ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Advocate Lutheran General Hospital – Addition Medical Surgical and ICU Inpatient Beds
Street Address: 1775 Dempster Street
City and Zip Code: Park Ridge, IL 60068
County: Cook Health Service Area: 7 Health Planning Area: A-07

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

Exact Legal Name: Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital
Street Address: 1775 Dempster Street
City and Zip Code: Park Ridge, IL 60068
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
Name of President: Dia Nichols
President Street Address: 2025 Windsor Drive
President City and Zip Code: Oak Brook, IL 60523
President Telephone Number: 847-723-8446

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: Allison Wyler
Title: President - Advocate Lutheran General Hospital
Hospital Name: Advocate Lutheran General Hospital
Address: 1775 Dempster Street, Park Ridge, IL 60068
Telephone Number: 847-723-8446
E-mail Address: allison.wyler@aah.org
Fax Number: 847-723-2285

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

Name: Myndee Gomberg Balkan
Title: Director, Health Facilities Planning
Company Name: Advocate Health
Address: c/o Administration Dept. Advocate Condell Medical Center 801 S. Milwaukee Ave. Libertyville, IL 60048
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:

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County: Cook Health Service Area: 7 Health Planning Area: A-07

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

Exact Legal Name: Advocate Aurora Health Inc.
Street Address: 2025 Windsor Drive
City and Zip Code: Oak Brook, IL 60523
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
Name of President: : Gabrielle Finley-Hazle
President Street Address: 2025 Windsor Drive
President City and Zip Code: Oak Brook, IL 60523
President Telephone Number:

Type of Ownership of Applicants

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

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City and Zip Code: Park Ridge, IL 60068
County: Cook Health Service Area: 7 Health Planning Area: A-07

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

Exact Legal Name: Advocate Health Inc.
Street Address: 1000 Blythe Boulevard
City and Zip Code: Charlotte, NC 28203
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
Name of Chief Executive Officer: Eugene Woods
CEO Street Address: 1000 Blythe Boulevard
CEO City and Zip Code: Charlotte, NC 28203
CEO Telephone Number:

Type of Ownership of Applicants

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

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Company Name: Advocate Health
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Telephone Number: 773-308-4474
E-mail Address: roberto.orozco@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, Inc
Address:
Telephone Number:
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
Address of Site Owner: 2025 Windsor Drive, Oak Brook, IL 60523
Street Address or Legal Description of the Site: 1775 Dempster Street, Park Ridge, IL 60068 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

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

Organizational Relationships

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

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (**http://www.hfsrb.illinois.gov**). **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 Lutheran General Hospital, Advocate Aurora Health, Inc. and Advocate Health, Inc., the applicants, seek approval from the Illinois Health Facilities and Services Review Board to add 38 additional medical surgical beds, add 10 additional ICU beds and decrease 11 OB beds at Advocate Lutheran General Hospital. The site is located on the hospital campus at address, 1775 Dempster Street, Park Ridge, IL 60068.

The project will include:

- The addition of a 22-bed medical surgical unit to be developed and located on the 9th floor (9W) of the hospital.
- An 11-bed M/S unit, transitioning from an 11 bed OB unit.
- 15 M/S beds transitioning private to semiprivate rooms on the 7th (10 beds), 12th (3 beds) and 14th (2 beds) floors.
- 9 M/S beds will transition to 9 ICU beds on the 7th floor. This will create an 18-bed ICU unit on the 7th floor (7W) by combining with the existing 9-bed intensive care unit.
- A transition of 1 M/S bed in the SICU to 1 ICU bed.

This will increase the number of CON authorized medical surgical beds from 332 to 370 M/S beds; increase the number of CON authorized ICU beds from 75 to 85 beds and decrease the number of OB beds from 62 to 51. Upon project completion, the total hospital beds will increase to 708.

The project's total square footage will be 17,819 square feet of modernization (14,954 of clinical and 2,865 of non-clinical space). The cost of the project cost is $17,829,393 with an anticipated completion date of Jun 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 Lutheran General Hospital	**CITY: Park Ridge, 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	332*	17,162	121,145	+38	370
Obstetrics	62	3,897	9,881	-11	51
Pediatrics	48	3,664	16,860		48
Intensive Care	75*	4,353	20,149	+10	85
Comprehensive Physical Rehabilitation	45	796	11,775		45
Acute/Chronic Mental Illness	55	1,160	8,010		55
Neonatal Intensive Care	54	115	15,187		54
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other					
TOTALS:	671	31,147	203,007	37	708

***Includes 19 beds and 1 ICU bed approved on 4/21/23 by the HFSRB/IDPH. M/S beds were reported as operational 5/10/23 and the ICU bed operational 3/26/24.**

CERTIFICATION

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

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

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

SIGNATURE

Dia Nichols
PRINTED NAME

Vice President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me this 1st day of August 2024

Signature of Notary

Seal

OFFICIAL SEAL
JOSELYN W DELEON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 09/14/2026

SIGNATURE

Kevin Fitch
PRINTED NAME

Assistant Treasurer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me this 1st day of August 2024

Signature of Notary

Seal

OFFICIAL SEAL
JOSELYN W DELEON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 09/14/2026

*Insert the full name of the applicant

CERTIFICATION

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SIGNATURE	SIGNATURE
Dia Nichols PRINTED NAME	Rachelle Hart PRINTED NAME
Vice President PRINTED TITLE	Assistant Secretary PRINTED TITLE
Notarization: Subscribed and sworn to before me this 1st day of August 2024	Notarization: Subscribed and sworn to before me this _____ day of _____
Joselyn W. DeLeon Signature of Notary	Signature of Notary
Seal OFFICIAL SEAL JOSELYN W DELEON NOTARY PUBLIC, STATE OF ILLINOIS MY COMMISSION EXPIRES 09/14/2026	Seal

*Insert the EXACT legal name of the applicant

CERTIFICATION

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SIGNATURE

Dia Nichols
PRINTED NAME

Vice President
PRINTED TITLE

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

Signature of Notary

Seal

SIGNATURE

Rachelle Hart
PRINTED NAME

Assistant Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 30th day of July

Signature of Notary

Seal

DANIEL P. BRZOZOWSKI
Notary Public
State of Wisconsin

*Insert the EXACT legal name of the applicant

CERTIFICATION

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

- in the case of a corporation, any two of its officers or members of its Board of Directors.
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SIGNATURE

Brett Denton
PRINTED NAME

Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 30th day of July

Signature of Notary

Seal

DANIEL P. BRZOZOWSKI
Notary Public
State of Wisconsin

SIGNATURE

Bradley A. Clark
PRINTED NAME

Treasurer
PRINTED TITLE

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

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 9 day of August, 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 1-12-2028

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.

Not applicable. 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.

Not applicable. There is no shell space in the proposed project.

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

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

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

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

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

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

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

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

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

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

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

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

VII. 1120.120 - AVAILABILITY OF FUNDS

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

$4,781,807	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.
$13,047,586	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.
$17,829,393	**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)

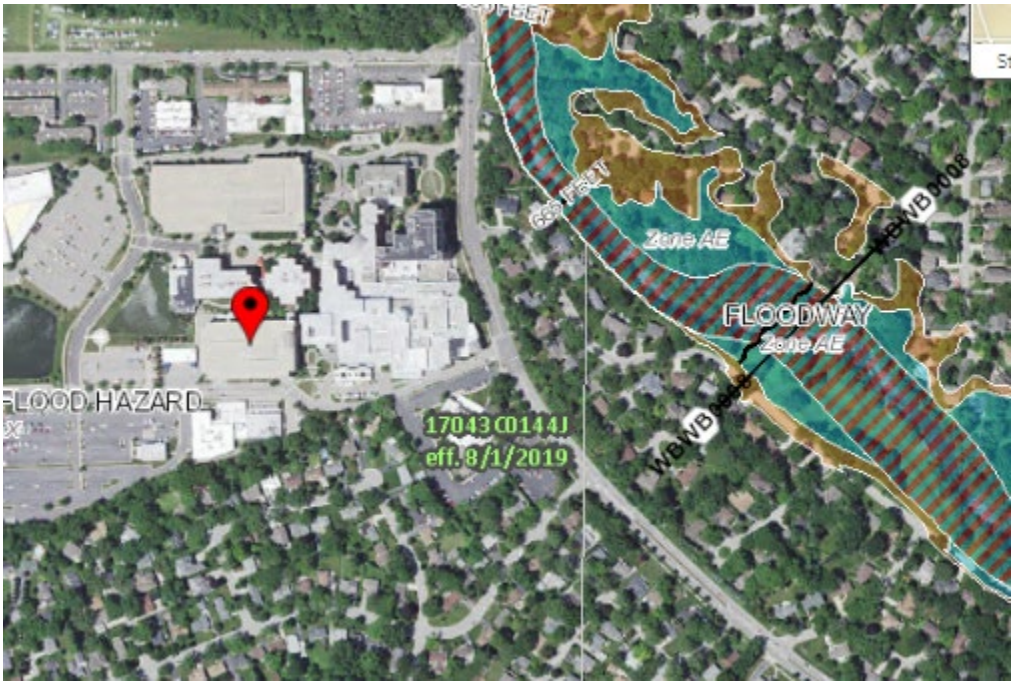
Signature:_____ Date: _____

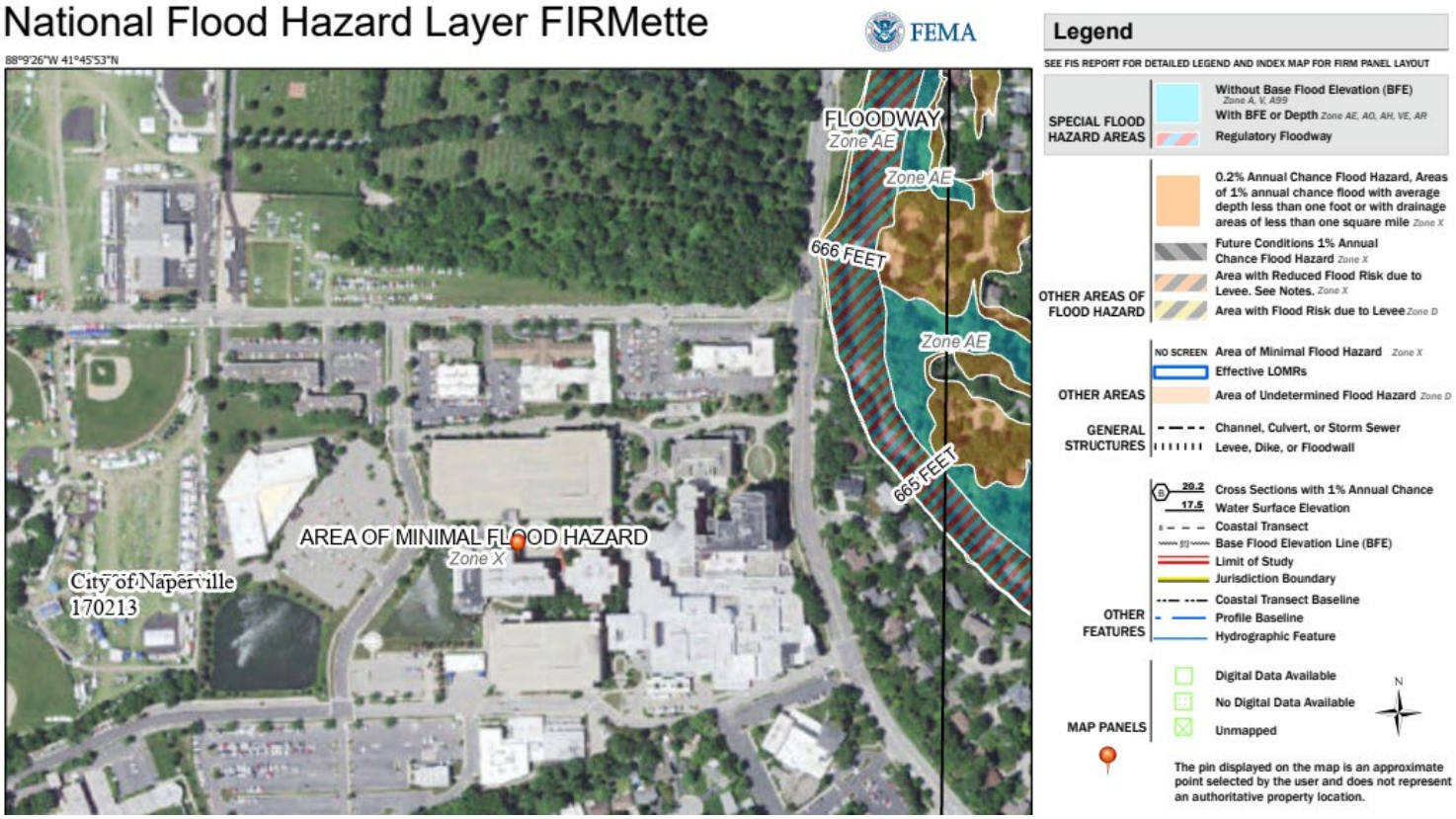
NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

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.

Illinois 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
Advocate Health, Inc.
IL Certificate of Good Standing

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* 7TH *day of* AUGUST *A.D.* 2024 .

Authentication #: 2422002746 verifiable until 08/07/2025
Authenticate at: https://www.ilsos.gov

Alexi Giannoulias
SECRETARY OF STATE

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* 7TH *day of* AUGUST *A.D.* 2024 .

Authentication #: 2422002804 verifiable until 08/07/2025
Authenticate at: https://www.ilsos.gov

Alexi Giannoulias
SECRETARY OF STATE

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* 7TH *day of* AUGUST *A.D.* 2024 .

Authentication #: 2422002858 verifiable until 08/07/2025
Authenticate at: https://www.ilsos.gov

Alexi Giannoulias
SECRETARY OF STATE

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation
Address of Site Owner: 2025 Windsor Drive, Oak Brook, IL 60523
Street Address or Legal Description of the Site: 1775 Dempster Street, Park Ridge, IL 60068 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease**.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The proposed site is at Advocate Lutheran General Hospital located at 1775 Dempster Street, Park Ridge, IL 60068.

Please see Attachment #2 Exhibit 1.

Advocate Health Care
Now part of ADVOCATEHEALTH

July 8, 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 Lutheran General Hospital Addition of Medical Surgical Beds

Dear Mr. Kniery:

This attestation letter is submitted to indicate that Advocate Health and Hospitals d/b/a Advocate Lutheran General Hospital owns the site of the hospital located at 1775 Dempster Street, Park Ridge, Illinois 60068.

