

ORIGINAL

25-010

RECEIVED

Illinois Health Facilities and Services Review Board
APPLICATION FOR PERMIT

FEB 19 2025

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification



Facility Name: Lurie Children's Hospital Outpatient Center in Schaumburg – Shell Space – Specialty Pharmacy
Street Address: 3 Hillcrest Boulevard
City and Zip Code: Schaumburg, IL 60195
County: Cook Health Service Area: 7 Health Planning Area:

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

Exact Legal Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
Name of Registered Agent: Fatema Zanzi
Registered Agent Street Address: 225 E. Chicago Avenue, Box 261
Registered Agent City and Zip Code: Chicago, IL 60611
Name of Chief Executive Officer: Thomas P. Shanley, M.D.
CEO Street Address: 225 E. Chicago Avenue
CEO City and Zip Code: Chicago, IL 60611
CEO Telephone Number: 312-227-4327

Type of Ownership of Applicants

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

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 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: Ann Sherline
Title: Senior Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312-227-4312
E-mail Address: asherline@luriechildrens.org
Fax Number: 312-227-9532

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

Name: Ralph Weber
Title: Consultant
Company Name: Weber Alliance
Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: rmweber90@gmail.com
Fax Number: None

**Illinois Health Facilities and Services Review Board
APPLICATION FOR PERMIT**

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City and Zip Code: Schaumburg, IL 60195		
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Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

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Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
Name of Registered Agent: Fatema Zanzi
Registered Agent Street Address: 225 E. Chicago Avenue, Box 261
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 Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

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E-mail Address: rmweber90@gmail.com
Fax Number: None

Post Permit Contact

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

Name: Ann Sherline
Title: Senior Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312-227-4312
E-mail Address: asherline@luriechildrens.org
Fax Number: 312-227-9532

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Ann & Robert H. Lurie Children's Hospital of Chicago
Address of Site Owner: 225 E. Chicago Avenue Chicago, IL 60611
Street Address or Legal Description of the Site: 3 Hillcrest Blvd, Schaumburg, IL
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: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Chicago, IL 60611
<input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none">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.

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.

Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) and its parent, Children's Hospital of Chicago Medical Center, as co-applicants propose the build-out of 2,049 sq ft of shell space in Lurie Children's Hospital Outpatient Center in Schaumburg (the "Outpatient Center") as a licensed community pharmacy to dispense specialty pharmaceuticals for complex medical conditions (the "Specialty Pharmacy"). The Outpatient Center (Project 22-032) was approved as modified in November, 2022, with 7,500 sq ft of shell space. The Outpatient Center is now under construction at 3 Hillcrest Boulevard, Schaumburg with a project completion date of December 31, 2025.

The Specialty Pharmacy will have an area for prescription processing and fulfillment, medication packaging and shipping, and loading and receiving. To accommodate patients who prefer to pick up their medications, there will be space for reception, waiting, and a consultation room for pharmacist instructions on proper medication use and for answering patient questions.

Total capital cost of the project is \$1,452,215; \$1,000,185 is clinical and \$452,030 is non-clinical.

Construction of the project will start in late 2025, following review and permitting by local agencies. The anticipated completion date of the project is October 1, 2026.

The project is considered non-substantive because it does not add inpatient bed capacity or establish a category of service.

Because this project utilizes only part of the 7,500 sq ft of shell space in the Outpatient Center, a separate permit application will be submitted for other project(s) when they are selected.

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

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 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Purchase Price: \$ _____ Fair Market Value: \$ _____
The project involves the establishment of a new facility or a new category of service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100. Estimated start-up costs and operating deficit cost is \$ _____.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.
Indicate the stage of the project's architectural drawings: <input type="checkbox"/> None or not applicable <input type="checkbox"/> Preliminary <input checked="" type="checkbox"/> Schematics <input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>October 1, 2026</u>
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140): <input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed. <input type="checkbox"/> 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 <input checked="" type="checkbox"/> 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? <input checked="" type="checkbox"/> Cancer Registry <input checked="" type="checkbox"/> APORS <input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted <input checked="" type="checkbox"/> All reports regarding outstanding permits Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

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.			

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]

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		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: Ann & Robert H. Lurie Children's Hospital of Chicago		CITY: Chicago			
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	0	0	0	0	0
Obstetrics	0	0	0	0	0
Pediatrics	128	6,121	42,957	0	128
Intensive Care	160	3,436	40,190	0	160
Comprehensive Physical Rehabilitation	0	0	0	0	0
Acute/Chronic Mental Illness	12	375	3,623	0	12
Neonatal Intensive Care	64	436	22,227	0	64
General Long-Term Care	0	0	0	0	0
Specialized Long-Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other ((identify))					
TOTALS:	364	10,368	108,997	0	364

Note: In November, 2024, Lurie Children's requested and received a letter of consent from State staff to add 4 Acute Mental illness beds in a project that did not exceed the capital expenditure threshold. These beds will increase the AMI bed count from 12 to 16. They are not reflected in the above table, which reports on beds and utilization in CY 2023.

Lurie Children's also converted 2 existing pediatric beds to ICU beds in 2024, which is not reflected in the 2023 data above. This change resulted in a reduction of pediatric beds from 128 to 126, an increase of ICU beds from 160 to 162, and no change in total bed count. This change was reported to and acknowledged by the State.

CERTIFICATION – CO-APPLICANT

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 Ann & Robert H. Lurie Children's Hospital of Chicago 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

Thomas P. Shanley, M.D.
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE



SIGNATURE

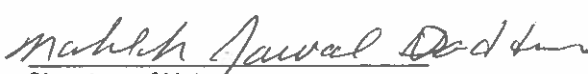
Alex P. Miller
PRINTED NAME

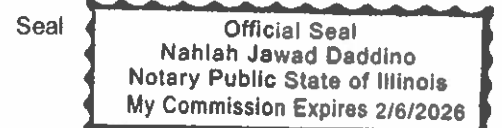
Chief Financial Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 10th day of February 2025

Notarization:
Subscribed and sworn to before me
this 10th day of February 2025


Signature of Notary


Signature of Notary



*Insert the EXACT legal name of the applicant

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

This Application is filed on the behalf of Children’s Hospital of Chicago Medical Center 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

Thomas P. Shanley, M.D.

PRINTED NAME

President and Chief Executive Officer

PRINTED TITLE



SIGNATURE

Alex. P. Miller

PRINTED NAME

Chief Financial Officer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 10th day of February 2025

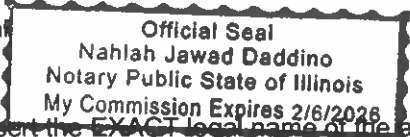
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Subscribed and sworn to before me
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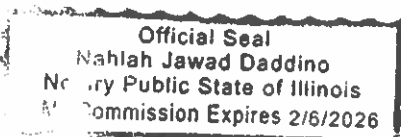


Signature of Notary



Signature of Notary

Seal 

Seal 

*Insert the EXACT legal name of the applicant

SECTION II. DISCONTINUATION There is no discontinuation related to this project.

This Section is applicable to the discontinuation of a health care facility or the discontinuation of more than one category of service in a 6-month period. If the project is solely for a discontinuation of a health care facility the **Background of the Applicant(s) and Purpose of Project MUST** be addressed. **A copy of the Notices listed in Item 7 below MUST be submitted with this Application for Discontinuation <https://www.ilga.gov/legislation/ilcs/documents/002039600K8.7.htm>**

Criterion 1110.290 – Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

1. Identify the categories of service and the number of beds, if any that are to be discontinued.
2. Identify all the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
6. Provide copies of the notices that were provided to the local media that would routinely be notified about facility events.
7. **For applications involving the discontinuation of an entire facility, provide copies of the notices that were sent to the municipality in which the facility is located, the State Representative and State Senator of the district in which the health care facility is located, the Director of Public Health, and the Director of Healthcare and Family Services. These notices shall have been made at least 30 days prior to filing of the application.**
8. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for the discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.290(b) for examples.

IMPACT ON ACCESS

1. Document whether the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within the **geographic service area**.

APPEND DOCUMENTATION AS ATTACHMENT 10, 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.

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:

This project is the build-out of part of the shell space approved in project 22-032.

Provide the following information:

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

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

ASSURANCES:

Submit the following:

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

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

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

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
<input checked="" type="checkbox"/> Pharmacy	1	2
<input type="checkbox"/>		
<input type="checkbox"/>		

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

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

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

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

VII. 1120.120 - AVAILABILITY OF FUNDS

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

\$1,452,215	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion. <p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p> <p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.</p> <p>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:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated. 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate. 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc. 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment. 5) For any option to lease, a copy of the option, including all
-------------	--

<p>_____</p> <p>_____</p> <p>_____</p>	<p>5) For any option to lease, a copy of the option, including all terms and conditions.</p> <p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent.</p> <p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.</p> <p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<p>\$1,452,215</p>	<p>TOTAL FUNDS AVAILABLE</p>

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 36, 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	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION X. 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)	Year	Year	Year
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)	Year	Year	Year
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)

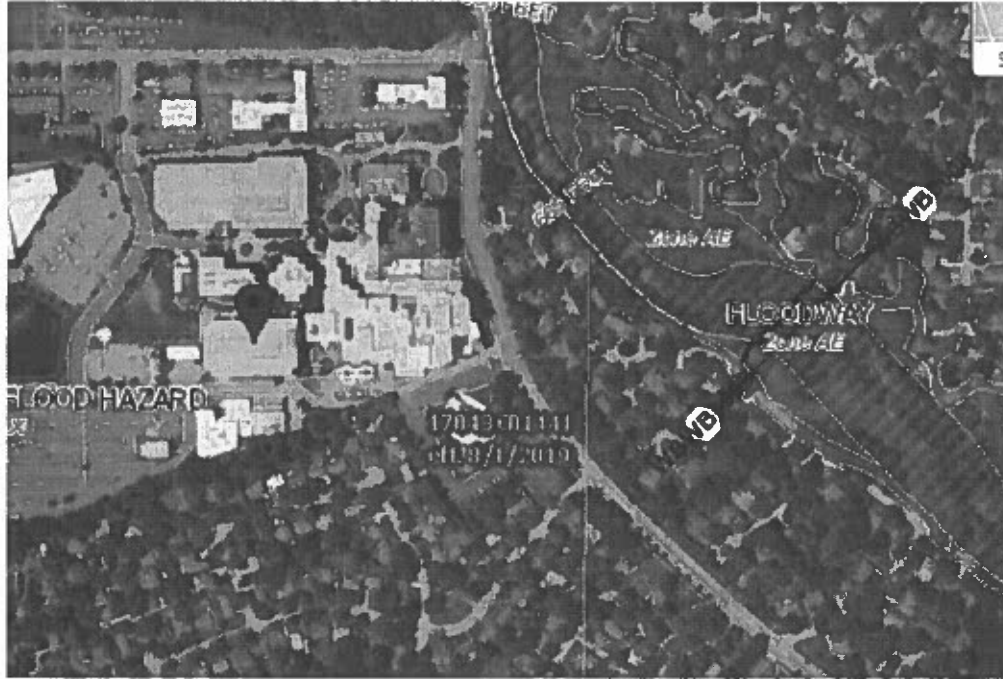
Signature: _____ Date: _____

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.



National Flood Hazard Layer FIRMette



Legend

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

SPECIAL FLOOD HAZARD AREAS	Without Base Flood Elevation (BFE) <i>Zone A, X, APF</i>
	With BFE or Depth <i>Zone AE, AO, AF, VE, AH</i>
	Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD	0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile <i>Zone X</i>
	Future Conditions 1% Annual Chance Flood Hazard <i>Zone X</i>
	Area with Reduced Flood Risk due to Levee. See Notes. <i>Zone X</i>
	Area with Flood Risk due to Levee <i>Zone D</i>

OTHER AREAS	NO SCREEN	Area of Minimal Flood Hazard <i>Zone X</i>
	Effective LOMRs	Effective LOMRs
		Area of Undetermined Flood Hazard <i>Zone D</i>

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

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

MAP PANELS	Digital Data Available
	No Digital Data Available
	Unmapped



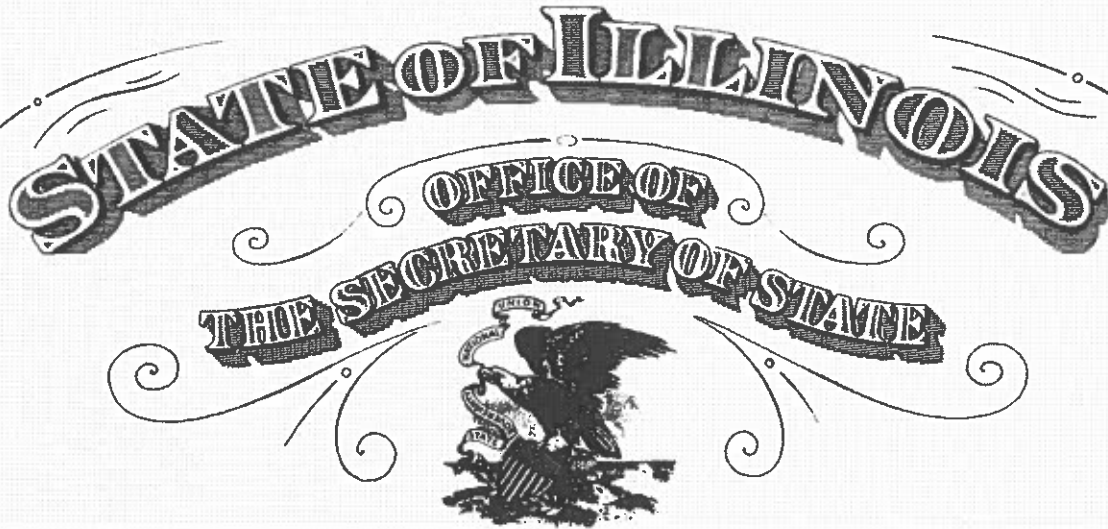
The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

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

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	29, 30
2	Site Ownership	31-34
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	35
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	36
5	Flood Plain Requirements	37, 38
6	Historic Preservation Act Requirements	39
7	Project and Sources of Funds Itemization	40-42
8	Financial Commitment Document if required	NA
9	Cost Space Requirements	43
10	Discontinuation	NA
11	Background of the Applicant	44-52
12	Purpose of the Project	53-60
13	Alternatives to the Project	61,62
14	Size of the Project	63
15	Project Service Utilization	64,65
16	Unfinished or Shell Space	NA
17	Assurances for Unfinished/Shell Space	NA
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	--
19	Comprehensive Physical Rehabilitation	--
20	Acute Mental Illness	--
21	Open Heart Surgery	--
22	Cardiac Catheterization	--
23	In-Center Hemodialysis	--
24	Non-Hospital Based Ambulatory Surgery	--
25	Selected Organ Transplantation	--
26	Kidney Transplantation	--
27	Subacute Care Hospital Model	--
28	Community-Based Residential Rehabilitation Center	--
29	Long Term Acute Care Hospital	--
30	Clinical Service Areas Other than Categories of Service	66
31	Freestanding Emergency Center Medical Services	--
32	Birth Center	--
	Financial and Economic Feasibility:	67
33	Availability of Funds	68-115
34	Financial Waiver	116-125
35	Financial Viability	
36	Economic Feasibility	126-130
37	Safety Net Impact Statement	NA
38	Charity Care Information	131
39	Flood Plain Information	132, 133

File Number

0666-373-7



To all to whom these Presents Shall Come, Greeting:

I, Alexi Giannoulis, 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

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, 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 JANUARY A.D. 2025 .

Authentication #: 2500703054 verifiable until 01/07/2026
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulis
SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

I, Alexi Giannoulis, 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

CHILDREN'S HOSPITAL OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 13, 1984, 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 JANUARY A.D. 2025 .



