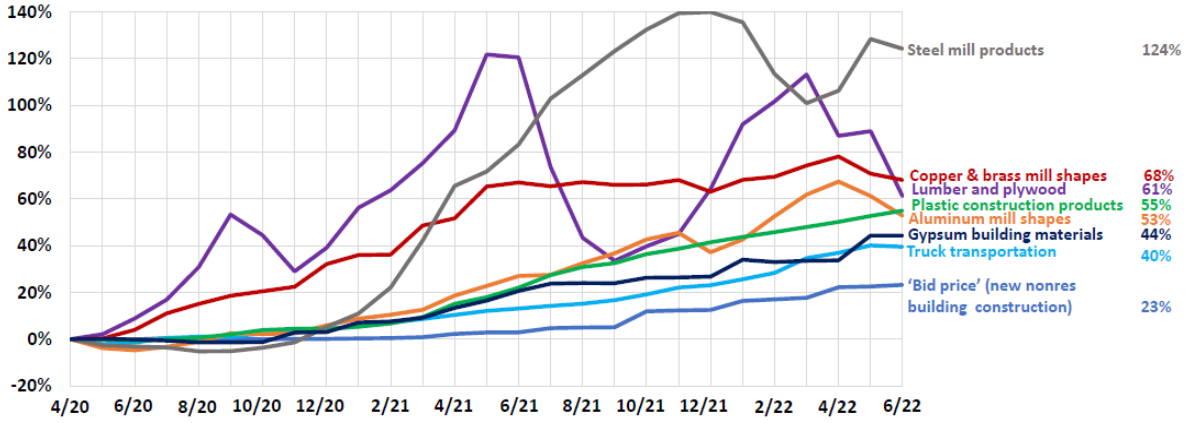
124%

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.

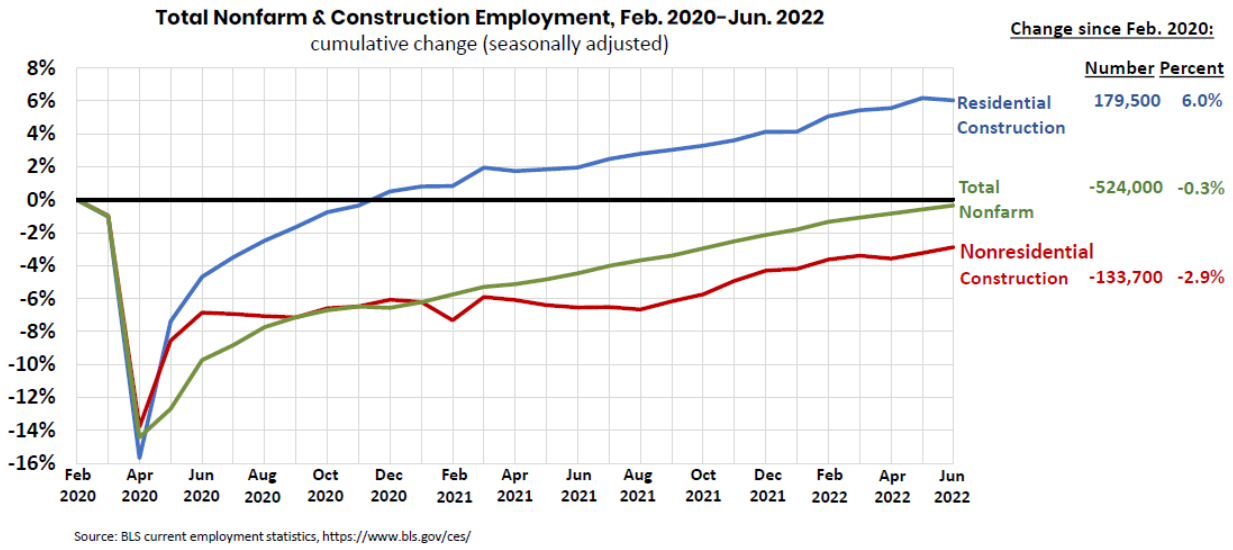
Labor supply and cost

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.