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

Respectfully,

Dia Nichols
President
Advocate Health Care

Subscribed and sworn to me
This 8th day of July, 2024

Joselyn W. DeLeon
Notary Public

OFFICIAL SEAL
JOSELYN W DELEON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 09/14/2026

Operating Identity/Licensee

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

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

Address: 1775 Dempster Street, Park Ridge, IL 60068

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

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

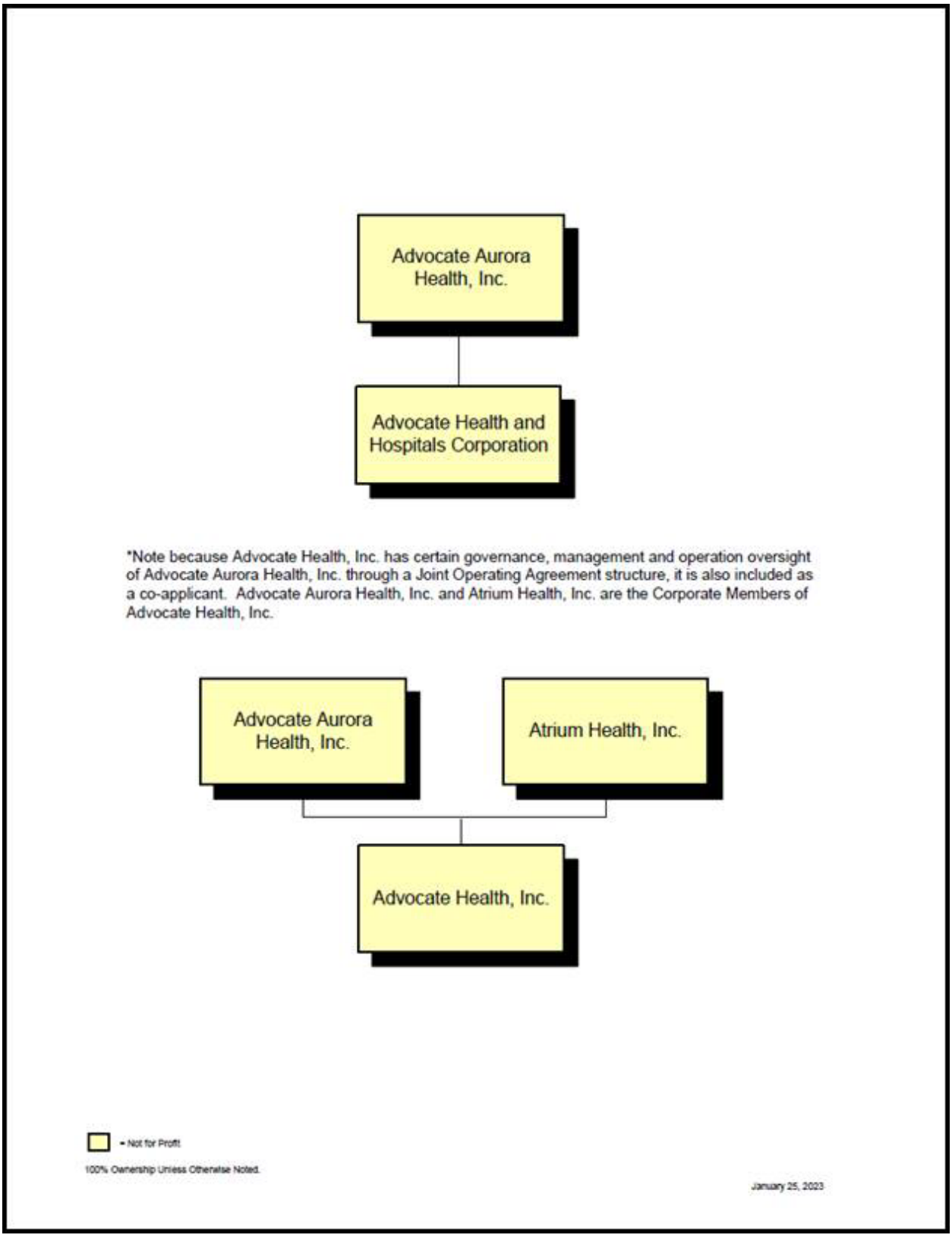
APPEND DOCUMENTATION AS ATTACHMENT 3 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

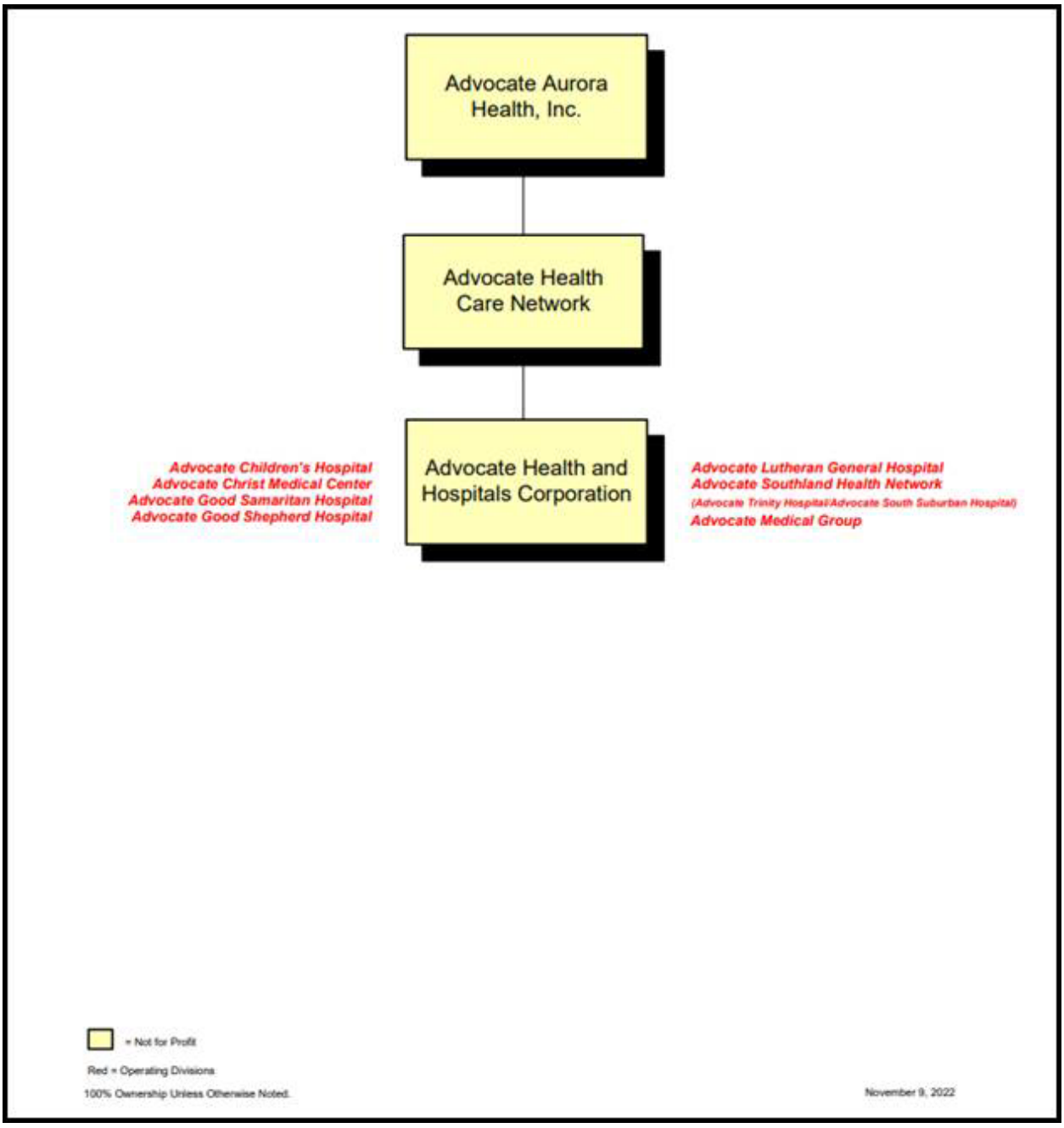
Illinois Certificates of Good Standing for the applicants are provided in Attachment 1 and are incorporated in Attachment 3 by reference.

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.


Advocate Aurora Health, Inc.
Advocate Health and Hospitals Corporation
*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.
Advocate Aurora Health, Inc.
Atrium Health, Inc.
Advocate Health, Inc.
= Not for Profit
100% Ownership Unless Otherwise Noted.
January 25, 2023


Advocate Aurora Health, Inc.
Advocate Health Care Network
Advocate Health and Hospitals Corporation
Advocate Children's Hospital
Advocate Christ Medical Center
Advocate Good Samaritan Hospital
Advocate Good Shepherd Hospital
Advocate Lutheran General Hospital
Advocate Southland Health Network
(Advocate Trinity Hospital/Advocate South Suburban Hospital)
Advocate Medical Group
= Not for Profit
Red = Operating Divisions
100% Ownership Unless Otherwise Noted.
November 9, 2022

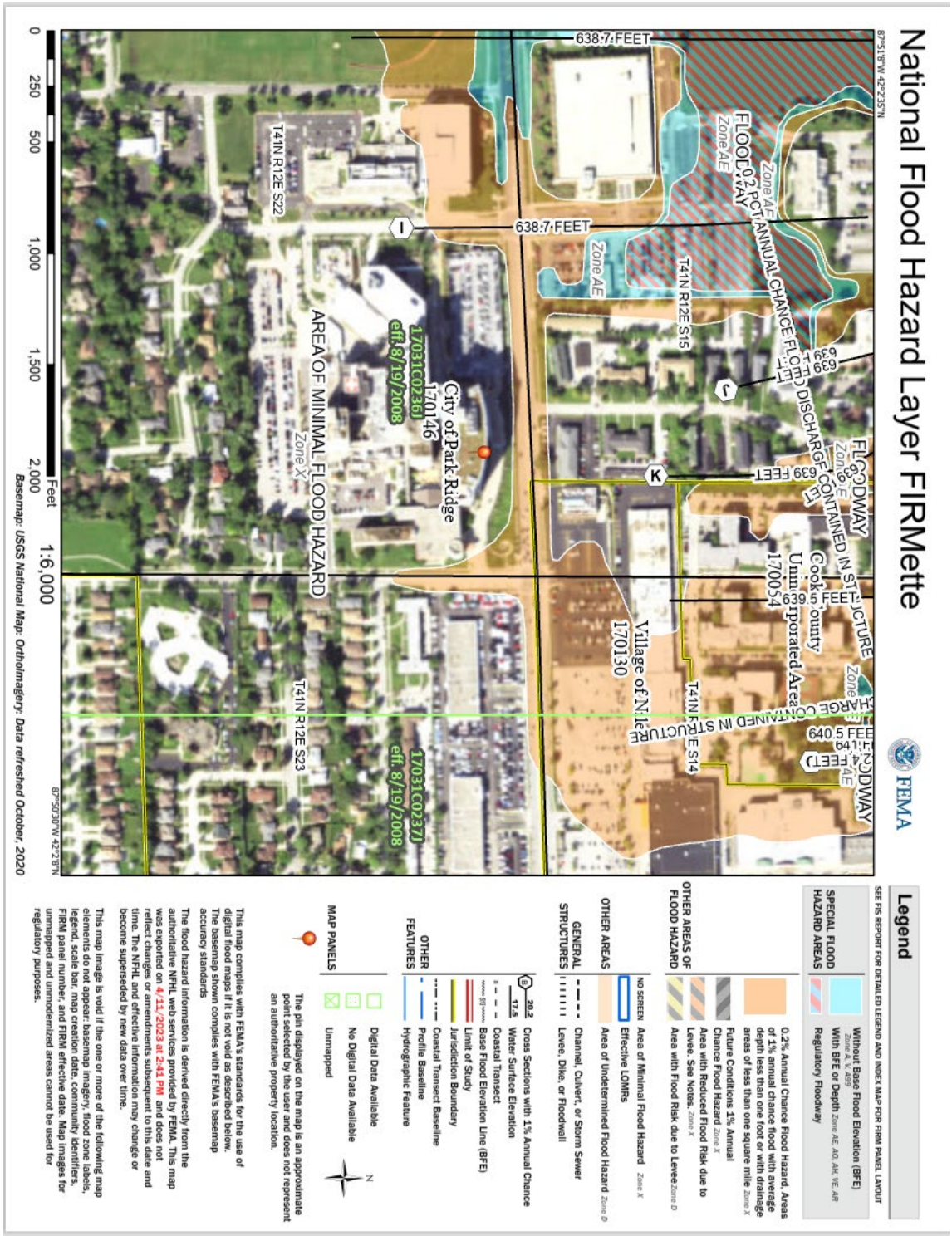
Flood Plain Requirements

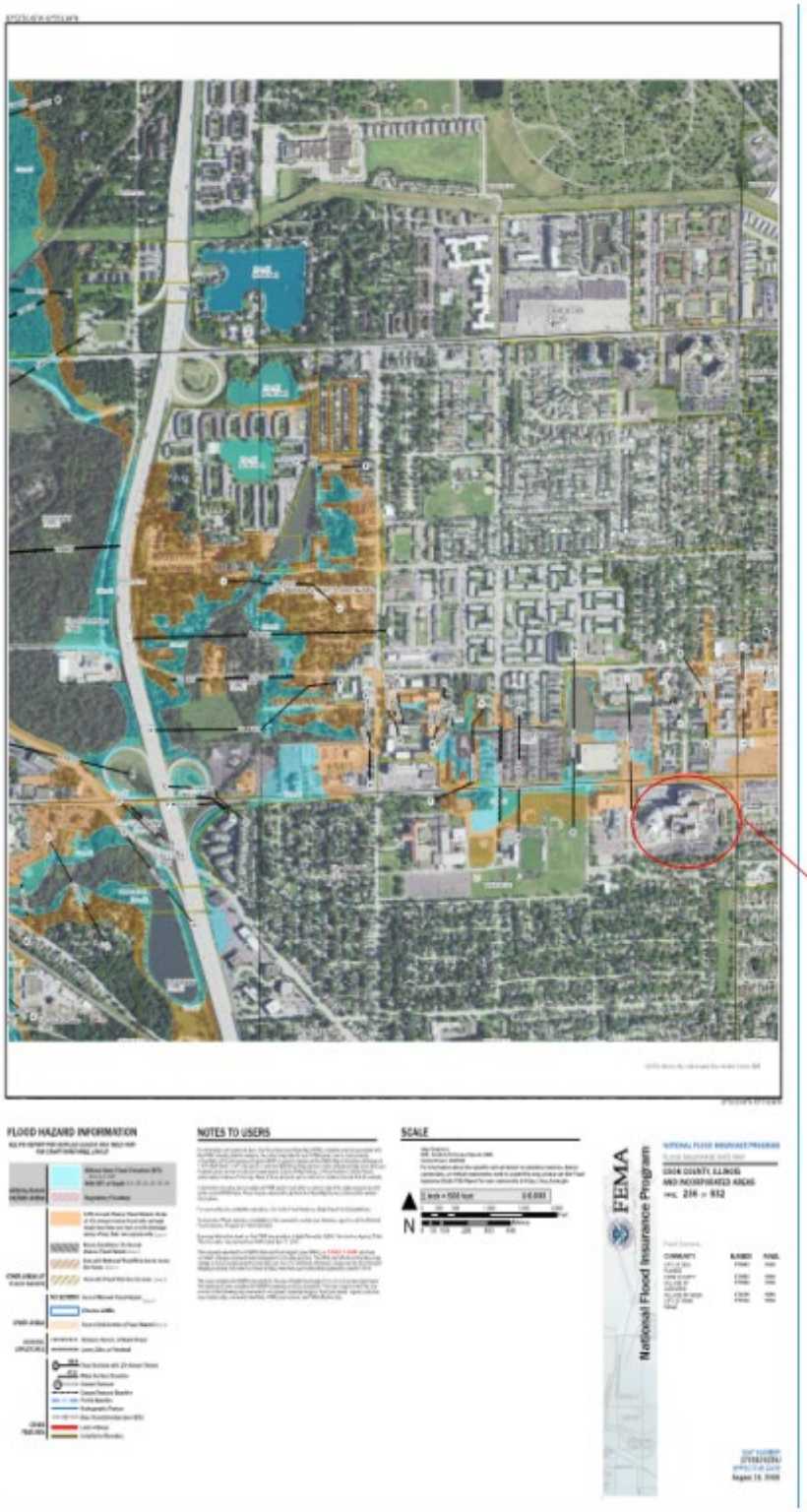
[Refer to application instructions.]