Authentication #: 2500703136 verifiable until 01/07/2026
 Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulis
 SECRETARY OF STATE

SPECIAL WARRANTY DEED

PREPARED BY:
Kenneth H. Brown
STRAUSS MALK & FEDER LLP
135 Revere Drive
Northbrook, IL 60062

AFTER RECORDING RETURN TO:
Susan Matejcek
Quarles & Brady LLP
300 N. LaSalle Street-Suite 4000
Chicago, IL 60654

SEND SUBSEQUENT TAX
BILLS TO:
Ann & Robert H. Lurie Children's
Hospital of Chicago
225 E. Chicago Avenue, Box 26
Chicago, IL 60611-2991
Attention: Accounts Payable

THIS SPACE FOR RECORDER'S USE ONLY

THIS SPECIAL WARRANTY DEED dated as of the 29th day of March, 2023, is given by Schaumburg Office Center LLC, an Illinois limited liability company (the "Grantor"), having an address of 1111 E. Touhy, Suite 290, Des Plaines, Illinois 60018, to Ann & Robert H. Lurie Children's Hospital of Chicago, an Illinois not-for-profit corporation, (the "Grantee"), having an address of 225 E. Chicago Avenue, Chicago, IL 60611.

WITNESSETH, that Grantor, for and in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable consideration, in hand paid, and pursuant to proper authority, hereby GRANTS, BARGAINS, SELLS, REMISES, RELEASES, ALIENATES, AND CONVEYS unto the Grantee and its successors and assigns forever, all right, title, and interest of Grantor in the following described real estate situated in the Village of Schaumburg, County of Cook, and State of Illinois and legally described on Exhibit A attached hereto, together with all rights, appurtenances and privileges pertaining to such real estate, including without limitation, all of Grantor's right, title and interest, if any, in and to all easements, licenses, covenants and any other rights of way or appurtenances used in connection with the beneficial use and enjoyment of the real estate, together with all licenses and approvals relating thereto (collectively the "Property").

TO HAVE AND TO HOLD, the Property, in fee simple, together with all rights, appurtenances and privileges to the same belonging unto Grantee. Grantor hereby covenants that: (i) the Grantor has not done or suffered to be done anything whereby the Property hereby granted and conveyed are or may be, in any manner, encumbered or charged, except for those title

exceptions listed on Exhibit B attached hereto and made a part hereof; and (ii) that Grantor hereby specially warrants the title to said Property and will forever defend the title to the Property against the lawful claims of all persons claiming by, through, or under Grantor, but none other, subject only to those items, matters, and things described in Exhibit B.

IN WITNESS WHEREOF, Grantor has caused this Special Warranty Deed to be executed by their duly authorized representative effective the day and year first above written.

Schaumburg Office Center LLC, an Illinois limited liability company

By: Lawrence Debb
Lawrence Debb, Manager

STATE OF ILLINOIS)
) SS.
COUNTY OF Cook)

I, a Notary Public in and for said County, in the State aforesaid, do hereby certify that Lawrence Debb, Manager of Schaumburg Office Center LLC ("Company"), personally known to me to be the person who executed the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed, and delivered said instrument as his free and voluntary act, and as the free and voluntary act of the Company, for the uses and purposes therein set forth.

Given under my hand and official seal this 29 day of March, 2023.

My Commission Expires:

Britt Roth
Notary Public



EXHIBIT A

Legal Description of the Property

Lot 3 in Hillcrest Commons II, being a Subdivision of part of the Southwest 1/4 of Section 3 and part of the Northwest 1/4 of Section 10, Township 41 North, Range 10, East of the Third Principal Meridian, according to the Plat thereof recorded October 16, 1998 as document 98931796 and Certification of Correction recorded September 26, 2002 as document 0021056522; (except from said Lot 3, that portion Dedicated for Public Road by Plat of Dedication recorded May 13, 2003 as document 0313332096, described as follows:

The Southwesterly 70.00 feet (as measured perpendicular to the Southwest Line thereof), in Cook County, Illinois.

Permanent Index Number: 07-10-101-026-0000

Commonly Known As: 3 Hillcrest Blvd. Schaumburg, Illinois 60195

EXHIBIT B

Subject To:

1. Second installment of general real estate taxes for 2022 and subsequent years.
2. Declaration of Covenants, Conditions, Restrictions, Reciprocal Rights and Easements recorded October 26, 1998 as document 98958457, relating in part to, responsibility for construction of improvements, maintenance, Association, assessments levied by the Association, easements and miscellaneous sections.
3. Restricted visibility area over the Westerly part of the Land per document 98958457.
4. 10 foot utility easement as granted on the Plat of Dedication recorded as document 0313332096, over a portion of the West Line of the Land.
5. Easements for sidewalk, bike path, ingress and egress as delineated on the Plat of Subdivision recorded October 16, 1998 as document 98931796.
6. Detention easement on the Easterly line of the Land as shown on Plat of Hillcrest Commons II recorded October 16, 1998 as document 98931796.
7. Utility easements as shown on Plat of Hillcrest Commons II recorded October 16, 1998 as document 98931796.

File Number

0666-373-7



To all to whom these Presents Shall Come, Greeting:

I, Alexi Giannoulas, 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

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, 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 JANUARY A.D. 2025 .

Authentication #: 2500703054 verifiable until 01/07/2026

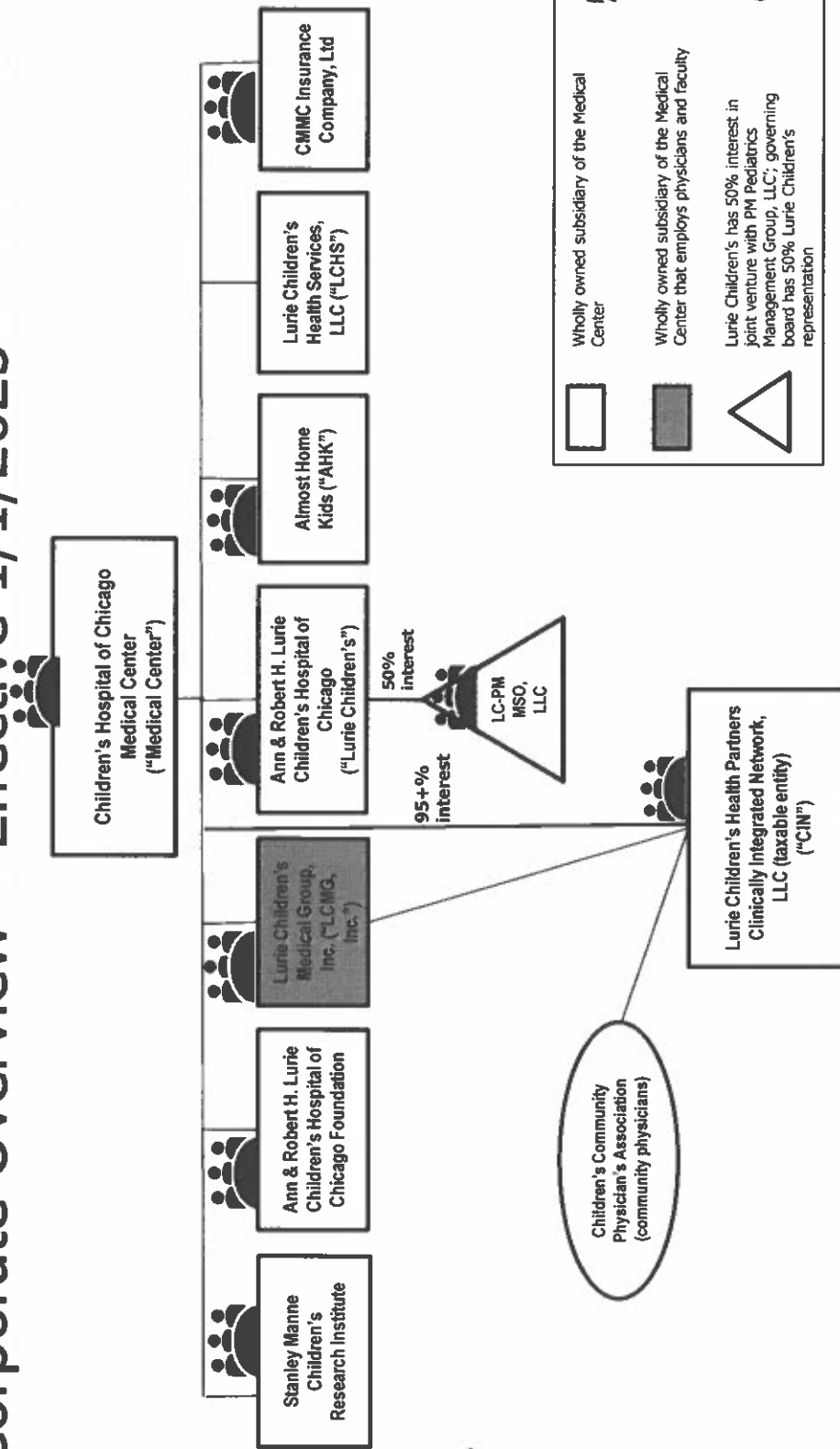
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulas

SECRETARY OF STATE

Attachment 3

Corporate Overview – Effective 1/1/2025



Flood Plain Requirements

The following page shows the most current National Flood Hazard Layer FIRMette for the site location at 3 Hillcrest Boulevard in Schaumburg

The site is located in Zone X, panel 17031C0179J, effective 8/19/2008. According to FEMA, Zone X consists of “areas determined to be outside 500 year floodplain determined to be outside the 1% and 0.2% annual chance floodplains.” (www.floodmaps.com/zones.htm). In the FEMA system, this classification designates the areas that are least susceptible to flooding.

Illinois Executive Order #2006-5, “Construction Activities in Special Flood Hazard Areas” defines “Special Flood Hazard Areas” or “Floodplains” as areas subject to “100 year frequency flood and shown as such on the most current Flood Insurance Rate Map published by the Federal Emergency Management Agency.”

The FIRMette designates the site with a red indicator at the southeast corner (lower right corner) of the property. The FIRMette indicates that the site is located in an “Area of Minimal Flood Hazard,” a label which spans the site.

National Flood Hazard Layer FIRMette



89°55'W 42°3'53"N

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

Legend

SPECIAL FLOOD HAZARD AREAS

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

OTHER AREAS OF FLOOD HAZARD

- 0.2% Annual Chance Flood Hazard. Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile *Zone X*
- Future Conditions 1% Annual Chance Flood Hazard *Zone X*
- Area with Reduced Flood Risk due to Levee. See Notes. *Zone X*
- Area with Flood Risk due to Levee *Zone D*

OTHER AREAS

- NO SCREEN *Zone X*
- Effective LOMRs *Zone C*
- Area of Undetermined Flood Hazard *Zone C*

GENERAL STRUCTURES

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

OTHER FEATURES

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

MAP PANELS

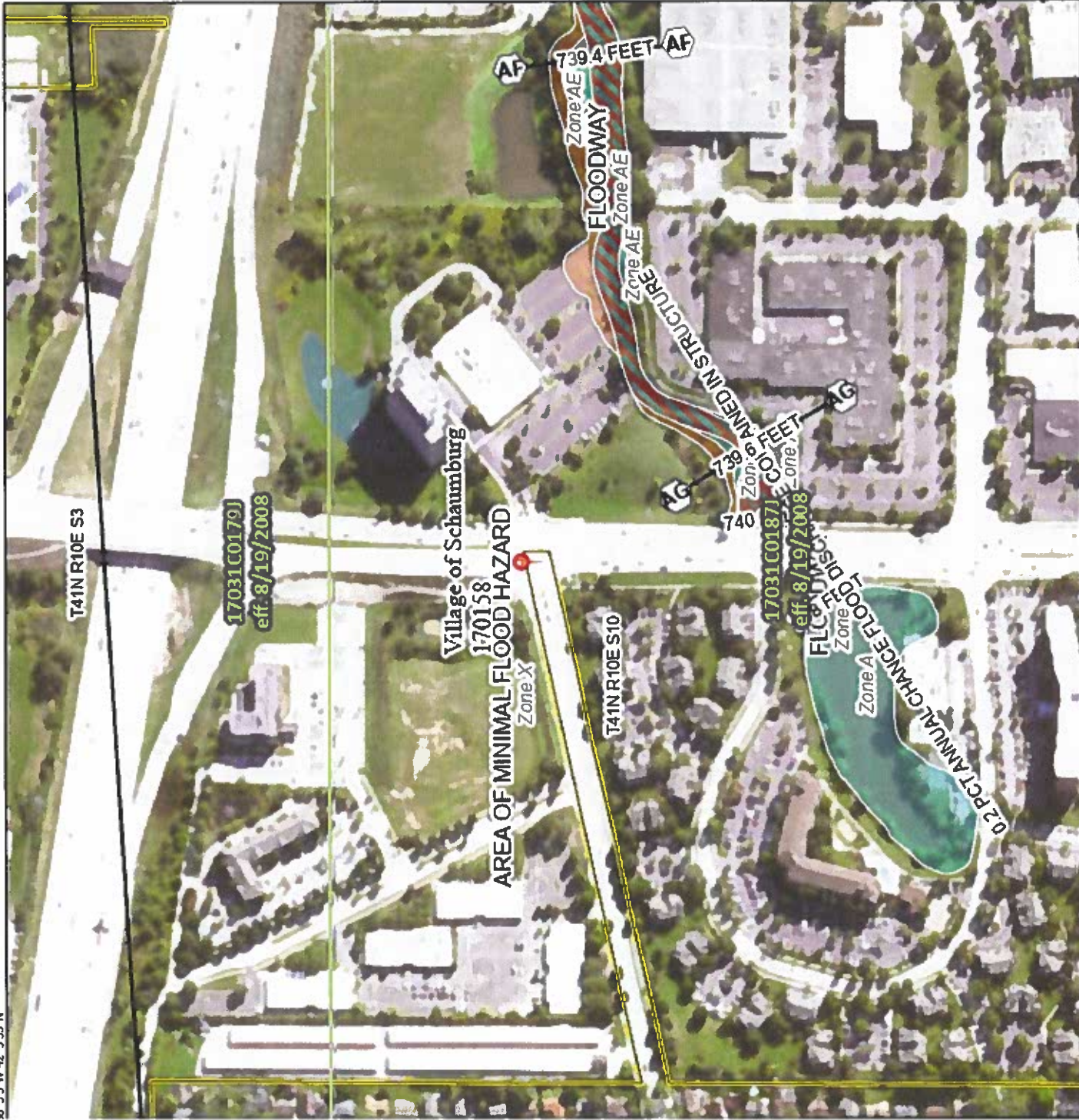
- Digital Data Available
- No Digital Data Available
- Unmapped

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

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

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 8/1/2022 at 8:39 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.



88°42'8"W 42°3'25"N

Feet 1:6,000

0 250 500 1,000 1,500 2,000

Source: NCEM National Map, Orthoimagery Data as of 04/19/2020



**Illinois
Department of
Natural
Resources**

JB Pritzker, Governor • Natalie Phelps Finnie, Director
One Natural Resources Way • Springfield, Illinois 62702-1071
www.dnr.illinois.gov

**Cook County
Schaumburg**

**CON - Conversion of Shell Space to Construction a Specialty Pharmacy, Lurie's Children Hospital
Outpatient Center
3 Hillcrest Blvd. AKA 405 Arbor Glen Blvd.**

IHFSRB, SHPO Log #001011025

January 13, 2025

**Ralph Weber
Weber Alliance
920 Hoffman Lane
Riverwoods, IL 60015**

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 properties exist within the project area. This office did not undertake an archaeological review as no ground disturbing activity is proposed.

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 Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact Steve Dasovich, Cultural Resources Manager, at 217/782-7441 or at Steve.Dasovich@illinois.gov.

Sincerely,

**Carey L. Mayer, AIA
Deputy State Historic Preservation Officer**

Attachment 6

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	\$10,280	\$5,060	\$15,340
Site Survey and Soil Investigation	0	0	0
Site Preparation	0	0	0
Off Site Work	0	0	0
New Construction Contracts	0	0	0
Modernization Contracts	\$552,359	\$243,795	\$796,154
Contingencies	\$55,236	\$24,380	\$79,616
Architectural/Engineering Fees	\$48,440	\$23,860	\$72,300
Consulting and Other Fees	\$112,695	\$45,505	\$158,200
Movable or Other Equipment (not in	\$90,475	\$44,561	\$135,036
Bond Issuance Expense (project related)	0	0	0
Net Int Expense During Constr (project related)	0	0	0
Fair Market Value of Leased Space or Equipment	0	0	0
Other Costs to Be Capitalized			
- IT	\$47,950	\$23,619	\$71,569
- artwork	\$500	\$500	\$1,000
- signage	\$500	\$500	\$1,000
- security	\$81,750	\$40,250	\$122,000
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS	\$1,000,185	\$452,030	\$1,452,215
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$1,000,185	\$452,030	\$1,452,215
Pledges	0	0	0
Gifts and Bequests	0	0	0
Bond Issues (project related)	0	0	0
Mortgages	0	0	0
Leases (fair market value)	0	0	0
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	\$1,000,185	\$452,030	\$1,452,215

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

Project Costs and Sources of Funds

Descriptions of Line Items of Cost

Line 1. Preplanning Costs \$15,340

This work entailed preliminary work prior to initial design and space lay-outs. Of this amount, \$10,280 is assigned to space regarded as clinical.