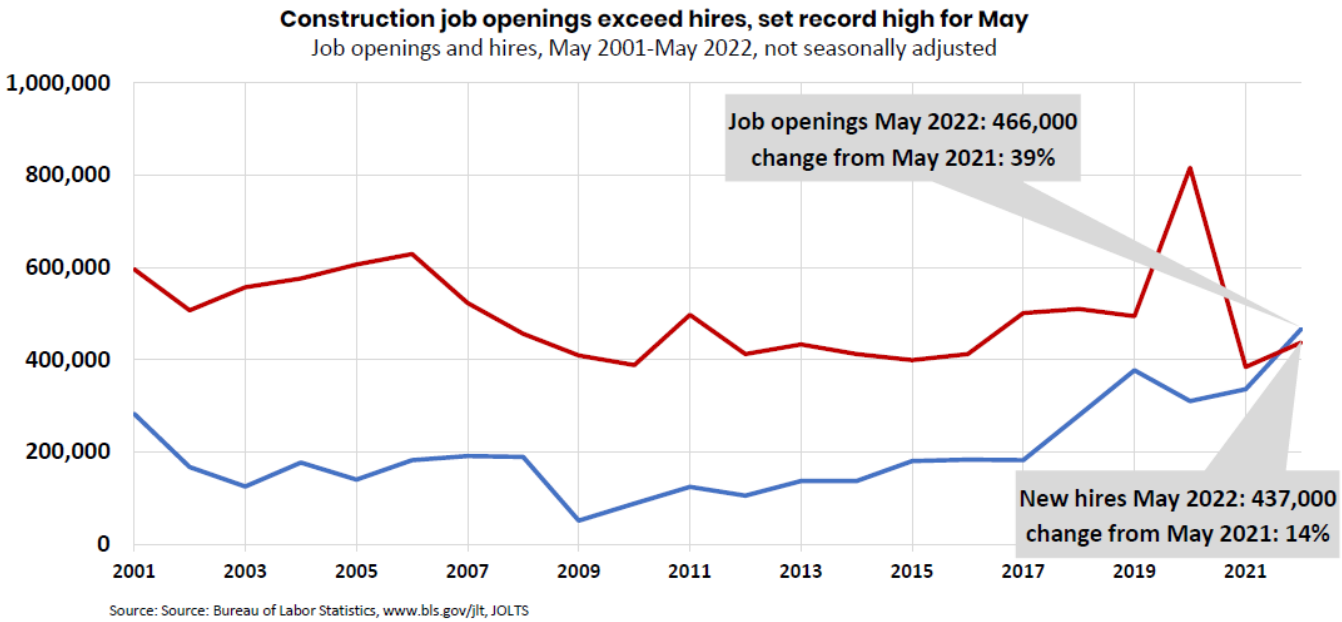
Figure 2



Source: BLS current employment statistics, https://www.bls.gov/ces/

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



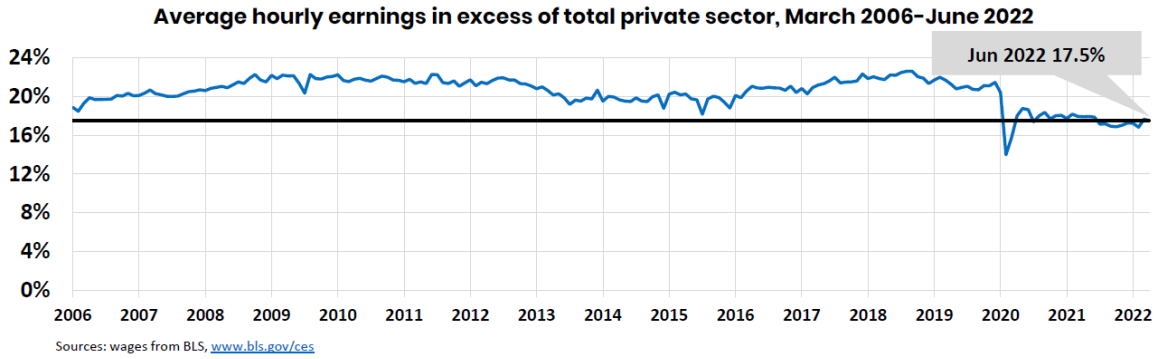
Source: Source: Bureau of Labor Statistics, www.bls.gov/jlt, JOLTS

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.