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
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE)
With BFE or Depth
Regulatory Floodway
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile
Future Conditions 1% Annual Chance Flood Hazard
Area with Reduced Flood Risk due to Levee. See Notes.
Area with Flood Risk due to Levee
OTHER AREAS OF FLOOD HAZARD
Area of Minimal Flood Hazard
Effective LOMRs
OTHER AREAS
Area of Undetermined Flood Hazard
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall
Cross Sections with 1% Annual Chance
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 4/11/2023 at 2:41 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.
87°51'8"W 42°2'35"N
87°50'30"W 42°1'8"N
638.7 FEET
639 FEET
639.5 FEET
640.5 FEET
641.4 FEET
FLOODWAY
Zone AE
0.2 PCT ANNUAL CHANCE FLOOD HAZARD
Zone AE
DISCHARGE CONTAINED IN STRUCTURE
Zone AE
Cook County Unincorporated Areas
170054
Village of Niles
170130
City of Park Ridge
170146
17031C0236J
eff. 8/19/2008
17031C0237J
eff. 8/19/2008
AREA OF MINIMAL FLOOD HAZARD
Zone X
T41N R12E S15
T41N R12E S14
T41N R12E S22
T41N R12E S23
0 250 500 1,000 1,500 2,000 Feet
1:6,000
Basemap: USGS National Map: Orthoimagery: Data refreshed October, 2020



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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.
APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

A letter from the Illinois Department of Natural Resources (IDNR), Historic Preservation Division indicating that there is no historic, architectural, or archaeological site in this project area. The determination letter for Advocate Christ Medical Center is provided as Attachment 6, Exhibit 1.

Cook County
Park Ridge
CON - Expansion of the Center for Advanced Care for Integrated BMT Program, Modernization of the Medical Oncology Service
1700 Luther Lane
SHPO Log #002100323

November 2, 2023

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

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact Rita Baker, Cultural Resources Manager, at 217/785-4998 or at Rita.E.Baker@illinois.gov.

Sincerely,

Carey L. Mayer

Carey L. Mayer, AIA
Deputy State Historic Preservation Officer

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**
New DGSF	0	0	0
Modernized DGSF	14,954	2,865	17,819
Preplanning Costs	$ 155,000	$ 80,084	$ 235,084
Site Survey and Soil Investigation	$ 30,000	$ 20,000	$ 50,000
Site Preparation	$ 312,560	$ 98,200	$ 410,760
Off Site Work	$ 15,000	$ 60,000	$ 75,000
New Construction Contracts	$ -	$ -	$ -
Modernization Contracts	$ 7,123,195	$ 2,232,300	$ 9,355,495
Contingencies	$ 712,000	$ 223,000	$ 935,000
Architectural/Engineering Fees	$ 669,850	$ 198,850	$ 868,700
Consulting and Other Fees	$ 326,500	$ 300,000	$ 626,500
Movable or Other Equipment (not in construction contracts)	$ 2,946,750	$ 41,200	$ 2,987,950
Bond Issuance Expense (project related)	$ 135,182	$ 25,899	$ 161,081
Net Interest Expense During Construction (project related)	$ 303,816	$ 58,207	$ 362,023
Fair Market Value, Leased Space, Equipment			$ -
Other Costs To Be Capitalized	$ 1,214,876	$ 546,924	$ 1,761,800
Acquisition of Building or Other Property (excluding land)	$ -	$ -	$ -
TOTAL USES OF FUNDS	$ 13,944,729	$ 3,884,664	$ 17,829,393
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$ -	$ -	$ 4,781,807
Pledges	$ -	$ -	$ -
Gifts and Bequests	$ -	$ -	$ -
Bond Issues (project related)	$ -	$ -	$ 13,047,586
Mortgages	$ -	$ -	$ -
Leases (fair market value)	$ -	$ -	$ -
Governmental Appropriations	$ -	$ -	$ -
Grants	$ -	$ -	$ -
Other Funds and Sources	$ -	$ -	$ -
TOTAL SOURCES OF FUNDS			$ 17,829,393

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

Pre-Planning	**$235,084**
Site and Facility Planning	142,832
Programming thru Conceptual Planning	92,252
Site survey (investigation, assessments)	**$50,000**
Site Preparation	**$410,760**
Prep Work (Demo, Temp. Construction, shoring & Utility Relocation)	410,760
Off-Site Work	**$75,000**
Misc. Concrete	59,600
Gas (Metering thru construction)	15,400
New Construction	**$0**
Modernization Contracts	**$9,355,495**
Contingencies	**$935,000**
Architect/Eng. Fees	**$868,700**
Consulting and Other Fees	**$626,500**
Reimbursable & Other fees	96,500
Operation Efficiency Consultants	60,000
MEP /Envelope, LEED Commissioning	125,000
Sustainability	80,000
Miscellaneous	265,000
Movable / Equipment	**$2,987,950**
Patient Rooms (Med/Surg)	1,848,000
Mobile X-Rays	250,950
Miscellaneous Equipment/Costs	889,000
Bond Issuance / Finance Expense	**$161,081**
Net Interest	**$362,023**
Other Costs to be Capitalized	**$1,761,800**
FF&E	550,000
Data Infrastructure, wireless, telecom	725,000
Miscellaneous costs	46,800
Costs CON, Park Ridge, IDPH	390,000
Digital Information Technology Costs	50,000
TOTAL	**$17,829,393**

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): 06/01/2026
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 Illinois Masonic Medical Center	#22-009
Advocate Outpatient Center – Chicago Webster	#23-002
Advocate Outpatient Center – Lakemoor	#23-010
Advocate Christ Medical Center	#23-021/E-051-22
Advocate ASTC – Chicago Webster	#23-007
Advocate Outpatient Center Hoffman Estates	#23-028
Advocate Outpatient Center Westmont	#24-001
Advocate Good Shepherd Hospital	# 24-015
Advocate Naperville ASTC/Cath/Outpatient Center	#24-008

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							
9W Med/Surg (22 Beds)	$ 10,435,165	0	8,190	0	8,190	0	0
9W Soil Utility	$ 521,908	0	736	0	736	0	0
9W Clean Utility	$ 480,070	0	677	0	677	0	0
9W Medication/Nourishment	$ 550,526	0	727	0	727	0	0
9W Med. Equipment	$ 622,384	0	819	0	819	0	0
3C OB (Med/Surg 11 Beds)	$ -	2,776	0	0	0	2,776	0
7CE (Med/Surg 10 Beds)	$ 954,838	2,698	0	0	2,698	0	0
7W (ICU 9 Beds)	$ -	2,817	0	0	0	2,817	0
12CW (Med/Surg 3 Beds)	$ 182,794	789	0	0	526	263	0
14W (Med/Surg 2 Beds)	$ 197,045	581	0	0	581	0	0
SICU (ICU 1 Bed)	$ -	250	0	0	0	250	0
Total Clinical	$ 13,944,729	9,911	11,149	0	14,954	6,106	0
NON-CLINICAL Non-Reviewable							
Staff Facilities	$ 1,225,371	0	1,513	0	1,195	318	0
Connecting Corridor	$ 207,534	0	205	0	205	0	0
Mechanical/Electrical IT	$ 1,538,728	0	605	0	605	0	0
Environmental Services	$ 137,145	0	125	0	125	0	0
Public/Service Elevator Lobby	$ 733,029	690	0	0	690	0	0
Dumbwaiter	$ 42,856	45	0	0	45	0	0
Public/Service Elevators	$ -	679	0	0	0	679	0
Egress Stair	$ -	140	0	0	0	140	0
Total Non-Clinical	$ 3,884,664	1,554	2,448	0	2,865	1,137	0
Total	$ 17,829,393	11,202	13,597	0	17,819	6,980	0

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 2 is the current state hospital license for Advocate Lutheran General Hospital. Beyond those listed in Exhibit 1, there are no other Illinois hospitals owned by Advocate Aurora Health, Inc. in Illinois. The most recent DNV accreditation certificate for the Hospital is included as Attachment 11, Exhibit 3. Illinois Certificates of Good Standing for the applicants are provided in Attachment 1 and are incorporated in Attachment 11 by reference.

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.:
1000047804 3-MSC-CMS-USA

Initial certification date:
31 May, 2012

Valid:
31 May, 2024 – 31 May, 2027

This is to certify that the management system of

Advocate Lutheran General Hospital

1775 Dempster Street, Park Ridge, IL, 60068, 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, 05 June, 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

HF129711

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		0004796

General Hospital

Effective: 01/01/2024

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

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

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2024

Lic Number 0004796

Date Printed 12/29/2023

Lutheran General Hospital - Advocate

1775 Dempster Street
Park Ridge, IL 60068

FEE RECEIPT NO.

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.

Advocate Lutheran General Hospital is proposing a modernization project to expand the medical/surgical capacity to maintain access to tertiary care services for the residents of the Advocate Health Care's Near North Service Area. Advocate Lutheran General Hospital received approval from the HFSRB and IDPH staff to temporarily convert beds from other categories of service and clinical areas to licensed medical/surgical beds and increase the number of semi-private beds to address Lutheran General Hospital's capacity issue.

This project is to add additional bed capacity to replace the temporary bed capacity approved in February 2024.

Advocate Lutheran General Hospital is the region's tertiary referral center. It is the only Level I trauma center in the Advocate Health Care's Near North Service Area offering 24-hour in-house coverage by general surgeons, and prompt availability of care in specialties such as trauma and orthopedic

surgery, cardiology, neurosurgery, oncology, anesthesiology, emergency medicine, radiology, internal medicine, plastic surgery, oral and maxillofacial, pediatric, and critical care.

Due to its Level I trauma status and the broad array of specialized tertiary and advanced care services it offers, patients residing in the Advocate Health Care's Near North Service Area depend on Lutheran General for such care and is the hospital in the Service Area that admits the most critically ill patients. As outlined in Attachment 19, Advocate Lutheran General has continually operated above the State Board utilization standard for medical/surgical units, with average utilization at maximum capacity over of the last 5 years.

The increase in respiratory inpatient admissions and the decreased number of stroke centers in the region has only exacerbated the need for additional medical/surgical beds needed at Advocate Lutheran General Hospital. The shortage of beds has created access issues for patients requiring emergency and specialized care.

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

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

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

The Hospital's service area includes 57 zip codes that comprise 74% of the hospital's inpatient and outpatient cases in 2023. Attachment 12 Exhibit 2 provides a map of the hospital's service area.

With a population of 1,414,250, the service area is a diverse community with 23% of its residents of Hispanic ethnicity and a racial distribution of 58% White, 14% Asian, 7% Black and other.

The median age of residents in the service area is 42 years old. Older adults (65 and older) represent nearly 21 percent of the service area population. This geography has a larger number (21%) of adults 65 and older compared with 18% for the entire United States.

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 9%, expecting an increase of over 27,000 additional older residents.

Zipcode	Town	2023 Population	2028 Population
60004	Arlington Heights	52,202	51,156
60005	Arlington Heights	29,871	29,344
60007	Elk Grove Village	33,110	32,179
60008	Rolling Meadows	22,424	22,229
60015	Deerfield	28,638	28,913
60016	Des Plaines	61,953	61,346
60018	Des Plaines	29,438	28,648
60022	Glencoe	8,305	8,108
60025	Glenview	41,453	40,567
60026	Glenview	13,800	13,514
60029	Golf	498	479
60035	Highland Park	30,168	29,780
60040	Highwood	4,882	4,836
60043	Kenilworth	2,340	2,268
60053	Morton Grove	24,698	24,344
60056	Mount Prospect	58,084	57,534
60062	Northbrook	42,534	42,071
60068	Park Ridge	38,814	37,856
60070	Prospect Heights	14,306	13,796
60076	Skokie	33,086	32,249
60077	Skokie	28,297	28,051
60089	Buffalo Grove	42,931	42,290
60090	Wheeling	38,901	38,207
60091	Wilmette	27,996	27,636
60093	Winnetka	20,249	19,823
60106	Bensenville	20,073	19,620
60131	Franklin Park	17,814	17,531
60133	Hanover Park	36,493	35,639
60143	Itasca	11,021	10,803
60157	Medinah	2,421	2,543
60160	Melrose Park	23,980	23,234
60164	Melrose Park	21,942	21,368
60165	Stone Park	4,099	3,944
60171	River Grove	10,810	10,610
60172	Roselle	24,714	24,810
60173	Schaumburg	14,058	14,915
60176	Schiller Park	11,422	11,040
60191	Wood Dale	14,231	13,902
60193	Schaumburg	39,574	38,547
60194	Schaumburg	21,019	20,406
60195	Schaumburg	5,251	5,280

Zipcode	Town	2023 Population	2028 Population
60196	Schaumburg	177	196
60201	Evanston	42,142	41,928
60202	Evanston	32,490	31,934
60203	Evanston	4,488	4,356
60208	Evanston	2,916	2,921
60630	Chicago	54,902	53,673
60631	Chicago	28,924	28,049
60634	Chicago	74,420	72,619
60646	Chicago	26,984	26,244
60656	Chicago	28,642	27,952
60706	Harwood Heights	23,678	23,125
60707	Elmwood Park	42,578	41,699
60712	Lincolnwood	13,547	14,067
60714	Niles	30,462	29,612
TOTAL		**1,414,250**	**1,389,791**

Age Group		2023	2028
0-19		325,098	305,504
20-44		432,199	424,483
45-64		363,958	339,784
65+		292,995	320,020
TOTAL		**1,414,250**	**1,389,791**

Source: Esri 2023 Advocate Health Care's Near North PSC

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

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

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.

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

Advocate Lutheran General Hospital has a long history of caring for people in the Near North area. Its origin dates back to 1897 and Lutheran General was established at the current Park Ridge location in 1959. In January 1995, Evangelical Health Systems Corporation and Lutheran General Health System merged to create Advocate Health Care. Advocate merged with Aurora Health Care in Wisconsin in 2018 to become Advocate Aurora Health. In 2022, Advocate Aurora Health became part of Advocate Health.

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

Additional Medical Surgical beds would allow Advocate Lutheran General to increase access for inpatients and address the medical surgical capacity concerns:

- Accommodate increased projected patient days
- Manage the hospital's high patient census and appropriate patient placement into the right level of care. Decrease patients in the ED waiting for appropriate bed placement and decreasing the times the hospital will need to go on bypass
- Improve throughput, patient flow, and ED access
- Modernize facilities for patients with increasing complexity

A Master Facility Plan to review the Near North Illinois service area and the Lutheran General campus is ongoing and identified the immediate need to provide additional Medical Surgical bed capacity. The continued investment in this campus is critical to provide access to current and future patients.