Line 6. Modernization Contracts \$796,154

The project is the build-out of 2,049 sq ft of shell space. Construction includes all HVAC (with special temperature and humidity requirements for medication processing), electrical and plumbing, cabinets, counter space, shelving and storage space for prescription processing and storage. Functional areas accommodate loading and receiving, prescription processing and fulfillment, medication packing and shipping (mail order service). The space layout includes a waiting area for patients/family members, a drop off and pick-up counter, call center, manager's room and storage.

Of the total \$796,154 modernization cost, \$552,359 is assigned to clinical functions.

Line 7. Contingencies \$79,696

Contingencies are an allowance for unforeseen conditions. Given that this space is unoccupied recently constructed shell space, contingencies are set at 10% for this project, below the standard of 15% allowed for modernization. The clinical contingency is \$55,236.

Line 8. Architectural/Engineering fees \$72,300

These fees cover final design and project oversight. A/E fees for this project are 9.1% for the total project, and 9.0% for the clinical components. These are within the State's range of 7.18% – 10.78% for outpatient clinic service facilities with total modernization and contingency costs below \$900,000.

Line 9. Consulting and Other Fees \$158,200

This line item includes project management, equipment and furnishings planning, the Certificate of Need consultant, and the CON application fee.

Line 10. Moveable or other equipment \$135,036

Equipment includes: refrigerators, freezers, label printers, barcode scanners, receipt printers, credit card terminals with signature pads, point of sale registers, and postage scale. There is a component budget for the preparation and processing of medications. Furnishings include call center desks, task

chairs, chairs for waiting guests, consult desk and chairs, manager office desk and chair, and lateral file cabinets.

The cost of clinical equipment and furnishings is \$90,475 of the total \$135,036.

Line 14. Other Costs to be Capitalized \$195,569

These other costs include:

 \$71,569 for IT: document printers and scanners, phone, cabling separate from what has been included in the equipment line item above.

 \$1,000 for artwork

 \$1,000 for signs

 \$122,000 for security: cameras and sensors, card access systems and door modification, cabling.

Cost / Space Requirements
(departmental gross sq ft)
Specialty Pharmacy
Lurie Children's Outpatient Center - Schaumburg - Shell Space

Department/Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Sq Ft That Is:			
		Existing	Proposed	New Construction	Modernized	As Is	Vacated
Construction Costs							
CLINICAL							
Specialty Pharmacy (Rx processing and fulfillment, loading/receiving, medication packing and shipping, consultation)	\$552,359				1,380		
Subtotal Clinical	\$552,359				1,380		
NON-CLINICAL							
Waiting area	\$69,864				192		
Rx Drop-off and pick up	\$72,047				198		
Call Center	\$17,102				47		
Manager's office	\$34,568				95		
Overstock storage	\$50,214				137		
Subtotal Non-Clinical	\$243,795				669		
TOTAL CONSTRUCTION	\$796,154				2,049		
Other Proj Costs							
Preplanning Costs	\$15,340						
Site Survey / Soil	n/a						
Site Preparation	n/a						
Off Site Work	n/a						
Contingencies	\$79,616						
A/E fees	\$72,300						
Consulting, fees	\$158,200						
Moveable Equipt, Furnish	\$135,036						
Bond Issuance Expense	n/a						
Net Int Exp Dur Constr	n/a						
FMV leased space, eqpmnt	n/a						
Other Capital Costs							
- IT	\$71,569						
- artwork	\$1,000						
- signage	\$1,000						
- security	\$122,000						
Subtotal	\$656,061						
TOTAL PROJECT COSTS	\$1,452,215						

Background of the Applicant

This attachment includes the following:

Listing of all licensed health care facilities owned or operated by the applicant

IDPH License, Ann & Robert H. Lurie Children's Hospital of Chicago
The Joint Commission Accreditation

IDPH License, Children's Outpatient Services at Westchester

IDPH License, Lurie Children's Surgery Center in Northbrook

IDPH License, Almost Home Kids

Letter of certification that there have been no adverse actions against Children's Hospital of Chicago Medical Center or Ann & Robert H. Lurie Children's Hospital of Chicago or any other owned or operated facility; authorization of access to information

1110.230 – Background, Purpose of the Project and Alternatives

BACKGROUND OF APPLICANT

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

Ann & Robert H. Lurie Children's Hospital of Chicago
225 East Chicago Avenue
Chicago, IL 60611
Licensure: Pediatric Hospital

Children's Outpatient Services at Westchester
2301 Enterprise Drive
Westchester, IL 60154
Licensure: Ambulatory Surgical Treatment Center

Children's Outpatient Services at Northbrook
1123 Techny Road
Northbrook, IL 60062
Licensure: Ambulatory Surgical Treatment Center

Almost Home Kids
211 East Grand Avenue
Chicago, IL 60611
Licensure: Children's Community Based Health Care Center

Almost Home Kids
7 S. 721 Route 53
Naperville, IL 60540
Licensure: Children's Community Based Health Care Center

← DISPLAY THIS PART IN A CONSPICUOUS PLACE



ILLINOIS DEPARTMENT OF PUBLIC HEALTH HF130448

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 6/8/2025	CATEGORY	L.I. NUMBER 0005843
Pediatric Hospital		
Effective: 06/09/2024		

Exp. Date 6/8/2025

Lic Number

0005843

Date Printed 3/27/2024

**Ann & Robert H Lurie Children's Hospital of Chicago
dba Lurie Children's
225 East Chicago Avenue Box 140**

**Ann & Robert H Lurie Children's Hospital
dba Lurie Children's
225 East Chicago Avenue Box 140
Chicago, IL 60611**

Chicago, IL 60611

Attachment 1

The face of this license has a colored background. • Printed by Authority of the State of Illinois • P.O. #4422001 10M 372

FEE RECEIPT NO.



May 26, 2023

Thomas Shanley, MD
President & CEO
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave.
Chicago, IL 60611

Re: # 7269
CCN: # 143300
Deemed Program: Hospital
Accreditation Expiration Date: March 18, 2026

Dear Dr. Shanley:

This letter confirms that your March 14, 2023 - March 17, 2023 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on May 26, 2023. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of March 18, 2023.

The Joint Commission is also recommending your organization for continued Medicare certification effective March 18, 2023. Please note that the Centers for Medicare and Medicaid Services (CMS) Medicare Administrative Contractor (MAC) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave., Chicago, IL, 60611

Lurie Children's Outpatient Center in Lincoln Park- Clark
2515 North Clark, Chicago, IL, 60614-7362

Lurie Children's Outpatient Center in Arlington Heights
880 West Central Road, Suite 6400, Arlington Heights, IL, 60005-2378

Lurie Children's Outpatient Services in Westchester
2301 Enterprise Drive, Westchester, IL, 60154

Lurie Children's Outpatient Center in Lincoln Park - Deming
467 West Deming Place, Chicago, IL, 60614-7362

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

Attachment 11



Lurie Children's Outpatient Center in Lake Forest
900 Westmoreland, Suite 110, Lake Forest, IL, 60045

Rehabilitative Services at Westbrook
11301 W. Cermack Rd., Suite 100, Westchester, IL, 60154

Lurie Children's Outpatient Clinic in Northbrook
1131 Techny Road, Northbrook, IL, 60062

Lurie Children's Outpatient Clinic Uptown
4867 N. Broadway, Chicago, IL, 60640

Dayton
1440 North Dayton Street, Chicago, IL, 60642

Northbrook ASTC and MD Clinic
1121 Techny Road, Northbrook, IL, 60062

Outpatient Center at Skokie
3722 W Touhy Ave, Skokie, IL, 60076

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

A handwritten signature in cursive script that reads "Deborah A. Ryan".

Deborah A. Ryan, MS, RN
Executive Vice President
Division of Accreditation and Certification Operations

cc: CMS/Baltimore Office/Survey & Certification Group/Division of Acute Care Services
CMS/SOG Location 5 /Survey and Certification Staff

← DISPLAY THIS PART IN A CONSPICUOUS PLACE



ILLINOIS DEPARTMENT OF PUBLIC HEALTH

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 6/25/2025	CATEGORY	I.D. NUMBER 7001555
Ambulatory Surgery Treatment Center		
Effective: 06/26/2024		

**Children's Outpatient Services at Westchester
2301 Enterprise Dr
Westchester, IL 60154**

Attachment 1

Exp. Date 6/25/2025

Lic Number 7001555

Date Printed 6/4/2024

**Children's Outpatient Services at West
2301 Enterprise Dr
Westchester, IL 60154-5802**

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

FEE RECEIPT NO.

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

ILLINOIS DEPARTMENT OF PUBLIC HEALTH
HF131353

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

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	LD NUMBER
9/24/2025	Ambulatory Surgery Treatment Center	7003221
Effective: 09/25/2024		

Lurie Children's Surgery Center In Northbrook
1121 Techmy Road
Northbrook, IL 60062

Attachment

Exp. Date 9/24/2025

Lic Number 7003221

Date Printed 7/26/2024

Validation Num 2095

Lurie Children's Surgery Center In Nort

1121 Techmy Road
Northbrook, IL 60062-5503

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

FEE RECEIPT NO.



ILLINOIS DEPARTMENT OF PUBLIC HEALTH HF131375

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
9/7/2025		4000024
Children's Community Based Health Care Center		
Licensed Beds: 12		

Almost Home Kids
211 East Grand Avenue
Chicago, IL 60611

Attachment 1

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 9/7/2025

Lic Number 4000024

Date Printed 7/30/2024

Almost Home Kids
211 East Grand Avenue
Chicago, IL 60611

FEE RECEIPT NO.

February 10, 2025

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

Re: No Adverse Actions / Authorized Access to Information

Dear Ms. Savage:

I hereby certify that no adverse action has been taken against Children's Hospital of Chicago Medical Center (the "Medical Center") or Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") or any facility owned or operated by the Medical Center or Lurie Children's, directly or indirectly, within three (3) years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Services Review Board ("Board") and the Illinois Department of Public Health ("IDPH") to access any documentation they find necessary to verify any documentation or information submitted, including but not limited to official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations. I further authorize the Board and IDPH to obtain any additional documentation or information that Board or IDPH deems necessary to process the application.

If you have any questions, please contact Ann Sherline, Senior Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago at 312-227-4312, or asherline@luriechildrens.org.

Sincerely,



Thomas P. Shanley, MD
President and Chief Executive Officer
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Avenue
Chicago, IL 60611

Subscribed and sworn to before me
this 10th day of February, 2025.



Signature of Notary Public

Seal



PURPOSE OF THE PROJECT

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

The project is the build out of 2,049 sq ft of shell space to accommodate a specialty pharmacy on the third floor of Lurie Children’s new Outpatient Center in Schaumburg, now under construction. The specialty pharmacy will be a system-wide resource, offering service to all Lurie Children’s patients, so this highly accessible new location immediately off the Jane Addams Expressway in the northwest suburbs is ideally located for this purpose. Most patients requiring these specialty medications will receive them via mail from the specialty pharmacy, although some families may prefer to pick up the medications at the outpatient center and benefit from personal counseling and training opportunities provided by staff.

Many children with complex conditions treated at Ann & Robert H. Lurie Children’s Hospital of Chicago (“Lurie Children’s”) rely on the hospital to assist in the management of their care long after an initial diagnosis and treatment. For patients with complex or chronic medical conditions, the care plan often involves the administration of specialized medications, which sometimes are difficult to obtain in the market. It is anticipated that specialized medications will become an increasingly important part of the overall care management for Lurie Children’s patients. The proposed project facilitates the planning of medication treatment for complex patients and their families and enables the distribution of complex medications in a reliable and efficient process.

Today over half of the drugs in development are specialty pharmaceuticals, and the growing universe of specialty pharmaceuticals are profoundly improving the health and well-being of patients. Unlike aspirin, a relatively simple molecule that can be manufactured in hours to provide pain relief for many, specialty drugs are very large molecules that are engineered over weeks or months to target very specific conditions and biologic processes. Specialty pharmaceuticals are high-cost drugs, used in patients with complex and chronic conditions, require special handling and administration instructions, and are often available in very limited distribution. Specialty drugs, like semaglutides used for weight loss (Wegovy and Ozempic) and gene therapies for sickle cell disease (Casgevy and Lyfgenia), have recently made national headlines.

The table below provides a few specific examples of specialty pharmaceuticals and details on their efficacy in pediatric care.

Conditions treated and Pharmaceuticals Used	Efficacy	Source(s)
Cystic Fibrosis Medication: Ivacaftor (Kalydeco), Lumacaftor/Ivacaftor (Orkambi), Tezacaftor/Ivacaftor (Symdeko)	According to the Cystic Fibrosis Foundation, the median age of survival for individuals with CF has increased significantly, from 29 years in 2000 to over 47 years in 2020, largely due to	Cystic Fibrosis Foundation. (2021). "Patient Registry 2020 Annual Data Report." Retrieved from Cystic Fibrosis Foundation (https://www.cff.org/)

	advancements in specialty medications	
Biologic Agents for Asthma: Omalizumab (Xolair), Mepolizumab (Nucala), Benralizumab (Fasenra)	Clinical trials have shown that omalizumab can reduce asthma exacerbations by about 30-50% in children aged 6 years and older, leading to improved quality of life.	National Heart, Lung, and Blood Institute. (2020). "Asthma Care Quick Reference." Retrieved from NHLBI (https://www.nhlbi.nih.gov/health-topics/all-publications-and-resources/asthma-care-quick-reference) - Omalizumab prescribing information. (2019). Genentech. Retrieved from Genentech (https://www.gene.com)
Multiple Sclerosis Treatments: Fingolimod (Gilenya)	Studies have shown that Fingolimod reduces the annualized relapse rate by about 54% compared to placebo in pediatric MS patients.	Brandstadter, R., et al. (2019). "Fingolimod in pediatric multiple sclerosis: A case series." <i>Pediatric Neurology</i> , 100, 38-44. doi:10.1016/j.pediatrneurol.2019.02.004

There is also evidence to support development of hospital-based specialty pharmacies. A paper authored by researchers at Vanderbilt University highlighted the unique opportunity hospitals have to ensure the appropriate use and adherence to specialty pharmaceuticals as patients transition through different levels of care¹.

The new pharmacy will introduce new competition into the space; however, patients would not pay more for the drugs given that payments come through standardized fee schedules from payors. Low-income patients may receive some relief on pricing since this pharmacy will be a department of a 501(c) 3 organization with access to our financial assistance and charity care program.

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

Because the service will be system-wide, it will serve Lurie Children’s patients living throughout the metropolitan area and beyond. Accordingly, the planning area is defined by the patient origin of all Lurie Children’s patients. The fact that the majority of patients will receive specialty medications by mail means that geographic proximity to the project is less of a defining parameter for the planning area.

The table at the end of this Purpose of the Project Section shows the distribution of Lurie Children’s patients by county and zip code. For purpose of this exercise, FY24 outpatient completed appointments was used. The patient origin analysis also presents patient residence based on distinct patients, rather than patient encounters. An individual child counts once in the data, no matter how many visits the child had at a Lurie Children’s facility.