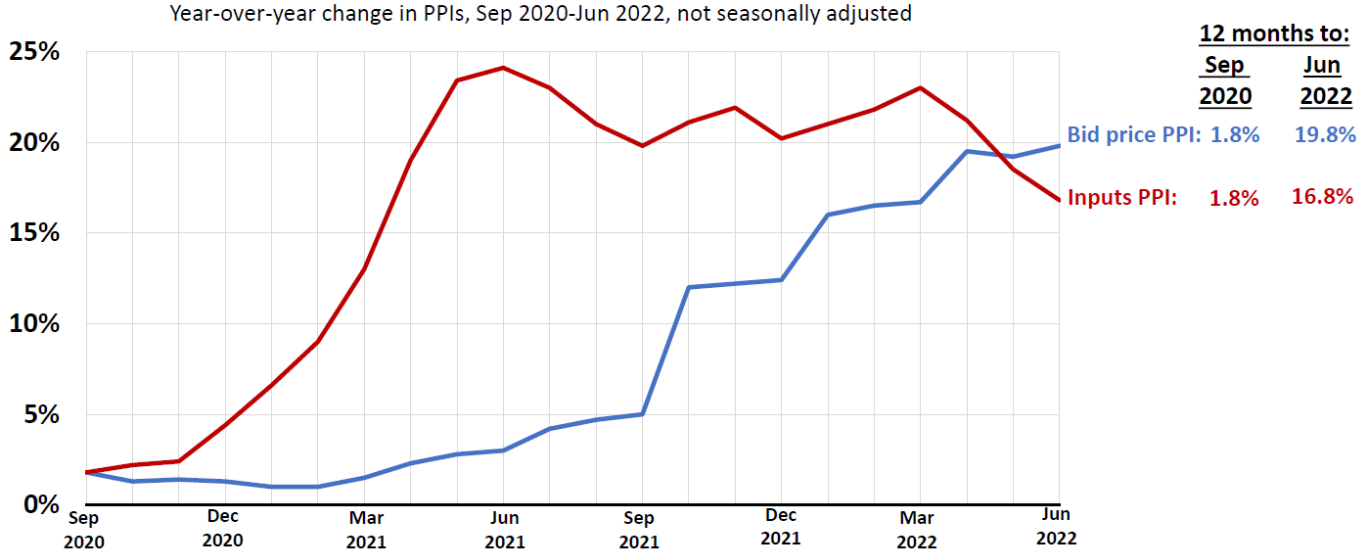
As shown in Figure 5, the PPI for bid prices rose at the same rate as the PPI for inputs from September 2019 to September 2020, 1.8% year-over-year. The bid-price PPI continued rising at a modest rate through mid-2021, while the year-over-year change in input prices accelerated to more than 24% by June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

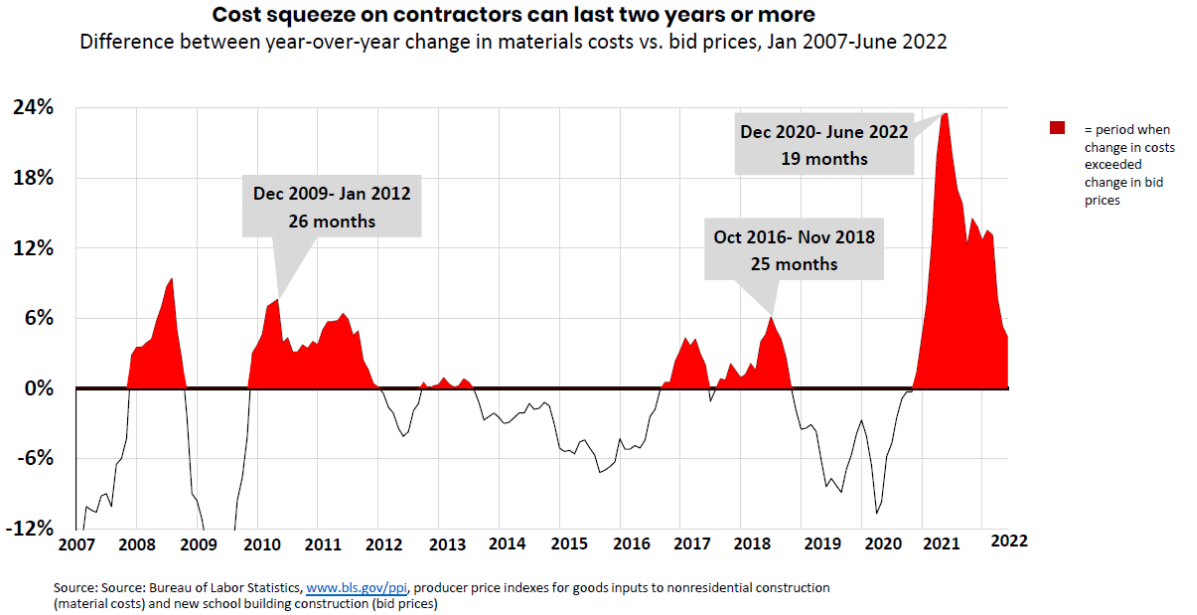
However, it is possible to look at past relationships. Figure 6 shows the difference between the year-over-year change in the PPI for materials costs for goods inputs to construction and the bid-price index for new school construction. The areas in red indicate periods in which the year-over-year change 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:
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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/