The planned project will help address the issue of high utilization in specialty medical programs and the associated medical-surgical beds at Lutheran General. The additional medical/surgical beds are needed to adequately address the acute care needs in the Advocate Health Care's Near North Service Area.

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

- Clinical, administrative, and financial data from Advocate Health and Hospitals Corporation and Advocate Lutheran General Hospital
- Advocate Lutheran General Hospital Strategic Master Facility Plan
- Illinois Department of Public Health Hospital Licensing Code
- Illinois Health Facilities and Services Review Board (HFSRB) Administrative Rules
- IHA COMPdata
- AIA/FGI Guidelines for Design and Construction of Health Care Facilities

- Illinois Administrative Code, Title 77, Chapter I, Subchapter b, Part 250, Section 250.2440 General Hospital Standards
- Esri and the US Census Bureau demographic reports
- Sg2 Market Estimates and Projections
- HFSRB Hospital Profiles
- HFSRB Inventories and Data
- City of Park Ridge Building Code, International Building Codes, National Electrical Code, State of Illinois Plumbing Code, Accessibility Code and State Hospital Licensing Standards

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

The primary purpose of the Project is to expand capacity and access to inpatient licensed medical surgical beds at Lutheran General Hospital. The high patient census in the hospital and the emergency department continues to limit appropriate placement of patients into the right level of care. Advocate Lutheran General Hospital's census increased due to stroke patients and respiratory illnesses, as well as an aging population in the LGH Primary Service Area. The requested beds are needed to meet current patient demand.

This project like other hospital initiatives, supports the underlying goal of Advocate Health Care's diversity, equity, and inclusion strategy; anchored by the 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 Health Care is working to close gaps, foster a thriving inclusive environment and ensure outcomes that are consistent and fair.

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

The principal goal for this project is to increase capacity and access for inpatient admissions. Throughout this project, Advocate Lutheran General is committed to spending 35% of construction cost with diversity, equity, and inclusion focused companies.

<u>Phase 1</u>

- Activation of 10 Medical/Surgical Beds – 7CE scheduled for 1st Quarter 2025.
- Activation of 3 Medical/Surgical Beds – 12CW scheduled for 1st Quarter 2025.
- Activation of 2 Medical/Surgical Beds – 14W scheduled for 1st Quarter 2025.

- De-activation of 9 Medical/Surgical Beds – 7W scheduled for 1st Quarter 2025.
- De-activation of 1 Medical/Surgical Bed – SICU scheduled for 1st Quarter 2025.
- Activation of 9 ICU Beds – 7W scheduled for 1st Quarter 2025.
- Activation of 1 ICU Bed – SICU scheduled for 1st Quarter 2025.
- De-activation of 11 OBGYNE Beds – 3C scheduled for 1st Quarter 2025.

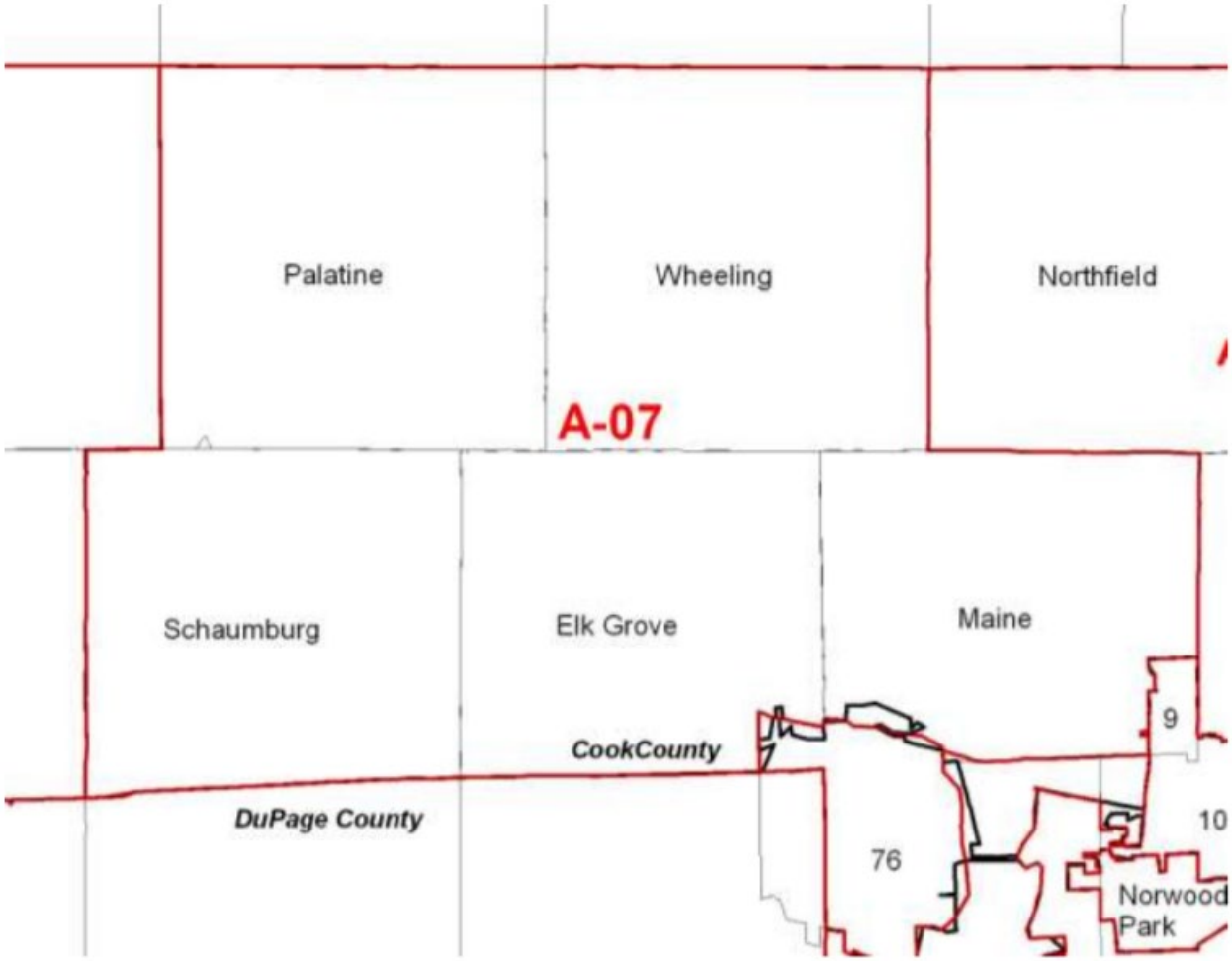
- Activation of 11 Medical/Surgical Beds – 3C scheduled for 1st Quarter 2025.

Phase 2

- Activation of 22 new 9W Medical/Surgical Beds scheduled for 2nd Quarter 2026

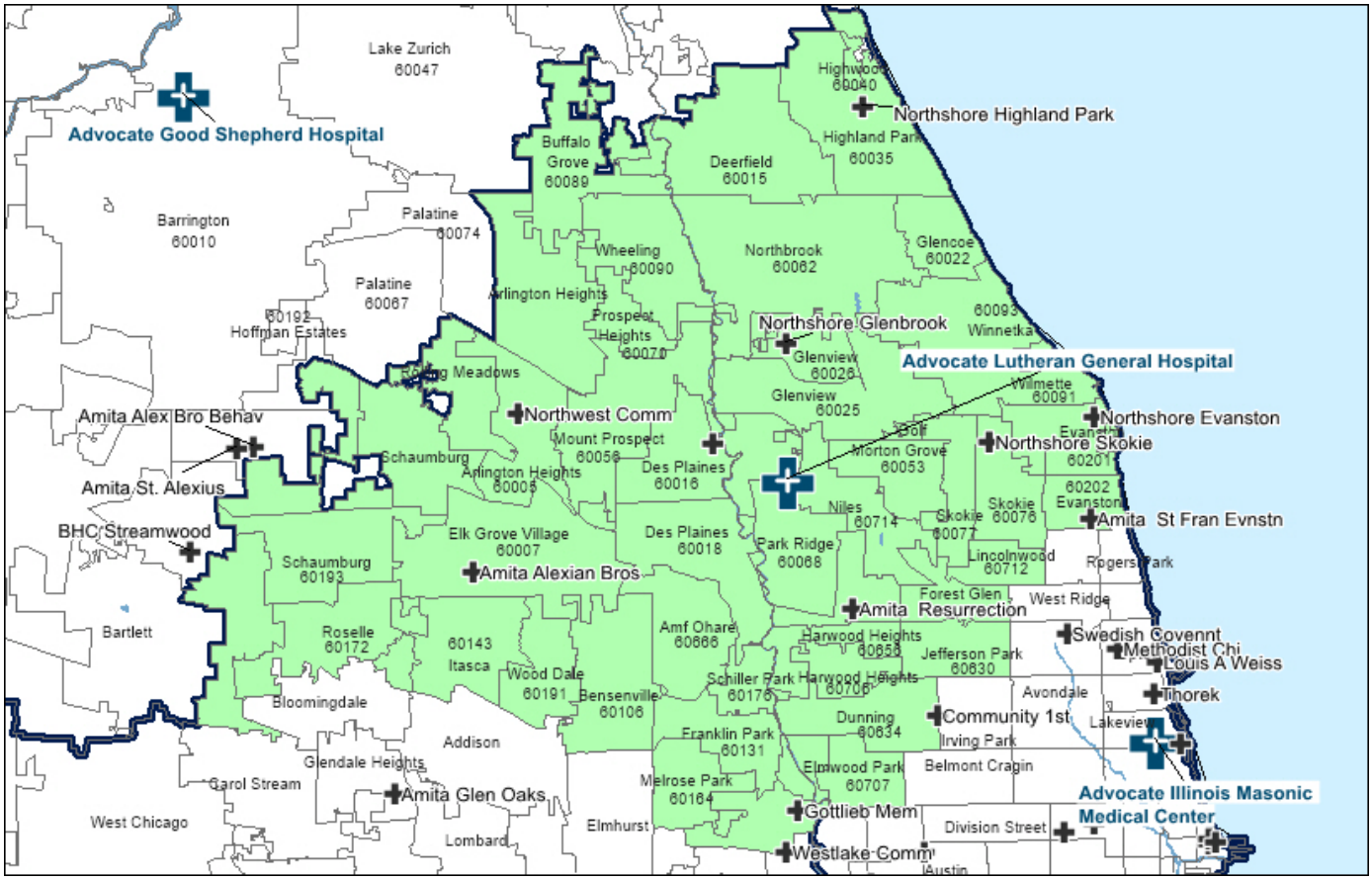
The entire project is expected to be completed and operational by June 1, 2026.

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



Advocate Lutheran General Hospital

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



Advocate Lutheran General Hospital – Med/Surg Service Line

At Lutheran General, we are committed to bringing academic level care to our patients and families in a personalized, community setting. Performing nearly 20,000 inpatient and outpatient surgical procedures annually, Advocate Lutheran General Hospital has more than 100 board-certified surgical specialists on staff and is actively committed to academic excellence through its involvement in clinical research and teaching programs.

Services offered include:

- Bariatric
- Cardiac
- Colorectal
- Dental
- Gastroenterology
- General surgery
- Gynecology/oncology
- Neurosurgery
- Ophthalmology
- Orthopedics
- Otolaryngology
- Pain therapy
- Pediatric surgery
- Plastic surgery
- Podiatry
- Robotic surgery
- Spine
- Thoracic
- Trauma
- Urology
- Urogynecology
- Vascular

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** the alternatives to the proposed project:

Alternative options **must** include:

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

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

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

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

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

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

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

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

Several alternatives as outlined below were evaluated based on the recommendations of Advocate Health's Master Facility team and the Hospital's administration. In discussion with the HFSRB and IDPH staff, alternatives were considered to continue to provide access for inpatient care. The Applicants considered the following options in the evaluation to add 38 additional medical surgical beds and 10 ICU beds to ALGH.

Alternative One - Maintain Status Quo/Do Nothing

This option was to maintain the number of inpatient medical surgical and ICU beds at Advocate Lutheran General Hospital. Lutheran General is a tertiary referral center, teaching hospital and is the only Level I trauma center in the Advocate Health Care's Near North Service Area. Due to its tertiary services and Level I trauma status, Lutheran General is the only hospital in the service area that can admit the most critically ill patients.

Medical/Surgical units at Lutheran General continually operate above the State Board utilization standard with average utilization at maximum capacity over the past three years. Occupancy is consistently above 90% at the midnight census and is 11% higher mid-day. This does not account for the peak census in specific months and days of the week where census is higher. The ICU units have also operated well above the state standard. In addition to the increased number of inpatient admissions, the acuity of patients has increased leading to a higher number of ICU patient days.

With HFSRB's approval on February 1, 2024, Advocate Lutheran General temporarily increased medical/surgical bed capacity to alleviate inpatient capacity constraints and the emergency department back up that has continued to challenge the bed capacity at the hospital.

Considering these factors, additional medical/surgical and ICU beds are needed to adequately address the acute care needs in the LGH Service Area. Maintaining the status quo would not address the growing need for tertiary care services at LGH, nor the inpatient bed capacity to appropriately place patients. This option would not alleviate the patients waiting in the ED for lengthy time nor the need for the hospital's ED to go on bypass.

Cost: No capital costs required

Alternative Two - Add an addition to a hospital building to create an additional M/S and ICU beds

The most operationally efficient option would be to add new square footage on the Lutheran General campus for inpatient rooms. This would require a horizontal bed tower expansion to the hospital campus. This option would require the demolition of an existing parking structure (located on Dempster) to allow an area to construct a new bed tower. This project would also be burned by a new parking garage to supplement the loss of the existing parking garage. The new structure would be located across a state route which will include a skybridge to facilitate ease of pedestrian traffic across the busy state route. The structure and cost to add these clinical and non-clinical hospital services would be significantly higher than this project cost. As good financial stewards, this would be an excessive undertaking and this plan would be part of a larger campus modernization project for the future.

Cost: $950,000,000

Alternative Three - Add only the new 22-bed M/S Floor

This option would involve modernizing and developing only the 22-bed Medical/Surgical unit. Although this would add some much-needed medical/surgical capacity, Advocate Lutheran General Hospital would continue to have medical/surgical room challenges and this option would not address the need for additional ICU beds. As the region's level 1 Trauma Center, with the increase in inpatient volume experienced and projected, the alternative selected provides the additional capacity for the Medical Surgical and ICU categories of service that is needed currently and in the near future.

Cost: $16,300,000

Alternative Four - Add an additional 37 M/S beds plus transition 11 OB beds to add needed M/S capacity, and transition 10 M/S beds to ICU

This option was determined to be the best and most effective alternative as it increases the medical surgical and ICU bed capacity using existing hospital space and transitioning beds to provide the most urgent inpatient needs. This project will include adding a medical/surgical unit, transitioning beds from other categories of service, and transitioning some private to semi-private rooms. This Option would support the need for current patient days and the projected clinical service growth by providing inpatient care in the appropriate licensed inpatient beds and alleviate the need to have patients held in the ED or the hospital to go on bypass.