¹ Autumn D. Zuckerman *, Alicia Carver, Katrina Cooper, Brandon Markley, Amy Mitchell, Victoria W. Reynolds, Marci Saknini, Houston Wyatt and Tara Kelley. 2019. *Pharmacy*. December. 7, 163. [An Integrated Health-System Specialty Pharmacy Model for Coordinating Transitions of Care: Specialty Medication Challenges and Specialty Pharmacist Opportunities - PubMed](#)

92% of patients come from the 7-county metropolitan area. The remaining 8% percent of patients come from other counties in Illinois (5%) or outside of Illinois (3%). For purposes of this permit application, the planning area is defined as the 7-county metropolitan area, the source of 92% of Lurie Children's patients. As previously stated, the distribution of specialty pharmacy patients will mirror this patient origin experience.

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

There are three main problems often related to the availability and use of specialty pharmaceuticals: 1) access, 2) adherence, and 3) simplicity.

Access – For some of the specialty drugs, there is limited availability, resulting in access issues for patients needing the medications. Arrangements between pharmaceutical manufacturers, pharmacy benefits managers and distributors limit the distribution of many specialty pharmaceuticals. The result is many are only available to established specialty pharmacies. Establishing a specialty pharmacy within Lurie Children's will simplify the process for Lurie Children's providers, and more importantly, the children who need them.

Adherence – These drugs have the power to significantly improve and extend life, but for their efficacy to be realized, patients must use them properly and as prescribed. When patients begin using drugs through the hospital's specialty pharmacy, clinical teams will have real-time access to orders and fills. If the drugs are not ordered and filled/refilled as expected, the care team working with the family will be alerted and have the opportunity to intervene if there are indications the patient is not compliant with the prescription instructions.

Simplicity – The patients who are most likely to require specialty pharmaceuticals are often the most complex patients. These drugs often require a complicated preapproval process that can take upwards of a month. Today, these families often have to work with a number of pharmacies to get the drugs their children need. The Lurie Children's specialty pharmacy will streamline and simplify the process to the benefit of patients and their families.

4. Cite the Sources of Information

- Ann & Robert H. Lurie Children's Hospital medical records; Epic
- Special Reports and research papers are referenced in the first and second pages of this Purpose section.
- HFSRB Profiles, based on Annual Hospital Questionnaires

5. Detail how the project will address the previously referenced issues, as well as the population status and well-being.

Access: Lurie Children's seeks to assure that drugs needed to improve the quality of care for its patients are available to them. Establishing its own specialty pharmacy will improve access to these life-changing drugs for Lurie Children's patients. Our care teams will expand to include new embedded pharmacy technicians within our specialty clinics. These staff will serve as liaisons for our patient families to assure

the onerous process of pre-authorization is completed in a timely fashion, orders are submitted, filled and distributed as determined by the medical team, and monitor adherence.

It is anticipated some drugs will still require Lurie Children's involvement with outside pharmacies and distributors. It is anticipated that 65% of specialty medications needed can be accessed through this new Lurie Children's program.

Regarding physical accessibility, the pharmacy will have a small lobby and reception area with a consumer-friendly space for patient education and personal face-to-face counseling. The back of house operation will be used to receive, store, and prepare prescriptions for pickup or home delivery as well as workstations and support areas for the pharmacy staff.

Adherence: By establishing its own specialty pharmacy and including the specifics of ordering and fulfillment within its electronic medical record, Lurie Children's doctors and care teams will be better prepared to support Lurie Children's patients, enable better continuity of care, and ensure they are continuing to use the medications properly. Moreover, the connection between these patients and families and Lurie Children's will generate more confidence that their special needs are understood, coordinated, and ultimately addressed by staff. This is not always the case when patients have to negotiate contacts with commercial specialty pharmacies located in other regions of the country and with staff they don't have relationships with.

These drugs often have special care and handling instructions for their storage, distribution, and administration. Many of the drugs have temperature control requirements that call for them to be refrigerated at various temperatures. The space, therefore, will have several refrigerators and freezers to properly store the drugs.

Simplicity: When Lurie Children's has a specialty pharmacy of its own, Lurie Children's can integrate the management of specialty drugs into its clinics and make it a streamlined part of the overall care delivery process.

The space will be used to operate a specialty pharmacy. Patients and families will have the option to pick-up their prescriptions or have them delivered to their home. The space will need to accommodate receiving, storing, and preparing specialty pharmaceuticals for patients. Over 90% of customers are expected to opt for the convenience of home delivery. However, some space has been allocated for education and counseling for patients who choose to come to the specialty pharmacy for their prescription(s).

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

- Complete construction, equipment installation and staff training to enable opening of the specialty pharmacy in (month, year).
- Address 65% of the needs of Lurie Children's patients for specialty pharmaceuticals
- Achieve net promoter scores of 75 or higher for pharmacy services as measured through customer service surveys.

Table - Zip Codes of Patient Residence (Year: 2024)
 Ann & Robert H. Lurie Children's Hospital of Chicago
 Source: Epic

Patient County	Zip Code	City Name	Unique Patients	Percent of Total	Cumulative Percent
Cook County, IL	60639	Chicago	5,235	2.5%	2.5%
	60618	Chicago	4,820	2.3%	4.8%
	60614	Chicago	3,901	1.9%	6.7%
	60647	Chicago	3,697	1.8%	8.4%
	60625	Chicago	3,403	1.6%	10.1%
	60641	Chicago	3,235	1.5%	11.6%
	60651	Chicago	3,051	1.5%	13.1%
	60632	Chicago	2,969	1.4%	14.5%
	60629	Chicago	2,923	1.4%	15.9%
	60634	Chicago	2,721	1.3%	17.2%
	60657	Chicago	2,669	1.3%	18.4%
	60640	Chicago	2,352	1.1%	19.6%
	60622	Chicago	2,262	1.1%	20.6%
	60645	Chicago	2,251	1.1%	21.7%
	60804	Cicero	2,244	1.1%	22.8%
	60623	Chicago	2,168	1.0%	23.8%
	60613	Chicago	2,013	1.0%	24.8%
	60630	Chicago	1,909	0.9%	25.7%
	60659	Chicago	1,900	0.9%	26.6%
	60608	Chicago	1,835	0.9%	27.5%
	60609	Chicago	1,746	0.8%	28.3%
	60626	Chicago	1,494	0.7%	29.0%
	60616	Chicago	1,488	0.7%	29.7%
	60402	Berwyn	1,430	0.7%	30.4%
	60062	Northbrook	1,419	0.7%	31.1%
	60611	Chicago	1,416	0.7%	31.8%
	60610	Chicago	1,336	0.6%	32.4%
	60091	Wilmette	1,323	0.6%	33.0%
	60660	Chicago	1,258	0.6%	33.6%
	60638	Chicago	1,257	0.6%	34.2%
	60025	Glenview	1,241	0.6%	34.8%
	60617	Chicago	1,237	0.6%	35.4%
	60644	Chicago	1,217	0.6%	36.0%
	60707	Elmwood Park	1,210	0.6%	36.6%
	60624	Chicago	1,203	0.6%	37.2%
	60302	Oak Park	1,191	0.6%	37.7%
	60093	Winnetka	1,179	0.6%	38.3%
	60004	Arlington Heights	1,135	0.5%	38.8%
	60068	Park Ridge	1,004	0.5%	39.3%
	60056	Mount Prospect	992	0.5%	39.8%
	60646	Chicago	987	0.5%	40.3%
	60202	Evanston	978	0.5%	40.7%
	60612	Chicago	976	0.5%	41.2%
	60076	Skokie	942	0.4%	41.6%
	60201	Evanston	932	0.4%	42.1%
	60607	Chicago	865	0.4%	42.5%
	60653	Chicago	835	0.4%	42.9%
	60525	La Grange	784	0.4%	43.3%
	60016	Des Plaines	767	0.4%	43.6%
	60605	Chicago	750	0.4%	44.0%
	60619	Chicago	728	0.3%	44.3%
60077	Skokie	723	0.3%	44.7%	
60411	Chicago Heights	714	0.3%	45.0%	
60620	Chicago	713	0.3%	45.4%	
60636	Chicago	712	0.3%	45.7%	
60642	Chicago	704	0.3%	46.0%	
60304	Oak Park	701	0.3%	46.4%	
60067	Palatine	674	0.3%	46.7%	
60615	Chicago	660	0.3%	47.0%	
60637	Chicago	657	0.3%	47.3%	
60005	Arlington Heights	654	0.3%	47.6%	
60652	Chicago	644	0.3%	47.9%	
60074	Palatine	641	0.3%	48.3%	
60628	Chicago	634	0.3%	48.6%	
60193	Schaumburg	626	0.3%	48.9%	
60631	Chicago	615	0.3%	49.1%	
60133	Hanover Park	607	0.3%	49.4%	
60120	Elgin	601	0.3%	49.7%	
60656	Chicago	599	0.3%	50.0%	
60643	Chicago	589	0.3%	50.3%	
60022	Glencoe	556	0.3%	50.6%	
60090	Wheeling	540	0.3%	50.8%	
60453	Oak Lawn	539	0.3%	51.1%	
60558	Western Springs	536	0.3%	51.3%	
60107	Streamwood	532	0.3%	51.6%	
60649	Chicago	532	0.3%	51.8%	

Patient County	Zip Code	City Name	Unique Patients	Percent of Total	Cumulative Percent
Cook County, IL	60439	Lemont	501	0.2%	52.1%
	60169	Hoffman Estates	479	0.2%	52.3%
	60462	Orland Park	477	0.2%	52.5%
	60305	River Forest	460	0.2%	52.8%
	60621	Chicago	449	0.2%	53.0%
	60018	Des Plaines	446	0.2%	53.2%
	60712	Lincolnwood	445	0.2%	53.4%
	60153	Maywood	443	0.2%	53.6%
	60160	Melrose Park	443	0.2%	53.8%
	60714	Niles	442	0.2%	54.0%
	60007	Elk Grove Village	435	0.2%	54.2%
	60053	Morton Grove	434	0.2%	54.4%
	60706	Harwood Heights	423	0.2%	54.6%
	60487	Tinley Park	420	0.2%	54.8%
	60477	Tinley Park	416	0.2%	55.0%
	60008	Rolling Meadows	412	0.2%	55.2%
	60026	Glenview	403	0.2%	55.4%
	60164	Melrose Park	401	0.2%	55.6%
	60546	Riverside	393	0.2%	55.8%
	60601	Chicago	383	0.2%	56.0%
	60467	Orland Park	379	0.2%	56.2%
	60654	Chicago	375	0.2%	56.4%
	60513	Brookfield	363	0.2%	56.5%
	60409	Calumet City	360	0.2%	56.7%
	60459	Burbank	352	0.2%	56.9%
	60438	Lansing	348	0.2%	57.0%
	60131	Franklin Park	328	0.2%	57.2%
	60526	La Grange Park	326	0.2%	57.3%
	60655	Chicago	314	0.1%	57.5%
	60194	Schaumburg	293	0.1%	57.6%
	60452	Oak Forest	259	0.1%	57.8%
	60430	Homewood	254	0.1%	57.9%
	60466	Park Forest	249	0.1%	58.0%
	60104	Bellwood	248	0.1%	58.1%
	60443	Matteson	248	0.1%	58.2%
	60633	Chicago	246	0.1%	58.4%
	60154	Westchester	239	0.1%	58.5%
	60406	Blue Island	239	0.1%	58.6%
	60426	Harvey	236	0.1%	58.7%
	60501	Summit Argo	230	0.1%	58.8%
	60171	River Grove	228	0.1%	58.9%
	60827	Riverdale	225	0.1%	59.0%
	60070	Prospect Heights	222	0.1%	59.1%
	60192	Hoffman Estates	220	0.1%	59.2%
	60805	Evergreen Park	214	0.1%	59.3%
	60473	South Holland	207	0.1%	59.4%
	60130	Forest Park	205	0.1%	59.5%
	60173	Schaumburg	204	0.1%	59.6%
	60803	Alsip	201	0.1%	59.7%
	60176	Schiller Park	199	0.1%	59.8%
	60419	Dolton	198	0.1%	59.9%
60043	Kenilworth	186	0.1%	60.0%	
60458	Justice	186	0.1%	60.1%	
60534	Lyons	183	0.1%	60.2%	
60445	Midlothian	175	0.1%	60.3%	
60455	Bridgeview	174	0.1%	60.3%	
60465	Palos Hills	172	0.1%	60.4%	
60478	Country Club Hills	151	0.1%	60.5%	
60463	Palos Heights	150	0.1%	60.6%	
60429	Hazel Crest	146	0.1%	60.6%	
60661	Chicago	142	0.1%	60.7%	
60428	Markham	140	0.1%	60.8%	
60203	Evanston	138	0.1%	60.8%	
60422	Flossmoor	124	0.1%	60.9%	
60475	Steger	113	0.1%	61.0%	
60457	Hickory Hills	110	0.1%	61.0%	
60165	Stone Park	109	0.1%	61.1%	
60471	Richton Park	108	0.1%	61.1%	
60464	Palos Park	107	0.1%	61.2%	
60415	Chicago Ridge	104	0.0%	61.2%	
60425	Glenwood	104	0.0%	61.3%	
	All Other Cook Zip Codes < 100 patients		1,078	0.5%	61.8%
	Total Cook County		129,395	61.8%	
DuPage County, IL	60126	Elmhurst	1,109	0.5%	62.3%
	60137	Glen Ellyn	1,062	0.5%	62.8%
	60185	West Chicago	1,040	0.5%	63.3%
	60188	Carol Stream	896	0.4%	63.7%
	60540	Naperville	865	0.4%	64.1%
	60189	Wheaton	862	0.4%	64.6%

Patient County	Zip Code	City Name	Unique Patients	Percent of Total	Cumulative Percent	
DuPage County, IL	60148	Lombard	747	0.4%	64.9%	
	60565	Naperville	740	0.4%	65.3%	
	60187	Wheaton	715	0.3%	65.6%	
	60103	Bartlett	702	0.3%	65.9%	
	60563	Naperville	685	0.3%	66.3%	
	60101	Addison	642	0.3%	66.6%	
	60521	Hinsdale	632	0.3%	66.9%	
	60504	Aurora	612	0.3%	67.2%	
	60139	Glendale Heights	574	0.3%	67.4%	
	60515	Downers Grove	562	0.3%	67.7%	
	60517	Woodridge	486	0.2%	67.9%	
	60172	Roselle	415	0.2%	68.1%	
	60527	Willowbrook	415	0.2%	68.3%	
	60516	Downers Grove	406	0.2%	68.5%	
	60532	Lisle	395	0.2%	68.7%	
	60108	Bloomington	383	0.2%	68.9%	
	60181	Villa Park	361	0.2%	69.1%	
	60555	Warrenville	332	0.2%	69.2%	
	60559	Westmont	332	0.2%	69.4%	
	60502	Aurora	322	0.2%	69.6%	
	60561	Darien	312	0.1%	69.7%	
	60514	Clarendon Hills	301	0.1%	69.8%	
	60106	Bensenville	288	0.1%	70.0%	
	60190	Winfield	263	0.1%	70.1%	
	60143	Itasca	202	0.1%	70.2%	
	60191	Wood Dale	186	0.1%	70.3%	
	60523	Oak Brook	147	0.1%	70.4%	
	All Other DuPage Zip Codes < 100 Patients			118	0.1%	70.4%
	Total DuPage County			18,109	8.6%	
	Lake County, IL	60085	Waukegan	1,731	0.8%	71.2%
60073		Round Lake	1,326	0.6%	71.9%	
60035		Highland Park	1,087	0.5%	72.4%	
60015		Deerfield	995	0.5%	72.9%	
60047		Lake Zurich	940	0.4%	73.3%	
60010		Barrington	844	0.4%	73.7%	
60048		Libertyville	741	0.4%	74.1%	
60089		Buffalo Grove	737	0.4%	74.4%	
60099		Zion	725	0.3%	74.8%	
60045		Lake Forest	695	0.3%	75.1%	
60046		Lake Villa	690	0.3%	75.4%	
60031		Gurnee	686	0.3%	75.8%	
60030		Grayslake	627	0.3%	76.1%	
60087		Waukegan	581	0.3%	76.3%	
60060		Mundelein	566	0.3%	76.6%	
60061		Vernon Hills	484	0.2%	76.8%	
60064		North Chicago	438	0.2%	77.1%	
60002		Antioch	413	0.2%	77.2%	
60044		Lake Bluff	276	0.1%	77.4%	
60084		Wauconda	247	0.1%	77.5%	
60069		Lincolnshire	207	0.1%	77.6%	
60020		Fox Lake	169	0.1%	77.7%	
60041		Ingleside	160	0.1%	77.8%	
60083		Wadsworth	141	0.1%	77.8%	
60042		Island Lake	124	0.1%	77.9%	
60040		Highwood	114	0.1%	77.9%	
All Other Lake Zip Codes <100 Patients			155	0.1%	78.0%	
Lake County Total			15,899	7.6%		
McHenry County, IL		60014	Crystal Lake	745	0.4%	78.4%
	60050	Mchenry	562	0.3%	78.6%	
	60098	Woodstock	558	0.3%	78.9%	
	60156	Lake In The Hills	489	0.2%	79.1%	
	60102	Algonquin	426	0.2%	79.3%	
	60142	Huntley	386	0.2%	79.5%	
	60051	Mchenry	358	0.2%	79.7%	
	60013	Cary	325	0.2%	79.8%	
	60012	Crystal Lake	224	0.1%	80.0%	
	60097	Wonder Lake	218	0.1%	80.1%	
	60033	Harvard	206	0.1%	80.2%	
	60152	Marengo	150	0.1%	80.2%	
	60081	Spring Grove	126	0.1%	80.3%	
	All Other Lake McHenry Zip Codes <100 Patients			177	0.1%	80.4%
	Total McHenry County			4,950	2.4%	
	Kane County, IL	60505	Aurora	814	0.4%	80.8%
		60134	Geneva	779	0.4%	81.1%
60506		Aurora	680	0.3%	81.5%	
60174		Saint Charles	635	0.3%	81.8%	
60510		Batavia	630	0.3%	82.1%	