This would continue to support the Hospitals' Women's Services inpatient admissions. Currently, clean Gynecology patients that have received inpatient care in Obstetrics/Gynecology licensed beds can be placed in a Medical Surgical bed for inpatient care if the Obstetric census is at peak capacity. This project is designed to increase access while being fiscally responsible by using existing space with minimal patient disruption.

Cost: $17,829,393

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?**

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
9W Medical-Surgical Service (22 beds)	11,149	500-660 DGSF/Bed (22 beds x 500-660 = 11,000 SF- 14,520 SF)	3,371	YES
3C Medical-Surgical Service (11 beds)	2,776	500-660 DGSF/Bed (11 beds x 500-660 = 5,500 SF- 7,260 SF)	4,484	YES
7CE Medical-Surgical Service (10 beds)	2,698	500-660 DGSF/Bed (10 beds x 500-660 = 5,000 SF- 6,600 SF)	3,902	YES
12CW Medical-Surgical Service (3 beds)	789	500-660 DGSF/Bed (3 beds x 500-660 = 1,500 SF- 1,980 SF)	1,191	YES
14W Medical-Surgical Service (2 beds)	581	500-660 DGSF/Bed (2 beds x 500-660 = 1,000 SF- 1,320 SF)	739	YES
7W Intensive Care Service (9 beds)	2,817	600-685 dgsf/Bed	3,348	YES

SIZE OF PROJECT				
		(9 beds x 600-685 = 5,400-6,165)		
SICU Intensive Care Service (1 bed)	250	600-685 dgsf/Bed (1 beds x 600-685 = 600-685)	435	YES

The Medical-Surgical Units were designed utilizing Advocate Health Care's Patient Room and Support Room standards to provide private patient rooms and to improve operational efficiencies and clinical workflows. The proposed 500-660 DGSF/Bed for the unit has been met and is below the state standards, as outlined in the IL Administrative Code 1100.

The Intensive Care Unit was designed utilizing Advocate Health Care's Patient Room and Support Room standards to provide private patient rooms and to improve operational efficiencies and clinical workflows. The proposed 600-685 DGSF/Bed for the unit has been met and is below the state standards, as outlined in the IL Administrative Code 1100.

Non-Clinical Components

The Non-clinical components of the project total 2,865 DGSF of space. This includes general circulation, public spaces, mechanical/electrical spaces and building services.

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

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 3 Categories of Service for which the Illinois Health Facilities and Services Review Board has established standards:

- Medical Surgical Beds
- ICU Beds
- Obstetric Beds

The utilization of each service has been projected to 2027, when utilization is projected in the Project. The narrative that supports the projected utilization is included in Attachment 19.

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

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

The projections for OB demand were driven by the current postpartum utilization. Based on the declining birth rate in Chicagoland, the proposed project will include transitioning 11 OB beds to 11 M/S beds at project completion. These OB beds were also part of the temporary M/S bed license and

have not been utilized as OB beds since February 1, 2024. Lutheran General has had sufficient OB bed capacity to provide high-quality obstetric care to those who need it.
This would be a cost-efficient way to add additional medical surgical capacity that is needed. The birth rate is projected to remain similar to current patient days and there is an excess number of OB beds outlined in Planning Area A-07 where Lutheran General Hospital is located. Additionally, the transition of the Obstetric Category of Service to the Medical Surgical Category of Service provides flexibility. With the current Medical Surgical capacity issue, clean Gynecology patients that have received inpatient care in Obstetrics/Gynecology licensed beds can continue to be placed in a Medical Surgical bed for inpatient care if the OB census has a peak in their patient day volume.

DEPT./SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS)	PROJECTED UTILIZATION		STATE STANDARD	NUMBER in Project	MEET STANDARD?
	2023	Year 1- 2026	Year 2- 2027			
Med/Surg Beds	121,145 pt days	133,926	138,479	328.5 days/bed (90% occ) = 422	332+38=370	Yes
ICU Beds	20,149 pt days	23,862	25,246	219.0 days/bed (60% occ) = 115	75+10=85	Yes
Obstetric Beds (includes clean Gyn)	9,881 pt days	9,782	9,683	284.7 days/bed (78% occ) = 34	62-11= 51	Yes

*Projected Utilization – 2 years post completion
Patient Days = IP and Obs Days

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.

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

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

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

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

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

Category of Service	# Existing Beds	# Proposed Beds
☒ Medical/Surgical	332	370
☒ Obstetric	62	51
☐ Pediatric		
☒ Intensive Care	75	85

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

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

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

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

Category of Service	
Medical Surgical Beds	
Expansion of Existing Services	(b)(2) − Planning Area Need – Service to Planning Area Residents
	(b)(4) − Planning Area Need – Service Demand – Expansion of Existing Category of Service
	(e) − Staffing Availability
	(f) − Performance Requirements
	(g) − Assurances

Modernization	(d)(1) & (2) & (3) − Deteriorated Facilities
	(d)(4) − Occupancy
	(f) − Performance Requirements

b) Planning Area Need − Review Criterion

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

2) Service to Planning Area Residents

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

Advocate Lutheran General Hospital is a major provider of health care to the residents of Suburban Cook County and surrounding areas and is the only Level I trauma center in the Advocate Health Care's Near North Service Area.

The proposed project will add 38 medical surgical beds to the 332 medical surgical beds at Advocate Lutheran General Hospital. This includes the following medical surgical beds changes:

- The addition of a 22-bed medical surgical unit to be developed and located on the 9th floor (9W) of the hospital. This project will modernize and renovate the space that currently houses on call rooms, the hospital library and research center. These administrative functions will be relocated to the administrative/mixed use space on the Lutheran General Hospital campus.

- 9 M/S beds will transition to 9 ICU beds on the 7th floor. This will create an 18-bed ICU unit on the 7th floor (7W) by combining with the existing 9 -bed intensive care unit.

- An 11-bed M/S unit, transitioning from an 11 bed OB unit.

- A transition of 1 M/S bed in the SICU to 1 ICU bed.

- 15 M/S beds transitioning private to semiprivate rooms on the 7th (10 beds), 12th (3 beds) and 14th floors (2 beds).

The new M/S rooms on the 9th floor will be designed and modernized with the current standard of care, supporting patient safety and quality, enhancing the patient experience, improving staff efficiency, and reducing costs. The space will require renovation to comply with medical surgical code requirements. The patient rooms will be right sized and designed in the Advocate Health Care's standard developed by a team of clinicians and hospital facility experts from throughout the Advocate Health Care system.

Although, the Medical Surgical Beds in Planning Area A-07 outlines an excess of M/S beds in the Illinois Health Facilities and Services Review Board "Health Facilities Inventory Data", the inventory supply includes a specialty hospital and the pediatric beds for the 3 hospitals in the planning area. The proposed project would support the current Medical Surgical bed capacity issue at Lutheran General and the clinical and acuity increases projected due to the aging and growing population over the next 5 years.

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

In 2023, 79% of the Medical Surgical patients resided in the Hospital's patient service community. The table below provides the Med Surg IP patient origin.

Medical Surgical IP Patient Origin 2023	
Service Area	
Patient Service Community (Near North)	13,939
Other	3,737
TOTAL	17,676

Medical Surgical patient origin by zip code for 2023 is shown in Attachment 19, Exhibit 1.

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

The Hospital expects that the additional Medical Surgical patients to have similar patient origin as shown in Attachment 19, Exhibit 1.

4) Service Demand – Expansion of Existing Category of Service

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

A) Historical Service Demand

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

As outlined in the Table below, the medical surgical occupancy had grown consistently year over year. The inpatient M/S patient days are projected to continue to increase and by the second year after the proposed project is complete, patient days are projected to be 138,479.
The current utilization has continually been above the State Board standard for medical/surgical units and is projected to continue to remain above the state target occupancy of 90%.

Table 1110.11(b)
Advocate Lutheran General Medical Center
Medical/Surgical Utilization 2020 – Projected 2027

	2020	2021	2022	2023	Projected 2027 – Yr2
Beds	313	313	313	332	370 (332+38)
Admissions	19,876	16,987	16,474	17,162	
Inpatient Days	100,988	105,669	103,691	106,112	
Observation Days	8,871	13,069	15,265	15,033	
TOTAL Days	109,859	118,738	118,956	121,145	138,479
Average Length of Stay	5.5	7	7.2	7.1	
Average Daily Census	300.2	325.3	325.9	331.9	379.4
Utilization	95.9%	103.9%	104.1%	100.0%	107.8%
Beds Justified	**334**	**361**	**362**	**370**	**422**

Sg2 estimates that although inpatient discharges are projected to increase by only 3% over the next 10 years, inpatient days are projected to increase by 9%. National trends project the acuity of inpatient admissions will continue to rise and result in an increase in average length of stay and patient days. Inpatient days are projected to continue to increase in part due to the growth of the aging population in the service area.

The population for the Advocate Lutheran General service area illustrated a projected 9% growth in the 65+ population, expecting an increase of over 27,000 additional older residents. Due to the increased number of critically ill patients, Advocate Lutheran General has experienced a significant increase in patient acuity on the Medical Surgical units. The higher census on peak flow days over the

past 3 years has highlighted the need for an additional 38 medical surgical beds now and into the future.

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

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

B) Projected Referrals
The applicant shall provide the following:

i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application.
ii) An estimated number of patients the physician will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share within a 24-month period after project completion.
iii) Each referral letter shall contain the physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty; and
iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

No letters of referral from physicians are provided. The patients are already presenting to the hospital and included in the current demand. The members of the medical staff continue to send their patients to Advocate Lutheran General Hospital.
Therefore, criteria i) to iv) are not included.

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

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

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

d) Category of Service Modernization

1) If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

A) High cost of maintenance.
B) Non-compliance with licensing or life safety codes.
C) Changes in standards of care (e.g., private versus multiple bedrooms); or
D) Additional space for diagnostic or therapeutic purposes.

This project includes modernization to create a new medical surgical unit in space previously used by administrative functions. The newly designed rooms will bring additional medical surgical telemetry beds to the campus to address this care delivery need.

The new medical surgical rooms will be constructed to follow industry standards and best practices including Private patient space to accommodate families, patient care, and medical equipment at the patient bedside

- Dedicated showers and toilet rooms in each room
- Enhanced infrastructure (headwall gases, dialysis provisions, and equipment to accommodate a range of patient care needs).
- Availability of Isolation rooms and rooms with bariatric ceiling lifts

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

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

The modernization of the existing units from other categories of service and to create semi-private rooms to add additional capacity will follow Advocate Health Care and state standards to provide up to date standards in these rooms.

2) Documentation shall include the most recent:

A) IDPH Centers for Medicare and Medicaid Services (CMMS) inspection reports; and
B) The Joint Commission reports.) Additional space for diagnostic or therapeutic purposes.

There are no reports for the Medical Surgical patient rooms.

3) Other documentation shall include the following, as applicable to the factors cited in the application:

A) Copies of maintenance reports.
B) Copies of citations for life safety code violations; and
C) Other pertinent reports and data.

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

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

Projected Bed Need

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

Lutheran General	2020	2021	2022	2023	% Change 2020-2023	Compound Annual Growth Rate
M/S Days	109,859	118,738	118,956	121,145	10.3%	3.4%

Medical surgical patient days had been increasing prior to and following the pandemic. Lutheran General is projected to continue to see increased admissions and patient days over the next five years. Clinical Programs projected to increase in inpatient admissions and patient days include Orthopedics, Neuroscience, Stroke, Cardiology, General Medical and General Surgery. This project will help right size the bed complement with focus on specialty and step-down units.

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

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

The additional M/S bed unit(s) will be part of the solution to accommodate current and forecasted demand. To project demand for the Medical Surgical units, the Compound Annual Growth Rate (CAGR) was applied to develop the trend line to 2027. This was based off the current inpatient days in 2023.

As shown in Table 1110.11(b), Inpatient medical surgical days had been increasing since before 2020. A projection based on increases from 2023 inpatient days would indicate the projected utilization in the following chart.

Compound Annual Growth Rate	2024	2024	2026	2027
3.4%	125,263	129,522	133,926	138,479

By the proposed project completion, the patient days are projected to increase year over year to 138,479 days in 2027. Based on the state target occupancy of 90%, the number of CON authorized medical surgical beds would outline a need for 422 medical surgical beds. These additional 38 M/S beds will alleviate some of the increased capacity needed with the increase of CON authorized M/S bed number to 370.

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

Through the Master Planning process, an internal assessment supported the need for over the additional 38 medical surgical beds in this project to provide for current patient days and the projected clinical service growth and acuity increases.

In January 2024, the hospital was on bypass for 30.7 hours compared with the hospital on bypass for 28 hours all of 2023. Ongoing discussions with state staff and temporary approval in February 2024 enabled Lutheran General to add medical surgical beds needed to accommodate current patient census and to place patients in appropriate licensed inpatient beds and alleviate the patients held in the ED or the need for the hospital to go on bypass.

Since the approval of the temporary Medical Surgical Beds, Lutheran General had no by-pass hours due to the unavailability of beds demonstrating this was the appropriate bed type to meet the needs of our patients.

The requested Medical Surgical beds in the project will help ensure we are continuing to alleviate the pressure at Advocate Lutheran General for appropriate inpatient placement to best meet the needs of the patients in the service area.

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

Advocate Lutheran General Hospital has evaluated the staffing needs and does not expect any issues meeting the licensure and accreditation staffing requirements as a result of the proposed project. The hospital's ability to attract and place nurses has historically been strong. Staffing needs for the medical surgical units were evaluated and additional staff is not projected to be needed due to the project.

The Advocate Health Care system has a dedicated team of Recruiters and Sourcing Specialists. If there is a significant staff need anywhere in the system, resources are shifted quickly to address the situation. The staffing consultants at Advocate Health Care work in a collaborative manner.

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

f) Performance Requirements − Bed Capacity Minimum

1) Medical-Surgical

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.

With the addition of the 38 M/S beds, the Hospital will have 370 Medical Surgical beds, exceeding the State minimum requirements.

g) Assurances

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

The letter is provided as Attachment 19 Exhibit 4.

Category of Service	
Intensive Care Beds	
Expansion of Existing Services	(b)(2) − Planning Area Need – Service to Planning Area Residents
	(b)(4) − Planning Area Need – Service Demand – Expansion of Existing Category of Service
	(e) − Staffing Availability
	(f) − Performance Requirements
	(g) − Assurances

Modernization	(d)(1) & (2) & (3) − Deteriorated Facilities
	(d)(4) − Occupancy
	(f) − Performance Requirements

b) Planning Area Need − Review Criterion

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

2) Service to Planning Area Residents

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

Advocate Lutheran General Hospital is a major provider of health care to the residents of Suburban Cook County and surrounding areas and is the only Level I trauma center in the Advocate Health's Near North Service Area.

Critically ill patients are often admitted to the Intensive Care Unit (ICU) as a phase in their stay for other services such as surgery, cardiac care, cancer, or trauma. As a Level 1 Trauma Hospital, the ICU unit is often at maximum capacity. Advocate Lutheran General Hospital has seen an increasing number of the most critically ill patients as the volumes in neurosurgery, cardiac and critical care services have grown. Many advanced procedures require patients to be monitored and receive care for extended periods of time. The shortage of critical care capacity will continue to be compounded with key service line expansion and the aging of the population projected in the service area.
As a Level 1 Trauma Center, ICU beds need to be available to for emergency trauma or patients who require an immediate higher level of care from a medical surgical unit or the ED.
The Hospital currently has 75 CON authorized ICU beds. With the changes in patient acuity and increase in patients needing intensive level care as part of their inpatient stay, it was determined that Lutheran General would need to increase the number of intensive care beds in the project, to meet

current capacity needs and plan for the future. These additional 10 ICU beds increase the number of ICU beds to 85 at project completion.

The Intensive Care Beds in Planning Area A-07 outlines a need for 30 ICU beds in the Illinois Health Facilities and Services Review Board "Health Facilities Inventory Data". These additional 10 ICU beds would provide some additional capacity to support this planning area as the clinical acuity of patients in this area increases due to the aging and growth projected over the next 5 years.

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

In 2023, 65% of the Intensive Care patients resided in the Hospital's service community. The table below provides the Intensive Care IP patient origin.

Intensive Care IP Patient Origin 2023	
Service Area	
Patient Service Community (Near North)	1,967
Other	1,079
TOTAL	3,046

Intensive Care patient origin by zip code for 2023 is shown in Attachment 19, Exhibit 2.

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

The Hospital expects that the additional Intensive Care patients to have similar patient origin.

4) Service Demand – Expansion of Existing Category of Service

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

A) Historical Service Demand

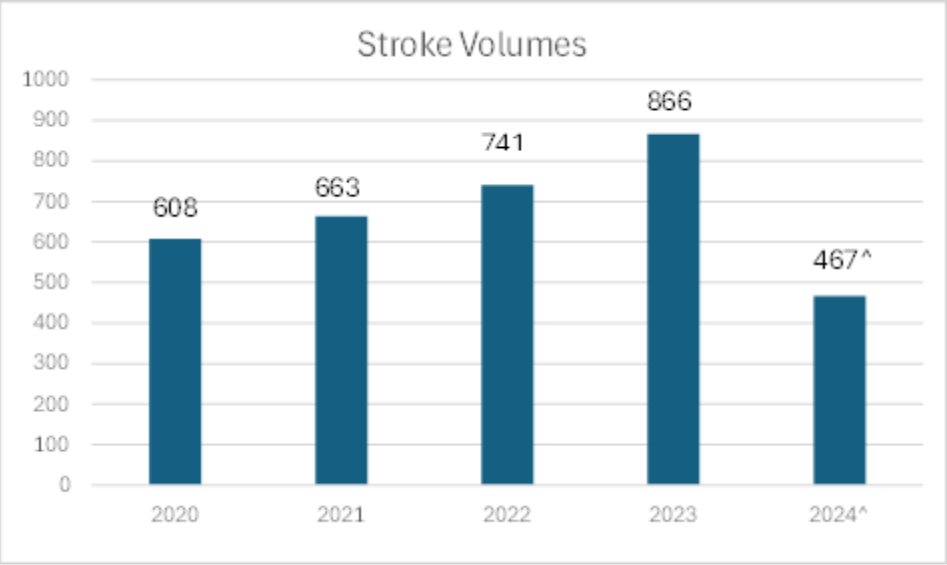
i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the category of service, as specified in 77 Ill. Adm. Code 1100, for each of the latest 2 years.

Advocate Lutheran General's ICU occupancy has increased consistently year over year and has significantly exceeded the State Standard minimum of 60% since prior to 2020.

Intensive Care Bed Utilization 2020-2023				
Year	Beds Authorized	Patient Days	Average Daily Census	CON Occupancy
2020	74	17,145	46.8	63.3%
2021	74	18,750	51.4	69.4%
2022	74	19,926	54.6	73.8%
2023	74	20,149	55.2	74.6%

Note: The addition of 1 ICU bed was approved in 2023 and construction completed in 2024. In 2024, beds authorized totaled 75 ICU beds.

In addition to the increased number of critically ill patients, Advocate Lutheran General Hospital has experienced an increase in the Case Mix Index (CMI) over the past five years.
The additional medical surgical beds will provide needed capacity to support the increased number of stroke patients at Lutheran General as outlined in the table below.
The January - June 2024 volume highlights this increasing trend projected to have annualized volume of over 930 patients this year, a 54% increase from 2020.



*2020-2023 full year, 2024 Jan-Jun

Sg2 identified national trends that project the acuity of inpatient hospital admissions will continue to rise and result in an increase in average length of stay and patient days in Intensive Care units. The utilization of the ICU at Advocate Lutheran General is expected to continue to increase in part due to the growth of the aging population in this service area.
The population for the Advocate Lutheran General service area illustrated a projected 9% growth in the 65+ population: expecting an increase of over 27,000 additional older residents.

The projected increase in intensive care admissions is attributed to many factors including: the aging population, increased obesity, mental health and other co-morbidities, access inequities, chronic disease, and survivorship.

According to Sg2, "At the same time, rising chronic disease and mental health rates continue to fuel inpatient demand and drive higher-acuity care demands across the System of CARE. Hospitals are left with sicker patients with longer lengths of stay. COVID-19 exacerbated this trajectory, due to long-term conditions caused by this virus, and due to delayed and deferred care. In addition, the pandemic exposed significant gaps in health care services and harsh differences in health outcomes and access related to race and socioeconomics. Health inequity is projected to continue to be a factor in rising demand for chronic disease and mental health services, particularly avoidable care utilization, offsetting some of the gains in outpatient shift and inpatient declines."

Sg2 estimates that although inpatient discharges are projected to increase by only 3% over the next 10 years, inpatient days are projected to increase by 9%. National trends project the acuity of inpatient admissions will continue to rise and result in an increase in average length of stay and patient days. Inpatient days are projected to continue to increase in part due to the growth of the aging population in the service area.

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

Critically ill patients requiring ICU care would not be transferred out other facilities as it is the routine practice of the hospital to admit all patients that present needing inpatient care. The current critical care services provided are inclusive of all critical care therapies except organ transplantation and burns which is provided in regional designated centers. No referrals to other facilities have been included.

B) Projected Referrals
The applicant shall provide the following:

The applicant did not include letters of referral from physicians. The patients are already presenting to the hospital and included in the current demand. The members of the medical staff continue to send their patients to Advocate Lutheran General Hospital.

Therefore, criteria i) to iv) are not included.

i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application.
ii) An estimated number of patients the physician will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share within a 24-month period after project completion.
iii) Each referral letter shall contain the physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty; and
iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

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

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

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

d) Category of Service Modernization

1) If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

A) High cost of maintenance.
B) Non-compliance with licensing or life safety codes.
C) Changes in standards of care (e.g., private versus multiple bedrooms); or
D) Additional space for diagnostic or therapeutic purposes.

This project includes modernization to transition 10 medical surgical beds to ICU beds to increase the ICU capacity.

These rooms will follow Advocate Health Care and industry standards and best practices including:

- Toileting provisions in each room
- Enhanced infrastructure (headwall gases, dialysis provisions, and equipment to accommodate a range of patient care needs).

The ICU floor(s) will include staff support, MD dictation, team-work space, and staff respite areas.

2) Documentation shall include the most recent:

A) IDPH Centers for Medicare and Medicaid Services (CMMS) inspection reports; and
B) The Joint Commission reports.) Additional space for diagnostic or therapeutic purposes.

There are no reports for the Intensive Care patient rooms.

3) Other documentation shall include the following, as applicable to the factors cited in the application:

A) Copies of maintenance reports.
B) Copies of citations for life safety code violations; and
C) Other pertinent reports and data.

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

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

Projected Bed Need

The projections for demand are driven by the pattern of growth of patients currently admitted to the Intensive Care Units. As outlined in the Table below, the ICU patient days had grown consistently year over year.

Lutheran General	2020	2021	2022	2023	% Change 2020-2023	Compound Annual Growth Rate
ICU Days	17,145	18,750	19,926	20,149	17.5%	5.8%

The high occupancy of the current ICU units continues to pose challenges to provide efficient, patient focused care. When the ICU is operating at full or near full capacity, patient placement is frequently changed to accommodate additional critically ill patients. The practice of adjusting the patient placement on high-capacity days challenges staff and increases the potential for disruptive patient care.

The current utilization has continually been above the State Board standard for ICU units and is projected to continue to remain above the state target occupancy of 60%.

Compound Annual Growth Rate	2024	2025	2026	2027
5.8%	21,317	22,554	23,862	25,246

The inpatient ICU patient days are projected to continue to increase and by the second year after the proposed project is complete, patient days are projected to be 25,246.
Based on the state target occupancy of 60%, the number of CON authorized ICU beds would outline a need for 115 beds.

365 days per year x 60% =219 days per bed
25,246 patient days divided by 219 days per bed = 115 beds

These additional 10 ICU beds will alleviate some of the increased ICU capacity needed with the increase of CON authorized beds to 85 at project completion.

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

Advocate Lutheran General Hospital has evaluated the staffing needs and does not expect any issues meeting the licensure and accreditation staffing requirements as a result of the proposed project. The hospital's ability to attract and place nurses has historically been strong.
Staffing needs for the medical surgical units were evaluated and additional staff is not projected to be needed due to the project.

The Advocate Health Care system has a dedicated team of Recruiters and Sourcing Specialists. If there is a significant staff need anywhere in the system, resources are shifted quickly to address the situation. The staffing consultants at Advocate Health Care work in a collaborative manner.
An additional source for Advocate Lutheran General Hospital's applicant pool comes from our active partnerships with local nursing programs. Advocate Lutheran General has continually benefited from the strong reputation of Advocate Health Care's as an excellent place of employment, as evidenced by consistently being named as one of the Top 100 Places to work in Illinois.

f) Performance Requirements − Bed Capacity Minimum
1) Intensive Care
The minimum unit size for an intensive care unit is 4 beds.

The proposed unit will have 85 ICU beds, exceeding the minimum requirements.

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

The letter is provided as Attachment 19 Exhibit 4.

Category of Service	
Obstetric Beds	
Expansion of Existing Services	(b)(2) − Planning Area Need – Service to Planning Area Residents
	(b)(4) − Planning Area Need – Service Demand – Expansion of Existing Category of Service
	(e) − Staffing Availability
	(f) − Performance Requirements
	(g) − Assurances

Modernization	(d)(1) & (2) & (3) − Deteriorated Facilities
	(d)(4) − Occupancy
	(f) − Performance Requirements

b) Planning Area Need − Review Criterion

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

2) Service to Planning Area Residents

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

Advocate Lutheran General Hospital is a tertiary referral center and teaching hospital located in Suburban Cook County and serves the surrounding areas in Advocate Health's Near North Service Area for Obstetrics and Gynecology services.

As a recognized Best Hospital for Maternity Care, Advocate Lutheran General Hospital offers the highest level of prenatal and postnatal care by board-certified obstetricians, perinatologists, neonatologists, and certified nurse-midwives. The Neonatal Intensive Care Unit has a level III designation, the highest level NICU designation in IL. Advocate Lutheran General Hospital received the IBCLC Care Award that reflects comprehensive Lactation Services to include all resources to help mothers successfully breastfeed and a donor milk program that provides for newborns when moms and babies are facing high-risk pregnancies or complications. Breastfeeding support includes prenatal classes, lactation counselors during the inpatient stay and an outpatient center and support at home.

The Hospital has an OB/Gyn residency program training physician residents over a 4-year program and a nursing residency program for recent graduates. Nursing clinical rotations are coordinated within affiliated nursing schools.

The Hospital has 62 CON authorized Obstetric beds. Based on the declining birth rate in the service area locally and nationally, the proposed project will transition the number of OB beds by 11 beds to critically needed Medical Surgical beds. The hospital will continue to have 51 licensed OB beds to support the needs of this service area.

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

In 2023, 69% of the Obstetric patients resided in the Hospital's service community. The table below provides the Obstetric patient origin.

Obstetric IP Patient Origin 2023	
Service Area	
Patient Service Community (Near North)	2,720
Other	1,204
TOTAL	3,924

Obstetric patient origin by zip code for 2023 is shown in Attachment 19, Exhibit 3.

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

The Hospital expects that the additional Obstetric patients will have similar patient origin.

4) Service Demand – Expansion of Existing Category of Service

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

A) Historical Service Demand

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

Advocate Lutheran General's Obstetric bed occupancy has continued to be lower than the State Standard minimum of 78% for facilities with bed capacity of 26+ OB beds.
The CON occupancy has ranged between 39-44% for the last 3 years. Although Advocate Lutheran General Hospital has experienced a slightly increased volume of patient days over the last few years, the local and national birth rates continue to decline. Even with the increase in patient volumes, Lutheran General Hospital has capacity for additional OB patients even with the transition of those 11 OB beds.

With a 51-bed unit, the projected occupancy would be approximately 52% for all patients, and 48% for Obstetrics only. This would still under the state standard minimum. Based on national and local

trends of declining births, it was determined that a 51-bed unit could continue to provide the needed access into the future.

Obstetric Bed Utilization 2020-2023				
Year	Beds Authorized	Patient Days	Average Daily Census	CON Occupancy
2020	62	8,731	23.9	38.6%
2021	62	8,835	24.2	39.0%
2022	62	9,285	25.4	41.0%
2023	62	9,881	27.1	43.7%

Source: Annual Hospital Questionnaire and Hospital Profiles
Average Daily Census and CON Occupancy includes ALL patients (Maternity, Clean Gynecology and Observation)

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

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

B) Projected Referrals
The applicant shall provide the following:

The applicant did not include letters of referral from physicians. The patients are already presenting to the hospital as shown by the current demand. The members of the medical staff are sending their patients to Advocate Lutheran General Hospital including times of high occupancy.
Therefore, criteria i) to iv) are not included.

> *i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application;*
> *ii) An estimated number of patients the physician will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share within a 24-month period after project completion;*
> *iii) Each referral letter shall contain the physician's notarized signature, the typed or printed name of the physician, the physician's office address and the physician's specialty; and*
> *iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.*

C) Projected Service Demand – Based on Rapid Population Growth:

If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

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

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

d) Category of Service Modernization
1) If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

A) High cost of maintenance;
B) Non-compliance with licensing or life safety codes;
C) Changes in standards of care (e.g., private versus multiple bedrooms); or
D) Additional space for diagnostic or therapeutic purposes.

The 11 OB beds will transition to 11 M/S beds. No modernization of these beds will be needed.

2) Documentation shall include the most recent:

A) IDPH Centers for Medicare and Medicaid Services (CMMS) inspection reports; and
B) The Joint Commission reports.) Additional space for diagnostic or therapeutic purposes.

There are no reports for the Obstetric patient rooms.
3) Other documentation shall include the following, as applicable to the factors cited in the application:

A) Copies of maintenance reports;
B) Copies of citations for life safety code violations; and
C) Other pertinent reports and data.