Patient County	Zip Code	City Name	Unique Patients	Percent of Total	Cumulative Percent
Kane County, IL	60175	Saint Charles	600	0.3%	82.3%
	60110	Carpentersville	541	0.3%	82.6%
	60123	Elgin	502	0.2%	82.8%
	60177	South Elgin	458	0.2%	83.1%
	60140	Hampshire	343	0.2%	83.2%
	60124	Elgin	342	0.2%	83.4%
	60542	North Aurora	259	0.1%	83.5%
	60119	Elburn	258	0.1%	83.6%
	60118	Dundee	166	0.1%	83.7%
	60554	Sugar Grove	166	0.1%	83.8%
	60136	Gilberts	115	0.1%	83.9%
	All Other Kane Zip Codes < 100 Patients			110	0.1%
Total Kane County			7,398	3.5%	
Will County, IL	60451	New Lenox	1,048	0.5%	84.4%
	60435	Joliet	1,011	0.5%	84.9%
	60586	Plainfield	992	0.5%	85.4%
	60440	Bolingbrook	864	0.4%	85.8%
	60564	Naperville	825	0.4%	86.2%
	60441	Lockport	806	0.4%	86.6%
	60423	Frankfort	774	0.4%	86.9%
	60446	Romeoville	718	0.3%	87.3%
	60431	Joliet	633	0.3%	87.6%
	60432	Joliet	607	0.3%	87.9%
	60585	Plainfield	585	0.3%	88.1%
	60448	Mokena	549	0.3%	88.4%
	60544	Plainfield	466	0.2%	88.6%
	60436	Joliet	458	0.2%	88.8%
	60442	Manhattan	419	0.2%	89.0%
	60433	Joliet	405	0.2%	89.2%
	60491	Homer Glen	402	0.2%	89.4%
	60404	Shorewood	371	0.2%	89.6%
	60490	Bolingbrook	357	0.2%	89.8%
	60410	Channahon	319	0.2%	89.9%
	60403	Crest Hill	296	0.1%	90.1%
	60503	Aurora	275	0.1%	90.2%
	60481	Wilmington	185	0.1%	90.3%
60417	Crete	165	0.1%	90.4%	
60408	Braidwood	121	0.1%	90.4%	
All Other Will Zip Codes < 100 Patients			436	0.2%	90.6%
Total Will County			14,087	6.7%	
Kendall County, IL	60543	Oswego	602	0.3%	90.9%
	60538	Montgomery	460	0.2%	91.1%
	60560	Yorkville	398	0.2%	91.3%
	60447	Minooka	390	0.2%	91.5%
	60545	Plano	214	0.1%	91.6%
	All Other Kendall Zip Codes < 100 Patients			56	0.0%
Total Kendall County			2,120	1.0%	
Subtotal 7 Counties Surrounding Chicago			191,958	91.6%	
Winnebago County, IL			1,753	0.8%	92.5%
DeKalb County, IL			1,526	0.7%	93.2%
Kankakee County, IL			1,525	0.7%	93.9%
LaSalle County, IL			792	0.4%	94.3%
Grundy County, IL			773	0.4%	94.7%
Champaign County, IL			506	0.2%	94.9%
Boone County, IL			440	0.2%	95.1%
McLean County, IL			427	0.2%	95.3%
Ogle County, IL			324	0.2%	95.5%
Peoria County, IL			237	0.1%	95.6%
Iroquois County, IL			235	0.1%	95.7%
Lee County, IL			218	0.1%	95.8%
Whiteside County, IL			210	0.1%	95.9%
Tazewell County, IL			203	0.1%	96.0%
Rock Island County, IL			177	0.1%	96.1%
Livingston County, IL			170	0.1%	96.2%
Vermilion County, IL			158	0.1%	96.3%
Bureau County, IL			126	0.1%	96.3%
All Other IL Counties < 100 Patients			930	0.4%	96.8%
Subtotal IL Counties Outside Chicago			10,730	5.1%	
Illinois Subtotal			202,688	96.8%	
All Other Zip Codes and Out of Country			6,777	3.2%	100.0%
Total Unique Patients FY2024			209,465	100.0%	

ALTERNATIVES

The project proposes the build out of part of the existing shell space in the Lurie Children's outpatient center in Schaumburg as a specialty pharmacy. The space will have an area for prescription processing and fulfillment, medication packaging and shipping, loading, and receiving. To accommodate patients who prefer to pick up their medications, there will be space for reception, waiting, and a consult room for instruction on the proper medication use and for answering questions.

There were several alternatives considered in the planning of the project:

1. Establish the specialty pharmacy at a different location, such as at the main Lurie Children's Hospital near downtown Chicago or at other locations.
2. Continue the current arrangement of working with existing third-party specialty pharmacies.
3. Build out part of the shell space at the Lurie Children's Outpatient Center in Schaumburg now under construction. (Selected Alternative)

1. Establish the specialty pharmacy at a different location, such as at the main Lurie Children's Hospital near downtown Chicago or at other locations.

Most patients and families requiring specialty medications will receive the medications via courier service making the geographic location of the pharmacy less of a driving issue. The pharmacy could be located elsewhere within the Lurie Children's network of facilities. However, these options were considered and rejected.

Space is at a premium at the downtown hospital, which became fully utilized soon after its opening in 2012 and again after a subsequent bed expansion completed in 2019. There are many other functions competing for space at the main hospital. In addition, all existing outpatient centers in the Lurie Children's network are fully occupied with no extra space capacity to take on approximately 2,000 square feet of required program. Lastly, city and suburban shopping centers were also considered, however, those locations lacked a connection to Lurie Children's outpatient operations.

2. Continue the current arrangement of working with existing third-party specialty pharmacies.

Currently, Lurie Children's does not have a specialty pharmacy. It has relied on a third-party pharmacy with no real obligation to the hospital and which does not know if the prescriptions are being filled and distributed to the family. Given the growing importance of these drugs in the care of some of the most complex patients, Lurie Children's determined that this approach was not in the best interests of its patients. To have the line of sight to assure that the drugs are being accessed and the patient is adhering to the prescription protocols, Lurie Children's needs to insource this service.

In some circumstances, the family is left to make arrangements on its own to access specialty medications. This includes investigating which specialty pharmacies handle certain complex medications and determining whether they are available when needed. That is a complex and too often frustrating process for patients and their families. Having its own specialty pharmacy allows Lurie Children's to advocate for its patients in obtaining access to these medications and to reduce or eliminate stress and delays that families and patients now experience.

As a result, continuing the current fragmented situation was rejected as a way to provide the needed medication support required by patients.

3. Build out part of the shell space at the Lurie Children's Outpatient Center in Schaumburg now under construction. (Selected Alternative)

The Outpatient Center in Schaumburg is the preferred option for this project for several reasons. First, providing specialty pharmacy services alongside the range of outpatient services offered at the regional outpatient center in Schaumburg will create strong operational synergies and a complementary patient experience. Second, the site is located adjacent to the Jane Addams Expressway, is accessible to major highways in the western suburbs, and has ample parking, all of which will optimize the delivery and distribution of medications. Third, the property is owned by Lurie Children's, which provides an advantage over non-owned property options that would have to be leased. Fourth, as originally planned, the proposed space was intended to be flexible space to accommodate future opportunities, and no existing operations will be displaced at this location.

For the reasons suggested above, the plan for Lurie Children's Hospital to implement its own specialty pharmacy and to locate the pharmacy at the Outpatient Center under construction in Schaumburg is the Selected Alternative. After considering these options and variations within them, the leadership of Lurie Children's decided to pursue the establishment of the specialty pharmacy at the Schaumburg location.

The specialty pharmacy will increase the likelihood that specialty medications will be available to Lurie Children's patients because of the advocacy relationship Lurie Children's has established with their patients. Having its own pharmacy gives Lurie Children's some control over pricing, and working with patients' families on payment plans that better fit with family finances.

SIZE OF THE PROJECT

The project is the modernization of 2,049 dgsf of shell space as a specialty pharmacy. The space is located on the third floor of the Lurie Children’s outpatient center in Schaumburg now under construction (Project 22-032). That project includes 7,500 sq ft of shell space, of which this 2,049 sq ft is part. Of the 2,049 sq ft, 1,380 sq ft is clinical; 669 sq ft is non-clinical.

The table shows the distribution of space by function.

Department/Service	DGSF	State Standard (dgsf)	Difference	Met Standard?
<i>Clinical Space</i>				
Pharmacy The specialty pharmacy includes Rx processing and fulfillment, loading/receiving, medication packing and shipping, and consultation	1,380	There is no standard for pharmacies.	NA	NA
<i>Total Clinical</i>	1,380			
<i>Non-clinical space</i>				
Waiting area	192		NA	NA
Rx drop-off and pick-up	198		NA	NA
Call center	47		NA	NA
Manager's office	95		NA	NA
Overstock storage	137		NA	NA
<i>Total Non-clinical</i>	669		NA	NA
Total dgsf	2,049			

The proposed project is in compliance; there are no State standards for pharmacies.

A separate CON permit application will be submitted in the future when it is decided what function(s) will be located in the remaining shell space not converted to this project.

PROJECT SERVICES UTILIZATION

The specialty pharmacy is planned to meet the needs of Lurie Children's patients and families and will be a resource for the entire Lurie Children's system in metropolitan Chicago and beyond. Currently, patients and families obtain specialty medications from commercial specialty pharmacies throughout the United States, as well as local area pharmacies.

Lurie Children's physicians write orders that generate approximately 80,000 prescription fills for specialty pharmaceuticals. It is anticipated that specialized medications will become an increasingly important part of the overall care management for Lurie Children's patients. The proposed project facilitates the planning of medication treatment for complex patients and their families and enables the distribution of complex medications in a reliable and efficient process.

Ann & Robert H. Lurie Children's Hospital of Chicago has not had a specialty pharmacy, but we do maintain within our medical records the number of specialty medications ordered and the frequency of refills needed for patients. Patient families have had to separately obtain these medications without a coordinated system for access. As a result, historic data on prescription fulfillment represent the hospital's best estimates based on prescription records. There are some medications that will only be available directly through the manufacturer or distributor. We estimate that will be about one quarter of all fills. We further estimate some patient families, approximately one quarter, will continue obtaining their medication from a legacy pharmacy relationship or choose another third-party pharmacy.

Our assumptions and projected volumes are set forth below.

- It is estimated that Lurie Children's providers prescribe approximately 80,000 specialty pharmacy fills annually for the patients in our care. That is based on our estimated number of fills from prescription records.
- Lurie Children's specialty pharmacy will open in the fall of 2026 (project completion date of October 1, 2026).
- The partial year volume for three months of 2026 is an estimated 5,000 fills as we begin providing the service.
- Orders filled at the Lurie Children's specialty pharmacy will be drawn from the current volume of prescriptions filled by commercial specialty pharmacies and area pharmacies historically. Again, our understanding of the market volumes are based off of prescription data, not actual fills.
- Based on our assumptions the pharmacy will reach 45,000 fills at maturity, or about 56.3% of all fills. We are assuming 25% of all fills will be available through licensing directly with manufacturers and distributors. Of the remaining 75%, we assume one quarter will continue being served by another pharmacy ($80,000 \times 0.75 \times 0.75 = 45,000$)

The table on the next page shows an estimate of historic volumes for 2023, and projected future volumes.

Specialty Pharmacy Orders - Historic estimates and projections

	Historic	Projected fills		
	Utilization	Specialty pharmacy	Other pharmacies	Total Orders
2023	80,000			
2024	n/a			
2025			80,000	80,000
2026		5,000	75,000	80,000
2027		35,000	45,000	80,000
2028		42,250	37,750	80,000
2029		45,000	35,000	80,000

The State Certificate of Need program has not issued utilization standards for pharmacies. As a result, this review criterion is not evaluated.

1110.270 Clinical Services Other Than Categories of Service

The project is the build-out of shell space as a specialty pharmacy at the Lurie Children’s Outpatient Center – Schaumburg.

The specialty pharmacy will service the needs of patients and families served by the entire Lurie Children’s system from this location. The majority of the needs of Lurie Children’s patients for specialized pharmaceuticals will be met through this project.

92% of patients reside in the 7-county metropolitan area, the planning area for this project. The remaining 8% percent of patients come from other counties in Illinois (5%) or outside of Illinois (3%). As previously stated, the distribution of specialty pharmacy patients will mirror this patient-origin experience. The geographic service area is less of a factor in this project than for other projects delivering inpatient or outpatient facilities subject to Certificate of Need, since 90% of the orders are expected to be serviced by mail order from this center.

(c)(2) Service Modernization - Necessary Expansion

Ann & Robert H. Lurie Children’s Hospital of Chicago has not had a specialty pharmacy, but we do maintain within our medical records the number of specialty medications ordered and the frequency of refills needed for patients. Patient families have had to separately obtain these medications without a coordinated system for access. As a result, historic data on prescription fulfillment represent the hospital’s best estimates based on prescription records that result in 80,000 fills per year. There are some medications that will only be available directly through the manufacturer or distributor. We estimate that will be about one quarter of all fills. We further estimate some patient families, approximately one quarter, will continue obtaining their medication from a legacy pharmacy relationship or choose another third-party pharmacy.

As presented in the Project Services Utilization section of this permit application, the annual volume of the specialty pharmacy is projected to achieve between 55% and 60% of the need for specialty medications by Lurie Children’s patients. The pharmacy will start up in the fall of 2026, and reach an annual volume of approximately 45,000 orders in 2029.

Specialty Prescription Orders

	Historic		Projections				
	2023	2024	2025	2026	2027	2028	2029
Total Orders	80,000	n/a	80,000	80,000	80,000	80,000	80,000
Lurie Children's Specialty Pharmacy				5,000	35,000	42,250	45,000
Commercial/Other pharmacies	80,000	n/a	80,000	75,000	45,000	37,750	35,000

(c)(3) Service Modernization – Utilization

The State has not established utilization standards for pharmacies as a clinical service that is not a category of service.

FINANCIAL AND ECONOMIC FEASIBILITY

These sections include the following:

Children's Hospital of Chicago Medical Center and Affiliated Corporations, Consolidated Financial Statements, August 31, 2024 and 2023

Rating Agency Report, S&P Global Ratings

Section 1120.140 Economic Feasibility

Table: *Project Costs and Sources of Funds*

Narrative: *Project Costs and Sources of Funds*

C. Table - Reasonableness of Project and Related Costs

D. Table – Projected Operating Costs

E. Total Effect of the Project on Capital Costs

Section X. Charity Care Information

Flood Plain information

Children's Hospital of Chicago Medical Center and Affiliated Corporations

**Consolidated Financial Statements
August 31, 2024 and 2023**

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RSM US LLP

Independent Auditor's Report

Board of Directors
Children's Hospital of Chicago Medical Center

Opinion

We have audited the consolidated financial statements of Children's Hospital of Chicago Medical Center and Affiliated Corporations (the Medical Center), which comprise the consolidated balance sheets as of August 31, 2024 and 2023, the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Medical Center as of August 31, 2024 and 2023, and the results of its operations, changes in its net assets 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 Medical Center 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 from 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 Medical Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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 from 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.