The proposed modernization in this project is not related to maintenance or non-compliance with life safety codes or other code issues. The project is designed to replace and modernize outdated buildings. The new inpatient units will be designed with current industry standards for size, technology, and infrastructure. Therefore, no reports are included.

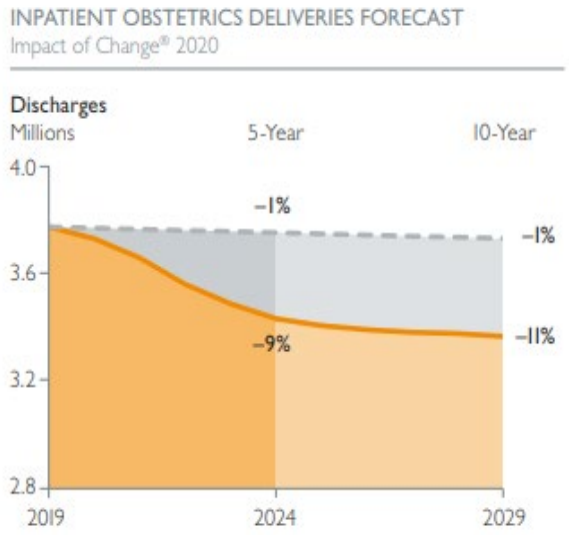
4) Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100.

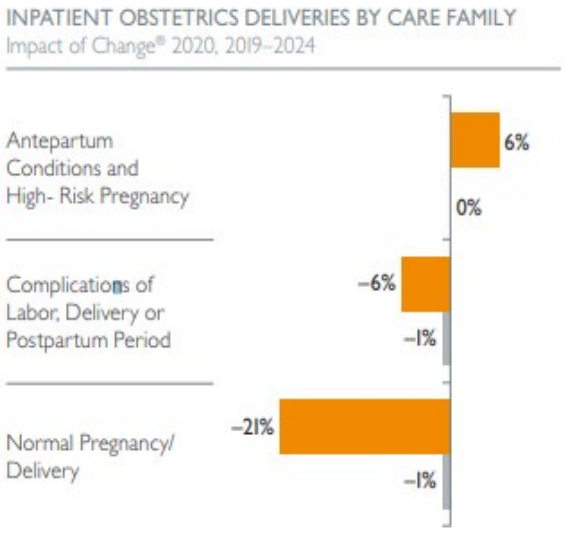
Projected Bed Need

The projection for OB beds was determined based on historic patient trends to the Lutheran General Obstetric Unit, coupled with Sg2's projected decline for the Advocate Lutheran General service area over the next 5 years. Although, the OB patient days have increased slightly due to a new relationship with the local FQHC, as the OB market is projected to continue to decline, it was determined that a 51-bed unit could provide the projected number of beds needed for the future.

Sg2's projection for the Advocate Lutheran General Hospital service area (Near North) for Inpatient Obstetrics is expected to be a decline of -6.0% from 2023-2028 and a -9.3% decline over the next 10 years.
For Inpatient Gynecology, a -2.8% decline is projected over the next 5 years and -5.1% over 10 years. This parallels the national trend outlined below.

Sg2 identified "this national trend as one that has been seen short term and continues to dampen throughout the decade due to cultural norms (e.g. childbearing, smaller family sizes) and pandemic driven economic instability.





As outlined in the chart below, projected OB patient days were based on the current OB volume combined with the national and local trends of declining births. Based on the projected patient days, the number of beds needed in 2027 will be 31 beds for OB/Maternity only. Including Clean Gyn and Observation patients would be 34 beds needed. The Gynecology and Observation patients will be able to receive care in the transitioned Medical Surgical beds focusing on Women's Services.

Table 1110.11(b) Advocate LGH Medical Center OB Bed Utilization 2020 – Projected 2027					
	2020	**2021**	**2022**	**2023**	**Projected 2027**
Beds	62	62	62	62	51
Births	3,274	3,285	3,228	3,622	3,550
Inpatient Days					-
Maternity	7,868	7,872	8,242	9,032	8,851
Clean Gyn	564	686	711	527	516
Observation Days	299	277	332	322	316
TOTAL Days	8,731	8,835	9,285	9,881	9,683
Average Daily Census – Maternity only	21.6	21.6	22.6	24.7	24.3
OB Bed Occupancy	39%	39%	41%	44%	52%
OB Bed Occupancy (Maternity only)	35%	35%	36%	40%	48%
OB Beds Needed	**28**	**28**	**29**	**32**	**31**

Note: Maternity only excludes Clean Gyn and Obs Days
Source: Annual Hospital Questionnaire and Hospital Profiles

The new medical surgical bed unit will include a focus on Women's Health services, clean gynecology and other inpatients with women's health procedures will be able to receive inpatient care on this new women's health medical surgical unit.

The Obstetric Beds in Planning Area A-07 outlines an excess of 96 OB beds in the Illinois Health Facilities and Services Review Board "Health Facilities Inventory Data". With the transition of 11 OB beds to M/S beds, there would continue to be an excess in the Planning Area and the necessary OB capacity at Lutheran General Hospital into the future.

e) Staffing Availability − Review Criterion

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

Advocate Lutheran General has evaluated the staffing needs and does not expect any issues meeting the licensure and accreditation staffing requirements as a result of the proposed project.

f) Performance Requirements − Bed Capacity Minimum

2) Obstetrics

The minimum unit size for an obstetric care unit within an MSA is 20 beds.

The proposed unit will have 51 Obstetric beds upon project completion, exceeding the minimum requirements.

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

The letter is provided as Attachment 19 Exhibit 4.

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
60016	2,841
60714	1,790
60068	1,425
60018	1,142
60053	879
60056	607
60631	501
60025	466
60634	429
60630	387
60706	367
60656	331
60646	324
60090	254
60004	205
60077	186
60641	185
60062	176
60070	169
60089	122
60026	120
60074	114
60076	112
60707	107
60176	107
60645	102
60712	90
60639	89
60131	87
60618	81
60625	80
60047	76
60005	73
60659	68
60007	66
60067	63
60010	55
60015	55
60073	53
60640	52

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
60046	51
60123	50
60626	49
60085	48
60031	46
60002	46
60060	45
60647	44
60142	44
60169	43
60164	43
60110	43
60091	42
60506	41
60008	41
60106	40
60120	40
60014	38
60061	38
60193	36
60102	34
60201	34
60191	32
60093	32
60107	32
60660	30
60651	30
60013	30
60069	30
60101	29
60035	28
60202	28
60156	27
60030	27
60171	27
60084	27
60173	25
60124	25
60048	24
60613	23

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
60523	23
60515	23
60614	23
60050	23
60194	22
60108	22
60561	21
60051	21
60192	21
60148	21
60505	19
60478	19
60098	19
60623	18
60140	18
60126	18
60172	18
60099	18
60103	18
60045	17
60453	16
60622	15
60608	15
60632	15
60160	15
60118	15
60020	15
60657	14
60624	14
60643	14
60087	14
60616	13
60139	13
60516	12
60610	12
60803	12
60652	12
60440	12
60044	12
60653	11

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
61008	11
60642	11
60617	11
60804	11
53144	11
60177	11
60042	11
60302	11
60458	10
60629	10
60620	10
60543	10
60607	10
60612	10
60402	10
60133	10
60012	10
60064	10
60083	10
60644	9
60609	9
60203	9
60143	9
60441	8
60525	8
60504	8
60805	8
60466	8
60462	8
60174	8
60305	8
60022	8
60033	8
60115	8
60152	8
60586	7
60450	7
60611	7
60602	7
60628	7

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
60430	7
60137	7
60081	7
60406	7
60134	7
60175	7
60153	7
60563	6
60459	6
60491	6
61103	6
60619	6
60565	6
60545	6
60649	6
60638	6
60510	6
60425	6
60195	6
60415	6
60104	6
60096	6
60419	6
60041	6
60181	6
60901	5
60502	5
60439	5
60527	5
60457	5
60542	5
94403	5
60517	5
60040	5
60136	5
60409	5
60097	5
60621	4
60526	4
60564	4

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
62881	4
60514	4
60548	4
61102	4
60513	4
60615	4
60471	4
60452	4
60477	4
60021	4
60188	4
60071	4
53147	4
60189	4
60029	4
34606	4
60185	4
60157	4
60538	3
60429	3
60550	3
60606	3
61012	3
60469	3
61108	3
60655	3
73112	3
60467	3
60451	3
60560	3
61032	3
60443	3
60636	3
60432	3
60637	3
60605	3
62912	3
60446	3
90201	3
60827	3

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
60436	3
61114	3
60154	3
60162	3
60130	3
46322	3
60403	3
40972	3
60155	3
34691	3
60417	3
60401	3
60165	3
60423	3
60135	3
85083	2
61364	2
61107	2
60490	2
60551	2
60654	2
94404	2
60559	2
60480	2
60473	2
61739	2
60503	2
78222	2
60661	2
91602	2
60544	2
61104	2
60435	2
61109	2
60455	2
61350	2
60445	2
61615	2
60540	2
60555	2

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
60950	2
77076	2
61001	2
78238	2
60601	2
85755	2
61101	2
60487	2
60532	2
60448	2
61761	2
60304	2
60411	2
48346	2
53066	2
32309	2
60178	2
60009	2
60180	2
34996	2
33062	2
37067	2
53179	2
53215	2
60187	2
33912	2
19968	2
06410	2
53182	2
30083	2
60190	2
60410	2
46373	2
60168	2
60088	2
11779	2
53204	2
46342	2
60204	2
60082	2

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
76137	1
91761	1
61046	1
61073	1
71909	1
61074	1
80209	1
61080	1
86326	1
60472	1
94903	1
60475	1
74075	1
60428	1
61021	1
60501	1
80924	1
60465	1
85260	1
60521	1
89149	1
60476	1
94110	1
94960	1
68136	1
95132	1
73096	1
96740	1
75114	1
97302	1
61019	1
60664	1
78526	1
61310	1
80921	1
61326	1
83642	1
61341	1
85207	1
60915	1

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
61054	1
61354	1
89134	1
60668	1
90277	1
61410	1
92562	1
61428	1
61071	1
61490	1
67219	1
61520	1
68508	1
61554	1
72100	1
61605	1
60464	1
61611	1
75019	1
60964	1
76092	1
61701	1
76179	1
60426	1
77515	1
61756	1
60558	1
60520	1
80134	1
61820	1
80909	1
61910	1
80923	1
62526	1
83455	1
62629	1
83702	1
62675	1
85206	1
62704	1

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
85209	1
62835	1
85745	1
60481	1
86001	1
62901	1
87122	1
62907	1
89138	1
60518	1
60484	1
62922	1
61064	1
62924	1
92508	1
63049	1
92866	1
64133	1
61068	1
64152	1
94589	1
66610	1
98642	1
67202	1
95368	1
61115	1
97209	1
61270	1
98223	1
61274	1
61301	1
61072	1
46311	1
30097	1
46360	1
32765	1
42025	1
48170	1
14086	1
33004	1

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
48098	1
33015	1
53157	1
33016	1
44319	1
53181	1
49873	1
48203	1
20705	1
47904	1
53118	1
53184	1
30024	1
33161	1
32162	1
33326	1
05033	1
48303	1
43537	1
48323	1
10075	1
33441	1
10984	1
33445	1
52501	1
33702	1
60184	1
33711	1
53115	1
53218	1
46385	1
53403	1
46538	1
33785	1
29036	1
53405	1
53151	1
33913	1
30333	1
34109	1

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
32221	1
34110	1
32726	1
53406	1
48036	1
34135	1
49112	1
53593	1
49674	1
34683	1
10004	1
53701	1
46307	1
53704	1
46321	1
34748	1
11731	1
60119	1
	1
53711	1
53013	1
35901	1
48075	1
53714	1
53094	1
37355	1
28358	1
53744	1
60034	1
38127	1
28396	1
60132	1
46410	1
53913	1
46530	1
54174	1
53128	1
54538	1
48104	1
54548	1

Advocate Lutheran General Hospital 2023 Patient Origin	
M/S Patient Zip Code	M/S Patient Volume
29316	1
54817	1
30041	1
54901	1
60404	1
38138	1
30213	1
39759	1
31141	1
00000	1
60416	1
60146	1
60418	1
00795	1
53168	1
02482	1
32746	1
02889	1
Grand Total	**17676**

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
60016	414
60714	298
60068	199
60018	158
60053	120
60025	84
60056	77
60631	56
60634	53
60656	47
60706	44
60630	42
60641	36
60090	34
60646	33
60010	28
60073	28
60062	26
60004	25
60031	25
60085	23
60123	23
60047	23
60074	21
60060	21
60110	18
60070	18
60625	18
60639	18
60077	18
60026	17
60076	16
60015	16
60120	16
60007	15
60002	15
60030	15
60067	15
60645	14
60176	14

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
60089	14
60659	13
60618	13
60707	13
60048	12
60140	12
60626	12
60156	12
60046	12
60005	12
60051	11
60516	11
60506	11
60640	10
60169	10
60201	10
60193	9
60131	8
60657	8
60712	8
60014	8
60660	8
60118	8
60642	7
60084	7
60087	7
60008	7
60613	7
60069	7
60647	7
60136	7
60106	7
60142	7
60148	7
60644	6
60453	6
60175	6
60102	6
60559	6
60104	6

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
60171	6
60107	6
60192	6
60042	6
60505	6
60124	6
60083	6
60050	6
60651	6
60061	6
60202	6
60177	5
60628	5
60013	5
60194	5
60173	5
60093	5
60542	5
60101	5
60617	5
53144	5
60020	5
60515	5
60099	5
60517	5
60523	5
60191	4
60091	4
60021	4
60560	4
60629	4
60098	4
60458	4
60097	4
60064	4
60620	4
60035	4
53147	4
60440	4
60181	4

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
60636	3
60526	3
60649	3
60164	3
60490	3
60429	3
61102	3
60126	3
60096	3
60608	3
60538	3
60610	3
60632	3
60045	3
60044	3
60614	3
61107	3
60616	3
60103	3
60133	3
60160	3
60459	3
60901	3
60622	3
60471	3
60187	3
60462	3
60139	2
67219	2
60803	2
60172	2
60621	2
46815	2
60152	2
60189	2
61109	2
60409	2
48326	2
60411	2
53204	2

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
60417	2
60643	2
60423	2
60653	2
60425	2
61008	2
47117	2
61350	2
60450	2
60607	2
60455	2
60619	2
60040	2
60135	2
60478	2
60137	2
60041	2
52002	2
60513	2
60143	2
60012	2
60652	2
60532	2
60154	2
60108	2
60805	2
60543	2
60163	2
60544	2
61111	2
60554	2
61920	2
60561	2
94403	2
60563	2
60611	2
60477	1
61081	1
58054	1
46375	1

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
61701	1
33309	1
60446	1
60501	1
60914	1
60504	1
M4V 1	1
25419	1
70814	1
32541	1
55409	1
33404	1
56308	1
60514	1
60081	1
32746	1
61021	1
34208	1
61104	1
34744	1
60188	1
60520	1
62940	1
60521	1
92866	1
35096	1
46310	1
	1
46321	1
60527	1
60654	1
46970	1
57104	1
60534	1
53066	1
35901	1
60457	1
60540	1
20854	1
53140	1