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In performing an audit in accordance with GAAS, we:

- 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 Medical Center'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 Medical Center'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual companies and is 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 consolidating 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
January 24, 2025

**Children's Hospital of Chicago Medical Center and
Affiliated Corporations
Consolidated Balance Sheets
August 31, 2024 and 2023
(Dollars in Thousands)**

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 38,672	\$ 78,198
Current portion of self-insurance trust	31,699	29,223
Patient accounts receivable	355,957	321,286
Other current assets	183,344	128,645
Total current assets	<u>609,672</u>	<u>557,352</u>
Investments	<u>1,971,480</u>	<u>1,795,007</u>
Property and equipment, at cost		
Land	79,421	61,490
Buildings and improvements	1,366,502	1,239,124
Equipment	579,748	550,226
Construction in progress	77,607	48,055
Total property and equipment, at cost	<u>2,103,278</u>	<u>1,898,895</u>
Less: Accumulated depreciation	<u>982,489</u>	<u>905,014</u>
Property and equipment	<u>1,120,789</u>	<u>993,881</u>
Operating lease right-of-use assets	<u>30,965</u>	<u>62,808</u>
Other assets		
Pledges receivable restricted by donors	60,362	74,297
Other	6,111	7,029
Total other assets	<u>66,473</u>	<u>81,326</u>
Total assets	<u>\$ 3,799,379</u>	<u>\$ 3,490,374</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 6,860	\$ 6,530
Accounts payable and accrued expenses	381,830	248,995
Current portion of self-insurance liability	31,699	29,223
Due to third-party payors	162,264	121,758
Current portion of operating lease liabilities	9,702	13,436
Total current liabilities	<u>592,355</u>	<u>419,942</u>
Long-term debt, less current portion	<u>321,379</u>	<u>328,842</u>
Self-insurance liability, less current portion	201,620	178,062
Operating lease liabilities, less current portion	38,514	80,183
Other noncurrent liabilities	26,324	17,907
Total liabilities	<u>1,180,192</u>	<u>1,024,936</u>
Net assets		
Without donor restrictions	2,032,369	1,909,894
With donor restrictions	586,818	555,544
Total net assets	<u>2,619,187</u>	<u>2,465,438</u>
Total liabilities and net assets	<u>\$ 3,799,379</u>	<u>\$ 3,490,374</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Children's Hospital of Chicago Medical Center and
Affiliated Corporations**
Consolidated Statements of Operations and Changes in Net Assets
Years Ended August 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Operating revenue		
Patient service revenue	\$ 1,454,344	\$ 1,423,523
Net assets released from restriction		
Contributions and philanthropy used for program purposes	53,899	62,462
Grants and other restricted income used for program purposes	97,484	68,012
Board-designated endowment income	22,638	8,140
Other operating revenue	102,969	80,489
Total operating revenue	<u>1,731,334</u>	<u>1,642,626</u>
Operating expenses		
Salaries, wages, and employee benefits	1,104,516	1,031,159
Supplies and services	496,894	461,552
Insurance	43,850	42,912
Medicaid assessment	30,433	29,014
Depreciation and amortization	83,396	81,187
Interest and financing costs	17,006	16,684
Total operating expenses	<u>1,776,095</u>	<u>1,662,508</u>
Loss from operations	<u>(44,761)</u>	<u>(19,882)</u>
Nonoperating income (expense)		
Investment return	174,179	105,093
Unrestricted contributions and bequests	25,059	24,281
Fundraising expense	(21,201)	(21,238)
Other	(11,770)	(8,043)
Total nonoperating income (expense)	<u>166,267</u>	<u>100,093</u>
Excess of revenue over expenses	<u>\$ 121,506</u>	<u>\$ 80,211</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**Children's Hospital of Chicago Medical Center and
Affiliated Corporations**
Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended August 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Net assets without donor restrictions		
Excess of revenue over expenses	\$ 121,506	\$ 80,211
Net assets released from restriction used for purchase and construction of property and equipment	316	1,060
Retirement plan related changes other than net periodic retirement cost	(595)	3,803
Other	1,248	1,983
	<u>122,475</u>	<u>87,057</u>
Change in net assets without donor restrictions		
Net assets with donor restrictions		
Contributions	36,758	68,264
Grants and other restricted income	103,388	82,040
Change in fair value of perpetual trusts	3,159	606
Investment return	40,823	20,262
Pledge receivable write-offs, net of change in allowance	93	767
Net assets released from restriction		
Contributions and philanthropy used for program purposes	(53,899)	(62,462)
Grants and other restricted income used for program purposes	(97,484)	(68,012)
Purchase and construction of property and equipment	(316)	(1,060)
Other	(1,248)	-
	<u>31,274</u>	<u>40,405</u>
Change in net assets with donor restrictions		
Change in net assets	<u>153,749</u>	<u>127,462</u>
Net assets		
Beginning of year	<u>2,465,438</u>	<u>2,337,976</u>
End of year	<u>\$ 2,619,187</u>	<u>\$ 2,465,438</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Children's Hospital of Chicago Medical Center and
Affiliated Corporations
Consolidated Statements of Cash Flows
Years Ended August 31, 2024 and 2023
(Dollars in Thousands)**

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 153,749	\$ 127,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(174,179)	(105,093)
Restricted contributions and restricted investment return, net	(48,978)	(26,788)
(Gain) loss on disposal of property and equipment	(29)	1,241
Receipt of contributed securities	(4,683)	(4,294)
Investment loss - CIN	4,978	4,447
Retirement plan related changes other than net periodic retirement cost	595	(3,803)
Depreciation and amortization	83,396	81,187
Reduction in operating lease right-of-use assets	7,222	10,232
Net changes in assets and liabilities		
Accounts receivable	(34,671)	(43,263)
Accounts payable and accrued expenses	122,516	19,971
Due to third-party payors	40,506	5,017
Self-insurance liability	26,034	9,367
Other assets and liabilities	(45,666)	(64,321)
Net cash provided by operating activities	<u>130,790</u>	<u>11,362</u>
Cash flows from investing activities		
Capital expenditures	(207,700)	(67,425)
Sales of investments	5,115,842	3,523,910
Purchases of investments	(5,081,342)	(3,571,310)
Purchase of business, net of acquired cash	-	(3,628)
Net cash used in investing activities	<u>(173,200)</u>	<u>(118,453)</u>
Cash flows from financing activities		
Principal payments under long-term debt obligations	(6,530)	(6,220)
Proceeds from line of credit	25,000	-
Payment of line of credit	(25,000)	-
Proceeds from restricted contributions and restricted investment return	9,414	10,213
Net cash provided by financing activities	<u>2,884</u>	<u>3,993</u>
Decrease in cash and cash equivalents	<u>(39,526)</u>	<u>(103,098)</u>
Cash and cash equivalents		
Beginning of year	78,198	181,296
End of year	<u>\$ 38,672</u>	<u>\$ 78,198</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 13,451	\$ 13,771
Noncash additions to property and equipment	12,449	4,771
Operating lease right-of-use assets obtained in exchange for lease obligations	3,391	2,773

The accompanying notes are an integral part of these consolidated financial statements.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements

Years Ended August 31, 2024 and 2023

(Dollars in Thousands)

1. Organization and Nature of Operations

Children's Hospital of Chicago Medical Center (the 'Medical Center'), an Illinois not-for-profit corporation, is the sole corporate member of Ann & Robert H. Lurie Children's Hospital of Chicago (the 'Hospital'), an Illinois not-for-profit corporation. The Hospital was founded in 1882 by Julia Foster Porter to provide medical care for all children. Today, the Medical Center and its affiliates comprise an independent, freestanding academic institution dedicated to the health and well-being of all children. The Medical Center is also the sole corporate member of Ann & Robert H. Lurie Children's Hospital of Chicago Foundation ('Foundation'), Stanley Manne Children's Research Institute ('Research Institute'), Pediatric Faculty Foundation, Inc. ('PFF'), Almost Home Kids ('AHK'), Lurie Children's Pediatric Anesthesia Associations ('LCPAA'), Lurie Children's Surgical Foundation, Inc. ('LCSF'), and Faculty Practice Plan, Inc. ('FPP'), all Illinois not-for-profit corporations. Each of the following entities: Lurie Children's Medical Group, LLC ('LCMG'), Lurie Children's Health Partners Care Coordination, LLC ('CCE') and Lurie Children's Primary Care, LLC ('LCPC') are Illinois limited liability companies whose sole member is the Medical Center. The Medical Center is also the parent of CMMC Insurance Co. Ltd. ('CMMC Insurance'), a captive, offshore insurance entity organized under the laws of the Cayman Islands. On February 14, 2023, the Medical Center acquired Arlington Pediatrics Therapy Management Services ('APT'). APT was merged into CCE, which was renamed Lurie Children's Health Services ('LCHS'). The Hospital, Foundation, Research Institute, PFF, AHK, LCSF, FPP, LCPAA, LCMG, LCHS, LCPC and CMMC Insurance are collectively referred to herein as the Affiliated Corporations.

The Hospital owns and operates a pediatric hospital in Chicago, Illinois, with 364 licensed beds as of August 31, 2024. The Hospital provides a complete range of pediatric health care services, including pediatric inpatient medical and surgical care, tertiary and quaternary care services, and emergency services. The Hospital operates more than 50 specialty and primary care outpatient clinics at its main campus in the Streeterville neighborhood of Chicago and throughout the metro Chicago area, as well as two Ambulatory Surgical Treatment Centers ('ASTC') facilities and 17 outpatient specialty centers in the surrounding metro Chicago area.

The Foundation carries out fundraising and other related development activities in support of the Medical Center and its affiliates. The Foundation supports comprehensive capital campaigns aligned with the Medical Center's strategic plans. Restricted contributions support specific programs, recruitments, and research, in addition to unrestricted contributions which, not only offset fundraising expense, but also contribute to the Hospital's greatest areas of need.

The Research Institute was established to improve pediatric health and health care services through research and education. Its role is to build a scientific community in support of treatments and cures within pediatric medicine which span the laboratory bench to the patient's bedside. The Medical Center in conjunction with Northwestern University completed and commissioned the research facility at the Simpson Querrey Biomedical Research Center in Chicago in June 2019.

PFF provides physician services to a broad pediatric population in Chicago and surrounding counties and across the State of Illinois, employing more than 550 pediatric primary care and subspecialty physicians. A portion of research activity also flows through PFF.

AHK is a unique organization providing transitional and respite care for medically complex children outside the acute care setting.

**Children's Hospital of Chicago Medical Center and
Affiliated Corporations**
Notes to Consolidated Financial Statements
Years Ended August 31, 2024 and 2023
(Dollars in Thousands)

LCSF provides pediatric surgical services to the Hospital and its patients, employing more than 80 surgeons among nine subspecialty divisions.

FPP provides credentialing services for physicians employed by the affiliates of the Medical Center, administration of physician benefits and third-party reimbursement contracting services for PFF, LCPAA, LCSF and LCMG, comprising of over 750 physician members.

LCPAA provides pediatric anesthesia and pain management services to the Hospital and its patients employing more than 35 anesthesiologists.

LCMG, with more than 65 employed physicians, provides pathology, medical imaging, psychiatry, and dentistry services to the Hospital and its patients.

LCCHS exists for the provision and coordination of medical care of medically complex children, contracting with Managed Care Organizations ('MCO's') and commercial health plans to provide care coordination services to children within their plans that have complex medical needs.

LCCHS also provides pediatric physical, occupational and speech therapy services to patients located in the western suburbs of Chicago.

LCPC provides primary care services to Chicago residents and surrounding areas with over 30 primary care pediatricians and four primary care locations.

CMMC Insurance is a captive, offshore insurance entity whose sole function is to purchase reinsurance for the purpose of reducing risk and cost. It currently does not retain risk. CMMC Insurance has no employees and is managed on behalf of the Hospital by an independent Cayman Islands-based management company.

In June 2014, the Medical Center, Children's Community Physicians Association ('CCPA'), and FPP formed Lurie Children's Health Partners Clinically Integrated Network, LLC, an Illinois limited liability company (the 'CIN'). The CIN is an integrated health care network focused on creating value-based reimbursement programs with payors that support improving the health and well-being of children and their families. The CIN has a 12-member board of which CCPA appoints six, FPP appoints four, and the Medical Center appoints two members. CCPA is committed to a 3% capital position, while the Medical Center and FPP are committed to a 97% capital position. The Medical Center's share of the losses was approximately \$4,400 for each of the years ended August 31, 2024 and 2023. As the Medical Center does not have governance control, the CIN is not a consolidating entity but rather accounted for under the equity method.

The Board of Directors has approved the merger effective January 1, 2025 of PFF, LCSF, LCPAA, LCMG and LCPC into a new corporation, Lurie Children's Medical Group, LLC.

Consolidation

The accompanying consolidated financial statements of the Medical Center include the accounts of the Hospital, the Foundation, the Research Institute, PFF, LCMG, AHK, the Medical Center, CMMC Insurance, LCCHS, LCPC, LCPAA, LCSF and FPP. Intercompany transactions and accounts have been eliminated.

**Children's Hospital of Chicago Medical Center and
Affiliated Corporations**
Notes to Consolidated Financial Statements
Years Ended August 31, 2024 and 2023
(Dollars in Thousands)

The accompanying consolidating balance sheets and consolidating statements of operations and changes in net assets without donor restrictions by entity as of and for the years ended August 31, 2024 and 2023, are provided for purposes of additional analysis and are not required as part of the consolidated financial statements. They have been prepared in a manner consistent with accounting principles generally accepted in the United States of America ('U.S. GAAP') and are presented only for purposes of additional analysis and not as a presentation of financial position and results of operations of each component of the consolidated group. The supplemental consolidating financial information was derived from the accounting records used to prepare the consolidated financial statements. All intercompany eliminations have been recorded.

2. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Medical Center, the Hospital, the Research Institute, the Foundation, PFF, FPP, AHK, LCSF and LCPAA are all Illinois not-for-profit organizations exempt from federal and state income taxes.

Certain activities of the Hospital are taxable as unrelated business. For the years ended August 31, 2024 and 2023, \$547 and \$820, respectively, was recorded as provision for unrelated business income tax and included in other nonoperating expense in the consolidated statements of operations and changes in net assets. LCMG, LCHS and LCPC are disregarded entities treated as divisions of the Medical Center for Internal Revenue Service ('IRS') reporting.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management of the Medical Center to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Medical Center considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of patient accounts receivable and patient service revenue, both of which include contractual allowances and third-party payor settlements; reserves for losses and expenses related to health care professional and general liabilities; valuation of alternative investments; and accrued self-insurance related costs. Management relies on historical experience, other assumptions believed to be reasonable under the circumstances, and recommendations made by the Medical Center external advisors and actuaries in making its judgments and estimates. Actual results could differ from these estimates.

Basis of Consolidation

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

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted, undesignated marketable securities with original maturities of three months or less that are held for short-term cash management. Cash and cash equivalents are reported at their approximate fair value.

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Current Portion of Self-Insurance Revocable Trust

Current portion of self-insurance trust represents investment assets earmarked for self-insurance trust payments due within a year. See Note 7 for additional disclosures.

Patient Accounts Receivable

Patient accounts receivable consists primarily of amounts owed by various governmental agencies, insurance companies and patients. The Medical Center manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. The Medical Center reports accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing health care services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments. The Medical Center writes off amounts that have been deemed to be uncollectible because of circumstances that affect the ability of payors to make payments as they occur. See Note 4.

Inventories

Inventories, which primarily consist of medical supplies and pharmaceuticals used for patient care, are stated at the lower of cost or net realizable value, using the first-in, first-out method. Inventories are included in other current assets.