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
61064	1
33711	1
61101	1
60305	1
61108	1
60548	1
61244	1
60402	1
61554	1
60558	1
60472	1
60109	1
60473	1
47834	1
77007	1
60404	1
60475	1
60174	1
60435	1
60564	1
54452	1
60586	1
60439	1
60601	1
47421	1
46404	1
60185	1
60115	1
60655	1
60609	1
60153	1
37076	1
60033	1
98057	1
00000	1
98240	1
03104	1
48036	1
60804	1
53105	1

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
33027	1
40222	1
60921	1
44663	1
61019	1
53172	1
61038	1
46516	1
61071	1
14223	1
61088	1
60178	1
60095	1
46307	1
46322	1
60624	1
M1R 3	1
53179	1
61115	1
53181	1
61270	1
60428	1
61354	1
60022	1
61604	1
53182	1
61801	1
60071	1
62912	1
60430	1
63303	1
53210	1
68136	1
60431	1
76640	1
60638	1
85711	1
53225	1
93215	1
54301	1

Advocate Lutheran General Hospital 2023 Patient Origin	
ICU Patient Zip Code	ICU Patient Volume
98033	1
54411	1
60434	1
53104	1
60612	1
07047	1
60465	1
Grand Total	**3046**

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
60016	395
60068	221
60056	165
60714	132
60656	126
60634	125
60631	123
60090	121
60004	120
60630	101
60018	93
60025	70
60053	69
60005	65
60074	61
60706	58
60646	57
60089	57
60062	51
60077	48
60076	44
60047	42
60067	42
60707	41
60007	39
60659	39
60008	38
60073	36
60176	35
60193	33
60070	33
60641	32
60645	30
60060	28
60618	28
60625	27
60030	26
60107	24
60131	24
60169	24

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
60171	22
60031	21
60015	21
60010	19
60194	19
60061	18
60172	18
60014	18
60110	17
60026	17
60046	17
60013	17
60102	17
60051	15
60002	15
60173	15
60120	15
60626	15
60101	15
60156	15
60133	13
60148	13
60035	13
60712	12
60622	12
60192	11
60123	11
60143	11
60085	11
60639	10
60440	10
60050	10
60202	10
60139	9
60640	9
60137	9
60020	9
60647	9
60048	9
60118	8

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
60504	8
60160	8
60195	8
60103	8
60191	8
60087	7
60446	7
60045	7
60527	7
60106	7
60069	7
60021	6
60660	6
60613	6
60142	6
60108	6
60203	6
60164	6
60093	5
60564	5
60098	5
60586	5
60465	5
60177	5
60517	5
60126	5
60543	5
60012	5
60585	5
60136	5
60188	5
60657	4
60041	4
60457	4
60081	4
60091	4
60140	4
60175	4
60099	4
60458	4

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
60563	4
60655	4
60565	4
60612	4
60084	3
60402	3
60455	3
60463	3
60462	3
60487	3
60638	3
60154	3
60157	3
60561	3
60607	3
60623	3
60610	3
60029	3
60064	3
60187	3
60804	3
60503	3
60615	3
60403	3
53158	2
60040	2
60431	2
60201	2
60651	2
60174	2
60097	2
46307	2
60642	2
60477	2
60540	2
60481	2
60555	2
60614	2
60083	2
60134	2

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
60516	2
60490	2
60439	2
53144	2
60644	2
60181	2
60532	2
60505	2
60649	2
60506	2
60165	2
60628	2
60044	2
60629	2
60189	2
60632	2
60124	2
60033	2
60515	2
61073	2
60415	2
60453	2
61604	1
60526	1
60514	1
60558	1
60942	1
60559	1
60302	1
60119	1
60521	1
60438	1
60428	1
60022	1
60546	1
53402	1
62712	1
60178	1
60643	1
60448	1

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
60115	1
60605	1
60523	1
60606	1
53406	1
60451	1
60544	1
60609	1
61021	1
60152	1
61114	1
46311	1
61704	1
48197	1
60430	1
60088	1
60305	1
60190	1
60513	1
60616	1
44139	1
53027	1
60404	1
60620	1
60652	1
60162	1
60042	1
60467	1
60411	1
53104	1
60534	1
00000	1
60429	1
60482	1
60545	1
60065	1
61008	1
53140	1
61068	1
53143	1

Advocate Lutheran General Hospital 2023 Patient Origin	
OB Patient Zip Code	OB Patient Volume
61104	1
49120	1
61550	1
60491	1
61701	1
60637	1
62025	1
60502	1
85210	1
50622	1
19101	1
Grand Total	**3924**

Advocate Health Care
Now part of ADVOCATEHEALTH

July 8, 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 Lutheran General Hospital
Addition of Medical Surgical Beds

Dear Mr. Kniery:

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

Based on the information at this time, it is my understanding that by the second year of operation after project completion, Advocate Lutheran General Hospital reasonably expects to achieve and maintain the utilization standards for the Inpatient bed units, as specified in 77 Ill. Administrative Code 1100.

Respectfully,

Allison Wyler
President
Advocate Lutheran General Hospital

Subscribed and sworn to me
This 8th day of July, 2024

Notary Public

OFFICIAL SEAL
JOSELYN W DELEON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 09/14/2026

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

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

VII. 1120.120 - AVAILABILITY OF FUNDS

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

$4,781,807	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.
$13,047,586	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.
$17,829,393	**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

RatingsDirect®

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.

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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)		

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

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.

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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.

Advocate Health Care
Now part of ADVOCATEHEALTH

July 8, 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 Lutheran General Hospital
Addition of Medical Surgical Beds

Dear Mr. Kniery:

This letter is to attest to the fact that the selected form of debt financing for the purpose of the Advocate Lutheran General 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,

Dia Nichols
President
Health Care

Subscribed and sworn to me
This 8th day of July, 2024

Joselyn W. DeLeon
Notary Public

OFFICIAL SEAL
JOSELYN W DELEON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 09/14/2026

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									
9W Med/Surg (22 Beds)	$0	$700	0	15%	8190	15%	$0	5,733,025	$5,733,025
9W Soil Utility		$450	0	15%	736	15%	$0	331,200	$331,200
9W Clean Utility		$450	0	15%	677	15%	$0	304,650	$304,650
9W Medication/Nourishment		$450	0	15%	727	15%	$0	327,150	$327,150
9W Med. Equipment		$430	0	15%	819	15%	$0	352,170	$352,170
3C OB (Med/Surg 11 Beds)		$0	0	15%	0	15%	$0	0	$0
7CE (Med/Surg 10 Beds)		$20	0	15%	2698	15%	$0	55,000	$55,000
7W (ICU 9 Beds)		$0	0	15%	0	15%	$0	0	$0
12CW (Med/Surg 3 Beds)		$19	0	15%	526	15%	$0	10,000	$10,000
14W (Med/Surg 2 Beds)		$17	0	15%	581	15%	$0	10,000	$10,000
SICU (ICU 1 Bed)		$0	0	15%	0	15%	$0	0	$0
Total Clinical			0		14,954		$0	7,123,195	$7,123,195
Clinical Contingency									$712,000
Total Clinical Reviewable + Contingency									$7,835,195
NON-REVIEWABLE									
Staff Facilities	$0	$450	0	15%	1,195	15%	$0	537,750	$537,750
Connecting Corridor	$0	$450	0	15%	205	15%	$0	92,250	$92,250
Mechanical/Electrical IT	$0	$1,981	0	15%	605	15%	$0	1,198,500	$1,198,500
Environmental Services	$0	$330	0	15%	125	15%	$0	41,250	$41,250
Public/Service Elevator Lobby	$0	$500	0	15%	690	15%	$0	345,000	$345,000
Dumbwaiter	$0	$390	0	15%	45	15%	$0	17,550	$17,550
Public/Service Elevators	$0	$0	0	15%	0	15%	$0	0	$0
Egress Stair	$0	$0	0	15%	0	15%	$0	0	$0
Total Non-Clinical			0		2,865		$0	2,232,300	$2,232,300
Non-Reviewable Contingency									$223,000
Total Clinical Non-Reviewable + Contingency									$2,455,300
Total									$10,290,495

* Include the percentage (%) of space for circulation

D. Projected Operating Cost per Equivalent Pt Day in Year 1
E. Impact of Project on Capital Costs in Year of Completion (Year 1)

		Projected FY 2026					
		Amount			Per EPD		
		Hospital	Project	Total	Hospital	Project	Total
D. Operating Expenses		$ 1,020,608,772	$ 3,695,058	$ 1,024,303,830	$ 2,977.97	$ 10.78	$ 2,988.76
E. Capital Costs		$ 39,301,492	$ 1,844,417	$ 41,145,909	$ 114.68	$ 5.38	$ 120.06
Total		$ 1,059,910,264	$ 5,539,475	$ 1,065,449,739	$ 3,092.65	$ 16.16	$ 3,108.82

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 LUTHERAN GENERAL HOSPITAL UPDATE			
Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**2021**	**2022**	**2023**
Inpatient	653	512	425
Outpatient	961	1,005	2,667
Total	**1,614**	**1,517**	**3,092**
Charity (cost in dollars)			
Inpatient	$9,791,000	$6,962,000	$ 4,075,000
Outpatient	$5,160,000	$4,286,000	$ 4,373,000
Total	**$14,951,000**	**$11,248,000**	**$ 8,448,000**
MEDICAID			
Medicaid (# of patients)	**2021**	**2022**	**2023**
Inpatient	5,701	5,888	6,378
Outpatient	56,478	65,930	71,093
Total	**62,179**	**71,818**	**77,471**
Medicaid (revenue)			
Inpatient	$111,259,988	$135,277,833	$ 155,181,634
Outpatient	$29,161,455	$32,224,428	$ 46,277,893
Total	**$140,421,443**	**$167,502,261**	**$ 201,459,527**

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

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

Newsweek's World's Best Hospitals 2023, Healthgrade's 50 Best Hospitals 2024 and U.S. News & World Report Best Hospitals was awarded to Lutheran General Hospital. The hospital was also recognized in 5 Specialty Excellence Awards and Top 5 State Rankings in 5 clinical areas including cardiac surgery, GI, and stroke care including American's 100 Best Hospitals for Cardiac Care, Coronary Intervention and Gastrointestinal Care in 2022, 2023 and 2024. High performing in Neurology and Neurosurgery, Orthopedic Care, Hip Replacement/ Knee Replacement, GI and Colon Cancer Surgery and Geriatrics.

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

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

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

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

Advocate Health' s Faith leadership partnered with Mental Health Program Specialists to coordinate the following trainings: Bridges of Hope and Mental Health First Aid training; virtual training for faith leaders on Mental Health Awareness**.** Lutheran General Hospital's Older Adult Services is a distinctive program offering a safe, secure, and stimulating environment for older adults with physical or cognitive concerns assistance throughout the day including activities, therapies, support services and meals.

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

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

Community Needs Assessment

Advocate Lutheran General conducts a Community Health Needs Assessment (CHNA) every three years to identify health needs for the hospital's primary service area (PSA) including low income, and underserved communities. The CHNA also supports the creation of effective community programming that meets the needs of the community with measurable impact The 2022 CHNA Report, which supports the 2020-2023 cycle, identified nine major health concerns which include: health and nutrition, mental health, access to care, substance and alcohol use, cancer, respiratory health, diabetes, cardiovascular disease, and COVID-19 as the top health needs for the hospital's service area. The Community Health Council at Advocate Lutheran General, composed of local community leaders, selected Behavioral Health and Health and Nutrition as the two key priorities for the PSA. Behavioral Health embodies mental health and substance and alcohol use. The next CHNA report will be completed and published on Advocate's webpage by December 31st, 2025. To review the detailed implementation report, click here.

Advocate Lutheran General's 2023-2025 Community Health Implementation Strategies report supports findings from the 2022 CHNA report. In 2023, Advocate Lutheran General continued to address Food Security by successfully expanding its hospital-based food pantry program to nine service lines within the hospital as well as developing a partnership with Human Services. The program aims at addressing emergency needs for food insecure patients and members from the community. Advocate Lutheran General also partnered with the Frisbee Senior Center in Des Plaines to offer a five-week, Love You Heart Classes for their members. The classes focused on increasing heart health and while addressing the health literacy concerns older adults may experience. Advocate Lutheran General Hospital continues to partner with Skokie School District 69 to implement the Healthy Schools Produce program for families that screened positive for

food insecurity. The program offers fresh produce for families at the event and healthy eating workshops and cooking demonstrations that are led by an Advocate dietitian.

To support our Behavioral Health strategy, Advocate Lutheran General partnered with Turning Point's Therapeutic Gardening Group Program. The program will support individuals with behavioral health needs through therapeutic gardening and building workshops to help individuals with socialization and skill building opportunities. In addition, Advocate Lutheran General Hospital is partnering with Onward Neighborhood House's Welcoming Center for Immigrant and Refugees in the Belmont Cragin community, to increase access to behavioral health services for immigrant and under insured individuals. The partnership will increase access to individual, couple and family psychotherapy. Advocate Lutheran General's Community Health department will continue to support the identified needs of various communities and will strategically focus on developing approaches that support community resiliency, capacity building and sustainability.

Advocate Children's Hospital, located on the Advocate Lutheran General Hospital campus, provided access to care for underserved communities through the hospital's Ronald McDonald Care Mobile®, a mobile clinic that provides free physicals and immunizations to low income, uninsured and underinsured children. In 2018, 2,398 children received over 2,000 physicals and over 4,300 vaccines. During year three of the previous CHNA cycle, the team began screening patients for food insecurity. Approximately 30% of patients received assistance.
In 2021, due to the ongoing concerns of COVID-19, the Community Health Department across Advocate Health shifted its strategies to meet the immediate needs of the community. AH enhanced preventive services to combat the COVID-19 pandemic by increasing access to free vaccinations, health education, Personal Protective Equipment (PPE), COVID-19 testing and several other immediate services. At Advocate Lutheran General, community programs continued to thrive through the pandemic, bringing forth resources to communities identified in the 2017-2019 CHNA report.

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

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

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

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

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

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

The impact of the Lutheran General Hospital services is far reaching, and the hospital is a critical organization supporting the communities within Northern Illinois. 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. Advocate Lutheran General Hospital's team members are aware of changes in health care and in the community and have been developing new partnerships and services to support the health and wellbeing of all that they serve.

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 LUTHERAN GENERAL HOSPITAL			
CHARITY CARE			
	2021	**2022**	**2023**
Net Patient Revenue	$1,025,238,569	$1,083,009,823	$ 1,203,340,284
Amount of Charity Care (charges)	$64,055,602	$47,206,335	$ 35,079,965
Cost of Charity Care	$14,951,357	$11,248,098	$ 8,447,759

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 Lutheran General Hospital (Name) 1775 Dempster Street (Address)
(City) Park Ridge (State) IL (ZIP Code) 60068 (Telephone Number) 847-723-2210

4. Project Location CAC address - 1700 Luther Lane (Address) Park Ridge (City) IL (State)
Cook (County) Maine (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

#24-029

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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Building a better working world

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

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Report of Independent Auditors

The Board of Directors

Advocate 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").