Investments

The Medical Center pools its donor-restricted, self-insurance, undesignated and board-designated investments. Investment returns are allocated among net assets without donor restrictions and net assets with donor restrictions based on the pro-rata share of the balance in each fund to the total investment pool as of the end of each accounting period.

A portion of the investment income earned on certain funds that are board-designated for patient care, education and the self-insurance trust is allocated at a fixed rate and reported as other operating revenue. All other investment income and losses (including interest and dividends, realized gains and losses, and unrealized gains and losses) are reported as nonoperating income (expenses) unless the income or loss is restricted by donor or law. Investment returns on net assets with restrictions are allocated to the purposes specified by the donor or law, either as net assets with donor restrictions or net assets without donor restrictions, as applicable.

Property and Equipment

Property and equipment are recorded at cost. Internal labor and interest expense incurred during the period of construction of significant capital projects are capitalized as a component of the cost of the asset.

Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Typical useful lives are 20 to 80 years for buildings, 15 to 20 years for building improvements, 5 to 20 years for equipment and 3 to 5 years for computer hardware and software. One-half year's depreciation is taken in the year of acquisition, except for significant asset additions such as the Hospital's facility, which is depreciated based on the actual date placed into service.

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In 2024 and 2023, the Medical Center disposed of fully depreciated property, equipment and software that were no longer in use totaling \$95 and \$27,026, respectively. The carrying amount of the assets and accumulated depreciation were removed from the accounts. When factors indicate that an asset should be evaluated for possible impairment, the Medical Center uses an estimate of the undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Repair and maintenance costs are expensed as incurred.

Operating Lease Right-of-Use Assets and Lease Liabilities

The Medical Center evaluates whether an arrangement is, or contains, a lease at inception. Leases result in the recognition of a right-of-use asset and lease liability in the accompanying consolidated balance sheets. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Medical Center determines the lease classification at the lease commencement date.

The lease liability is measured at the present value of the future lease payments over the lease term. The right-of-use asset equals the lease liability adjusted for any lease payments made at or before the commencement date and initial direct costs. The Medical Center uses the rate implicit in the lease, if readily determinable, as the discount rate. If that rate is not readily determinable, the Medical Center has elected to use a risk-free rate using a period comparable with the lease term. The Medical Center has also elected a policy to combine lease and non-lease components. The lease term will include options to extend the lease if the Medical Center is reasonably certain to exercise the option. Lease expense is recognized on a straight-line basis over the lease term.

Pledges Receivable Restricted by Donors

As of August 31, 2024, approximately 27% of pledges restricted by donors are receivable within one year, 66% between two and five years, and 7% receivable beyond five years. Pledges are recorded at the present value of estimated future cash flows, net of allowances for uncollectible pledges of \$1,707 and \$1,683 at August 31, 2024 and 2023, respectively, and present value discounts of \$23,105 and \$20,738 at August 31, 2024 and 2023, respectively. Estimated future cash flows due after one year are discounted using interest rates of 3.5% to 8%.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent payables owed in the ordinary course of business and expenses incurred but not yet paid by the Medical Center, including payroll incurred by the Medical Center and its affiliates, and insurance payables incurred but not yet paid.

Current and Noncurrent Portions of Self-Insurance Liability

The self-insurance trust and corresponding liability are reviewed annually by an independent actuary. The Medical Center contributes to the self-insurance trust estimated amounts determined by the actuary to be sufficient to pay for expected future losses. Provisions for the professional liability are based on an actuarial estimate of losses using the Medical Center's actual loss data adjusted for industry trends and current conditions. The provision includes estimates of costs for both reported claims and claims incurred but not reported. See Note 13.

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Due to Third-Party Payors

Due to third-party payors represents accruals for settlements with third-party payors, any agency that contracts with the Medical Center or its affiliates and patients to pay for the care of covered patients. Accruals are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the State Medicaid program, the Blue Cross Plan of Illinois and the Federal Medicare program.

Bond Issuance Costs

Bond issuance costs are deferred and amortized using the effective interest method over the life of the related debt as an increase to interest expense. These costs include items such as document preparation costs, underwriting fees, and other external, incremental expenses paid to advisors that directly relate to the financing. Unamortized bond issuance costs are reported within long-term debt.

Net Assets

Net assets are classified based upon donor restrictions, if any, as follows: Net assets without donor restrictions and net assets with donor restrictions.

Net assets that bear no external restriction as to use or purpose are classified as net assets without donor restrictions. This represents net assets which are free of donor-imposed restrictions, including all revenues, expenses, gains, and losses. Also included in this classification are assets whose use is limited under board-designated funds for mission-related activities in support of the Medical Center.

Net assets with donor restrictions represent net assets whose use is limited by donor-imposed restrictions, time restrictions and those stipulations that can be fulfilled or otherwise removed by actions of the Medical Center. Net assets with donor restrictions include endowment funds primarily related to pledges receivable, grants, research, medical education, program support and net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Medical Center. Refer to Note 9 for further disclosure on endowments and related investment and spending policies.

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Patient Service Revenue

The Medical Center provides health care services through various inpatient, outpatient, and ambulatory care facilities. The performance obligation is measured from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Outpatient services are performance obligations generally satisfied over time and revenue is recognized when goods or services are provided. The Medical Center believes that this method provides a fair depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. The Medical Center recognizes inpatient revenue over time (on a daily basis) at the amount that reflects the consideration to which it expects to be paid for providing such care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive adjustments due to settlement of audits and reviews by Illinois Medicaid and other third-party payors, and amounts received under various state Medicaid hospital assessment and disproportionate share programs. These amounts are recognized net of contractual allowances from various third-party arrangements and after consideration of patients' ability to pay the self-pay portion of the charges. The Medical Center and affiliates bill patients and third-party payors after goods and services are provided and/or when a patient is discharged.

The Medical Center, the Hospital or any of the affiliated entities are entitled to a payment from the insurer, and a related deductible or coinsurance payment from the patient, for all goods and services related to the inpatient stay or outpatient services.

Because all of the performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption provided in FASB Accounting Standards Codification 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which typically occurs within days or weeks of the end of the Medical Center's reporting period.

The Medical Center has agreements with third-party payors that provide payments at amounts different from its established rates. The Medical Center determines the transaction price based on standard charges for goods and services provided to patients reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with the Medical Center's policy, and/or implicit price concessions provided to uninsured and underinsured patients. It determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Medical Center determines its estimate of implicit price concessions based on the aging of its patient accounts receivable, historical collection experience with uninsured and underinsured patients, and other relevant factors.

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The Medical Center 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, outpatient, and physician professional and outpatient revenue. Based on historical collection trends and other relevant factors, the Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

Grants and Contributions

Unrestricted contributions are included in nonoperating income when received. Donor-restricted contributions whose restrictions are met in the same fiscal year in which the contribution is received are reported as unrestricted contributions. Unrestricted pledges of amounts to be received in future periods are recorded as net assets with donor restrictions based on an implicit time restriction and are released from restriction when payments are received. Grants and contributions restricted for a specific operating purpose are recorded as net assets with donor restrictions and reported as operating revenue when the funds are expended in accordance with the specifications of the grantor or donor. Contributions for capital expenditures, recorded as net assets with donor restrictions when received, are reported as net assets released from restriction when expended and placed into service.

Interest in Trustee-Held Funds

The Medical Center recognizes an interest in trustee-held funds held at various financial institutions in which the Medical Center has a beneficial interest. Annually, the financial institutions distribute a portion of the income earned on these funds to the Medical Center to be used in support of operations. As of August 31, 2024 and 2023, the Medical Center's interests in these trustee-held funds at fair value totaled \$34,308 and \$31,149, respectively, and are included in net assets with donor restrictions.

Excess (Deficiency) of Revenue Over Expenses

Excess (deficiency) of revenue over expenses is the performance indicator and includes income (loss) from operations in addition to investment return (loss), unrestricted contributions and bequests, fundraising expense, and other miscellaneous nonoperating income and expenses.

Changes in Net Assets

Net asset without donor restrictions changes includes the net activity of the consolidated statements of operations and changes in net assets as well as the release from restriction for purchase and construction of property and equipment and other than net periodic retirement plan expense changes.

Net asset with donor restrictions changes includes receipts of contributions restricted by time or purpose and restricted funds, grants, investment returns, pledge receivable write-offs and change in the fair value of perpetual trusts. Also included are releases of philanthropic or grant funds for use in program services to cover expenses on the consolidated statements of operations and changes in net assets.

Reclassifications

Certain 2023 amounts have been classified to conform to the 2024 consolidated financial statement presentation.

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4. Patient Service Revenue and Patient Accounts Receivable

A summary of the payment arrangements with major third-party payors is as follows:

Illinois Medicaid and Medicaid Managed Care Organizations

Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments and fee schedules.

The State of Illinois’ Medicaid program has operated with budget deficits. The deficits include the continued practice of deferring Illinois Medicaid bills to future periods and have led to the State of Illinois’ slowdown in claims processing and payments.

As of August 31, 2024 and 2023, the Medical Center’s patient accounts receivable included amounts due from Illinois Medicaid and Medicaid Managed Care Organizations of \$125,832 and \$113,286, respectively, both representing approximately 35% of outstanding patient accounts receivable.

Managed Care, Commercial Insurance and Other

Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules.

Commercial and Medicaid health insurers are entering into various fee-for-value reimbursement programs with qualifying providers. In 2024 and 2023, the Medical Center, through CIN, participated in several commercial Accountable Care Organization (‘ACO’) programs that provide limited risk and gain sharing based on performance of an attributed population of children compared to established cost, quality and patient satisfaction related goals. Risk sharing is limited to less than 1% of patient service revenue. CIN obtains reinsurance to reduce the risk of loss related to sharing programs and conducts a number of programs intended to improve performance under these programs, including providing care coordination to certain members.

The composition of patient service revenue by payor for the fiscal years ended August 31, 2024 and 2023, is as follows:

	2024	2023
Medicaid	\$ 114,016	\$ 112,081
Commercial	802,538	861,162
Medicaid Managed Care	490,296	406,278
Patient Self-Pay	6,025	6,195
Other	41,469	37,807
	<u>\$ 1,454,344</u>	<u>\$ 1,423,523</u>

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The Medical Center and affiliates grant credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at August 31, 2024 and 2023, is as follows:

	2024	2023
Managed Care	56%	60%
Medicaid	11	10
Medicaid Managed Care	24	24
Patient Self-Pay	3	2
Other	6	4
	<u>100%</u>	<u>100%</u>

One managed care payor accounted for 26% and 24% of the Medical Center’s patient accounts receivable at August 31, 2024 and 2023, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory action, including fines, penalties, and/or exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates may change in the near term.

The Medical Center recognizes changes in accounting estimates related to patient service revenue and third-party payor settlements in the year such changes are known. Adjustments to prior year estimates for these items resulted in an increase in patient service revenue of approximately \$1,716 and \$4,629, in fiscal years 2024 and 2023, respectively.

Approximately 42% and 36% of the Medical Center’s patient service revenue in fiscal years 2024 and 2023, respectively, was derived from the Illinois Medicaid program, including Medicaid MCOs.

In December 2008, the Centers for Medicare and Medicaid Services (‘CMS’) approved the Assessment Program to improve Medicaid reimbursement for Illinois hospitals. This original program included the Illinois Hospital Provider Assessment and subsequent enhancements. Due to the tax assessment provisions contained in the legislation, implementation of the program affected both operating revenues and expenses in the consolidated statements of operations and changes in net assets.

The Medical Center is obligated under Illinois Public Act 95-859 to participate in the State of Illinois’ Hospital Assessment Program (‘HAP’) that assists in financing the State’s Medicaid Program. The revised program is approved through December 31, 2026. For the years ended August 31, 2024 and 2023, the Medical Center recognized supplemental HAP and related reimbursement of \$139,598 and \$110,960, respectively, which is recorded as a component of patient service revenue in the consolidated statements of operations and changes in net assets. For the years ended August 31, 2024 and 2023, the Medical Center recognized HAP related fees of \$30,433 and \$29,014, respectively, in the consolidated statements of operations and changes in net assets.

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The Medicaid Assessment Program payments described above are shown in the following table.

	2024	2023
For years ended August 31		
Tax assessment, included in		
patient service revenue	\$ 139,598	\$ 110,960
Medicaid assessment	<u>(30,433)</u>	<u>(29,014)</u>
Net statement of operations impact	<u>\$ 109,165</u>	<u>\$ 81,946</u>

The Medical Center also received federal and state disproportionate share and add-on payments. The amount of disproportionate share and other special payments from Medicaid, if any, that will be made to hospitals in the future, is uncertain.

In fiscal years 2024 and 2023, the Medical Center received \$10,780 and \$10,892, respectively, in graduate medical education reimbursement. The Children’s Hospital Graduate Medical Education (‘CHGME’) program provides federal funds to freestanding children’s hospitals to aid in maintaining graduate medical programs that train resident physicians. The program is administered by the Health Resources and Services Administration, a branch of the U.S. Department of Health and Human Services. The amount of future graduate medical education reimbursement funding is uncertain.

5. Community Benefit

Consistent with its mission, the Medical Center maintains a policy that sets forth the criteria pursuant to which health care services are provided free of charge or at a reduced rate to children whose families are unable to pay for the charges associated with their medical care. These services represent charity care. Such amounts determined to qualify as charity care are not reported as patient service revenue. The Medical Center grants credit without collateral to its patients, most of whom are local residents.

The Medical Center also provides a broad range of services and activities to support its charitable mission. These services include participation in the Medicaid program at a loss (net reimbursement less allocated cost incurred); support of community medical needs through a variety of outreach programs and educational programs; comprehensive research programs specifically targeted toward pediatric health to advance knowledge about the causes, treatment and prevention of childhood diseases; and training of medical students, pediatric residents, fellows and sub-specialists.

Funding for the services above comes from Hospital operating income, Foundation philanthropy, government awards and grants. The Medical Center maintains records to identify and monitor the level of charity provided. These records include the estimated cost of unreimbursed services provided under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The Medical Center also monitors the unreimbursed cost of patient bad debts. Because the Illinois All Kids program provides coverage for most Illinois uninsured children, the Medical Center has a relatively low number of requests for charity care.

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The Medical Center determines the costs associated with providing charity care by aggregating the overall cost to charge ratio, including salaries, wages, benefits, supplies, and other operating expenses. The cost to charge ratio is then applied to the charity care charges to calculate the estimated costs and expenses incurred to provide charity care reported below.

The cost of providing charity care was \$1,215 and \$2,241 for the years ended August 31, 2024 and 2023, respectively. The Medical Center also received certain funds of \$6,009 and \$5,013 for the years ended August 31, 2024 and 2023, respectively, to offset or subsidize charity care services provided. In the Annual Non-Profit Hospital Community Benefits Plan Report filed with the Illinois Attorney General for the year ended August 31, 2023, the Medical Center reported a total community benefit of \$279,434 (unaudited), including the unreimbursed cost of charity care of \$1,239, which is calculated using a different methodology than that used for the consolidated financial statements. Management is currently collecting the information needed to file the 2024 report.

6. Other Current and Noncurrent Assets and Liabilities

Other current and noncurrent assets consist of the following:

	2024	2023
Other current assets:		
Outreach program receivables	\$ 7,906	\$ 9,364
Prepaid expenses	32,015	28,184
Inventory	17,158	17,722
Insurance receivables	19,193	18,622
Pending investment settlement receivables	40,491	686
Other receivables	49,947	34,264
Other	16,634	19,803
Total other current assets	<u>\$ 183,344</u>	<u>\$ 128,645</u>
Other assets (noncurrent):		
Pension noncurrent asset	\$ -	\$ 918
Other	6,111	6,111
Total other assets	<u>\$ 6,111</u>	<u>\$ 7,029</u>

Other noncurrent liabilities consist of the following:

	2024	2023
Accrued pension liabilities	\$ 19,008	\$ 14,256
Other	7,316	3,651
Total other noncurrent liabilities	<u>\$ 26,324</u>	<u>\$ 17,907</u>

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7. Investments

The Medical Center maintains a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As of August 31, 2024 and 2023, investments consisted of the following, which includes the current portion of the self-insurance trust of \$31,699 and \$29,223, respectively:

	2024	2023
Short-term investments	\$ 105,818	\$ 94,608
Common stock/mutual funds and common collective trusts	671,396	565,874
Alternative investments	826,292	797,274
U.S. Government and agency securities	154,063	125,343
Corporate and municipal bonds	245,610	241,131
Total investments	<u>\$ 2,003,179</u>	<u>\$ 1,824,230</u>

Short-term investments include cash and cash equivalents, certificates of deposit, money market funds, and securities with maturities due within one year.

Common stock and mutual funds include public equities traded in both domestic and international markets. Common collective trusts include investment products that pool fiduciary client assets into a portfolio of stocks, bonds, or other securities and real assets.

Alternative investments include hedge funds, private credit and private equity investments. These include credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. The Medical Center's investment in private equity and private credit is committed under contract to periodically advance additional funding as capital calls are exercised. See Note 15.

U.S. Government and agency securities include debt obligations issued by the U.S. Government or U.S. Government agencies. Corporate and municipal bonds include investment grade debt obligations issued by U.S. or foreign corporations, U.S. state and local governments or U.S. territories.

All Medical Center investments are invested with external managers.

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The Medical Center pools its investments without donor restrictions, board-designated and donor-restricted investments. As of August 31, 2024 and 2023, donor-restricted and investments without donor restrictions are as follows:

	2024	2023
Donor-restricted investments and other assets limited as to use		
Endowments	\$ 303,243	\$ 264,903
Specific purpose	196,356	194,516
Self-insurance trust	184,412	151,033
Interest in trustee-held funds	34,308	31,149
Interest in joint venture	818	1,377
Interest in Clinically Integrated Network	328	328
Total investments with donor restrictions and other assets limited as to use	719,465	643,306
Investments without donor restrictions		
Undesignated and board-designated investments	1,283,714	1,180,924
Total investments without donor restrictions	1,283,714	1,180,924
Total investments	\$ 2,003,179	\$ 1,824,230

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The composition and presentation of investment return as reflected in the accompanying consolidated statements of operations and changes in net assets for the years ended August 31, 2024 and 2023, are as follows:

	2024	2023
Unrestricted investment return		
Interest and dividend income	\$ 28,173	\$ 12,891
Realized gains on sales of investments	66,900	64,336
Unrealized gains on investments	107,279	40,757
Total unrestricted investment return	<u>\$ 202,352</u>	<u>\$ 117,984</u>
Reported as		
Board-designated endowment income	\$ 22,638	\$ 8,140
Other operating revenue	5,535	4,751
Nonoperating investment return	174,179	105,093
Total unrestricted investment return	<u>\$ 202,352</u>	<u>\$ 117,984</u>
Donor-restricted investment return		
Interest and dividend income	\$ 4,092	\$ 3,915
Net realized and unrealized gains on investments	39,890	16,953
Total donor-restricted investment return	<u>43,982</u>	<u>20,868</u>
Total investment return	<u>\$ 246,334</u>	<u>\$ 138,852</u>

Typical redemption terms by asset class and type of investments include short-term investments; common stock and mutual funds; alternative investments; and U.S. Government and agency securities; corporate and municipal bonds and common collective trusts. Short-term investments and U.S. Government and agency securities; and corporate and municipal bonds; have daily redemption terms and no restrictions. Common stock, common collective trusts and mutual funds have daily to monthly redemption terms with notice periods of one to 10 days with no redemption restrictions. Alternative investments have monthly to annual redemption terms with varying notice periods, lock-up provisions ranging up to three years, and include private equity investments. A portion of hedge funds (alternative investments) are in side pockets with no redemptions permitted.

8. Fair Value Measurements

The Medical Center follows the provisions of the Financial Accounting Standards Board pronouncement on fair value measurements for financial instruments. The pronouncement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

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The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Medical Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

The following table presents the investments carried at fair value as of August 31, 2024, by caption, including the current portion of the self-insurance trust of \$31,699, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ 8,820	\$ -	\$ -	\$ 96,998	\$ 105,818
Common stock/collective trust and mutual funds	569,516	-	-	101,881	671,397
Alternative investments	-	-	880	824,265	825,145
U.S. Government and agency securities	-	154,063	-	-	154,063
Corporate and municipal bonds	-	245,610	-	-	245,610
Total assets at fair value	<u>\$ 578,336</u>	<u>\$ 399,673</u>	<u>\$ 880</u>	<u>\$ 1,023,144</u>	<u>\$ 2,002,033</u>

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The following table presents the investments carried at fair value as of August 31, 2023, by caption, including the current portion of the self-insurance trust of \$29,223, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ 62,273	\$ -	\$ -	\$ 32,335	\$ 94,608
Common stock/collective trust and mutual funds	478,441	-	-	87,433	565,874
Alternative investments	1,702	-	1,153	792,714	795,569
U.S. Government and agency securities	9,988	115,355	-	-	125,343
Corporate and municipal bonds	3,452	237,679	-	-	241,131
Total assets at fair value	<u>\$ 555,856</u>	<u>\$ 353,034</u>	<u>\$ 1,153</u>	<u>\$ 912,482</u>	<u>\$ 1,822,525</u>

The tables above do not include the Medical Center's interests in a joint venture and CIN of \$1,146 and \$1,705 as of August 31, 2024 and 2023, respectively.

Investments measured at fair value using net asset value ("NAV") per share (or equivalent) as a practical expedient were not classified in the fair value hierarchy, rather the amounts are presented to enable reconciliation of the fair value tables to the investments fair value line items presented in the consolidated balance sheets.

The following table is a rollforward of the August 31, 2024 and 2023, consolidated balance sheet amounts for financial instruments classified by the Medical Center within Level 3 of the fair value hierarchy.

	Level 3 Assets	
	Alternative Investments 2024	Alternative Investments 2023
Balances at beginning of year	\$ 1,153	\$ 1,930
Total net unrealized gain	36	60
Purchases	-	-
Sales	(309)	(837)
Balances at end of year	<u>\$ 880</u>	<u>\$ 1,153</u>

The following is a description of the Medical Center's valuation methodologies for investments measured at fair value.

Fair value for short-term investments, corporate stocks, international stocks, and mutual funds is measured using quoted market prices or NAV per share at the reporting date multiplied by the quantity held.

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U.S. Government bonds and agency securities, corporate bonds, municipal bonds and mortgage and asset-backed securities are measured using recent bid prices or average of bid/ask prices. Common collective trusts are measured using NAV.

The Medical Center has certain investments, principally limited liability corporations, partnerships, and absolute return strategy funds for which a portion of quoted market prices are not available. These investments are classified as alternative investments. The value of these alternative investments represents the ownership interest in the net asset value of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are based on appraisals, or other estimates that require varying degrees of judgment.

The Medical Center's investments are exposed to various kinds and levels of risk. Equity securities and equity mutual funds expose the Medical Center to market risk, performance risk and liquidity risk. 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 Medical Center 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 methods described above may produce a fair value calculation that may not be indicative of net realizable value nor reflective of future fair values. While the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date. The significant unobservable inputs used in the fair value measurement of the Medical Center's partnership investments include a combination of cost, discounted cash flow analysis, industry comparable and outside appraisals. Significant increases or decreases in any inputs used by investment managers in determining net asset values in isolation would result in a significantly lower or higher fair value measurement. Management has not developed quantitative inputs nor adjusted the fair values obtained from general partners for the alternative investments.

9. Endowments

The Medical Center's endowment fund consists of individual donor-restricted endowment funds and funds designated by its Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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Illinois passed the 'Uniform Prudent Management of Institutional Funds Act' ("UPMIFA"). The Medical Center has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Where the Board designates unrestricted funds to function as endowments they are classified as net assets without donor restriction.

The Medical Center had the following board-designated without donor restriction and donor-restricted endowment balances during the year ended August 31, 2024, delineated by net asset class:

	Board- Designated Endowment Funds	Donor-Restricted Endowment Funds	Total
Endowment net assets at beginning of year	\$ 179,249	\$ 264,903	\$ 444,152
Investment return			
Investment income	-	4,092	4,092
Realized and unrealized gain	-	36,071	36,071
Total investment return	-	40,163	40,163
Contributions	1,200	6,391	7,591
Spend rate allocation	7,034	-	7,034
Appropriation of endowment assets for expenditure	(7,484)	(9,368)	(16,852)
Other	-	1,154	1,154
Endowment net assets at end of year	\$ 179,999	\$ 303,243	\$ 483,242

The Medical Center had the following board-designated without donor restriction and donor-restricted endowment balances during the year ended August 31, 2023, delineated by net asset class:

	Board- Designated Endowment Funds	Donor-Restricted Endowment Funds	Total
Endowment net assets at beginning of year	\$ 178,876	\$ 247,320	\$ 426,196
Investment return			
Investment income	-	3,916	3,916
Realized and unrealized gain	-	15,790	15,790
Total investment return	-	19,706	19,706
Contributions	-	5,953	5,953
Spend rate allocation	7,034	-	7,034
Appropriation of endowment assets for expenditure	(6,661)	(8,660)	(15,321)
Other	-	584	584
Endowment net assets at end of year	\$ 179,249	\$ 264,903	\$ 444,152

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Descriptions of amounts classified, purpose and appropriations of board-designated net assets without donor-imposed restrictions as of August 31, 2024 and 2023, are as follows:

	2024	2023
Appropriations for Research	\$ 1,639	\$ 1,615
Appropriations for Pediatric Programs	5,845	5,046
	<u>\$ 7,484</u>	<u>\$ 6,661</u>

Descriptions of amounts classified as net assets with donor restrictions (endowments only) as of August 31, 2024 and 2023, are as follows:

	2024	2023
Restricted for Research	\$ 101,252	\$ 96,647
Restricted for Pediatric Programs	201,991	168,256
	<u>\$ 303,243</u>	<u>\$ 264,903</u>

Underwater Endowment Funds

From time to time, the fair value of net assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Such deficiencies generally result from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions to the endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no deficiencies as of August 31, 2024 and 2023.

Investment and Spend Rate Policies

The Medical Center has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of endowment assets. To achieve its long-term rate of return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). An endowment spend rate is established by management and approved annually by the Investment Committee of the Board of the Medical Center, which considers the following factors, specified by UPMIFA:

- The duration and preservation of the endowment
- The Medical Center’s institutional mission and purpose of its endowed funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments

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- Other available resources of the Medical Center
- The investment policy of the Medical Center

The spend rate for endowment funds in fiscal years 2024 and 2023 was 4%. The spend rate is applied to a three-year rolling average of the fund balance as of August 31, which incorporates all returns. For new endowed funds (not more than five years old), the Investment Committee may in one or more particular years apply a lower spend rate and/or appreciation allocation, if the Investment Committee deems it prudent to do so.

Substantially all net assets with donor restriction are restricted for research and programs. Substantially all net assets released from restrictions in fiscal years 2024 and 2023 were related to expenses incurred for research and programs.

10. Retirement Plans

The Medical Center has retirement plans covering substantially all full-time employees, including employees of affiliated corporations. The Medical Center has two defined contribution plans available to eligible employees and a frozen noncontributory defined benefit plan, the Value Growth Plan ('VGP').

There are two 403(b) defined contribution plans available only to eligible pediatric faculty within PFF, a mandatory plan and a voluntary plan, and the Hospital's plan available to all other eligible employees of the Medical Center. Participants of the PFF plan are required to make mandatory contributions of 5% of compensation. Each year that a mandatory contribution is made by a participant, PFF will make a matching contribution up to 10% of compensation. PFF faculty who are not eligible for the mandatory plan or who have not reached the IRS limits may participate in the voluntary plan with no match.

All non-PFF employees, who elect to contribute, are considered participants of the Hospital's plan. Participants of the Hospital plan may participate in a 403(b) defined contribution plan by entering into a salary reduction agreement to contribute a percentage of their compensation to the plan. New employees are automatically enrolled 60 days after hire at 2% if they have not already made an election. The Hospital matches 100% of the employee's contribution up to 5% of compensation. Employees must be employed three years to be vested in the Hospital match. The Hospital match was reduced to 2% as of July 3, 2024, due to the adverse financial effect of the cybersecurity incident (see Note 17). The Hospital match was increased back to 5% effective September 12, 2024.

The Medical Center's matching expense under both defined contribution plans totaled \$41,553 and \$40,813 in fiscal years 2024 and 2023, respectively.

The Medical Center also offers Executive and Physician 457(b) Income Deferral Plans, which are 100% employee funded. The plan assets and liabilities for August 31, 2024 and 2023, are \$11,693 and \$9,429, respectively. The plan assets are invested in mutual funds, which are Level 1 fair value measurements. The plan assets are included in investments and the plan liabilities are included in other noncurrent liabilities in the accompanying consolidated balance sheets.

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The VGP defined benefit plan is a cash balance plan and was frozen effective January 1, 2014. Previously accrued balances will continue to accrue interest; however, no further credits to these balances will be made. The interest, or earnings credit rate, is generally 4.5% annually.

The Medical Center also sponsors two nonqualified supplemental defined benefit retirement plans ('SERP'); a defined benefit plan ('DB SERP') and a defined contribution plan ('DC SERP') plan for certain key executives. The DB SERP plan is not funded and, therefore, has no plan assets. Benefits under the DB SERP are paid when incurred from the Medical Center's unrestricted net assets. As of August 31, 2024, there are no longer any participants in the DB SERP.

Further, increases in the DB SERP of \$28 and \$105 were recognized which represented a portion of the previously unrecognized gain of the plan as of August 31, 2024 and 2023, respectively.

Effective January 1, 2017, the Medical Center sponsors a nonqualified DC SERP for certain key executives. Under this plan, the accrued obligations are determined as of December 31 of each year using 14% of participants' gross pay reduced by an employer match on the qualified plan. The plan has a vesting service period of five years or attainment of age 62.

Effective January 1, 2019, LCSF received a transfer of the cash balance defined benefit retirement plan from Children's Surgical Foundation as a result of the affiliation agreement. The cash balance plan was established effective January 1, 2017. Participants are 100% vested after three years of service. Interest credit of 4%, compounded annually, based on 10% of the participant's compensation are credited to each participant's account. In July 2024, the Board of Directors approved the termination of the cash balance defined benefit retirement plan as of January 1, 2025.

Effective January 1, 2019, LCPAA acquired a new cash balance defined benefit retirement plan. Principal credits are ranging from 1.5% to 10% of annual compensation depending on the years of service and credited to each participant's account. Plan interest credit is stated at 5%. Eligibility is based on completion of two years of service. However, this requirement is waived for participants employed on January 1, 2019. In July 2024, the Board of Directors approved the termination of the cash balance defined benefit retirement plan as of January 1, 2025.

Pension expense (credit) for the VGP and nonqualified DB SERP plan, as determined by an independent actuary, includes the following components:

	DB SERP		VGP	
	2024	2023	2024	2023
Service cost, benefits earned during the year	\$ -	\$ 55	\$ -	\$ -
Interest on projected benefit obligation	10	25	7,727	7,304
Expected return on assets	-	-	(7,768)	(7,178)
Amortization of actuarial (gain) loss	(25)	(27)	1,139	1,178
Amortization of prior service cost	(28)	-	110	110
Pension settlement	-	(105)	-	-
Total pension expense (credit)	\$ (43)	\$ (52)	\$ 1,208	\$ 1,414

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Pension expense for the LCSF and LCPAA cash balance pension plans, as determined by an independent actuary, includes the following components:

	LCSF		LCPAA	
	2024	2023	2024	2023
Service cost, benefits earned during the year	\$ 3,218	\$ 3,329	\$ 463	\$ 502
Interest on projected benefit obligation	978	798	89	76
Expected return on assets	(1,381)	(1,024)	(114)	(93)
Amortization of actuarial loss (gain)	220	285	(3)	-
Total pension expense	\$ 3,035	\$ 3,388	\$ 435	\$ 485

The funded status of the VGP and nonqualified SERP plans at the end of the year was as follows:

	DB SERP		DC SERP		VGP	
	2024	2023	2024	2023	2024	2023
Funded status at end of year						
Projected benefit obligation	\$ -	\$ (330)	\$ (5,537)	\$ (4,608)	\$ (152,186)	\$ (144,651)
Plan assets at fair value	-	-	-	-	151,007	145,394
(Deficiency)/excess of plan assets over projected benefit obligation	\$ -	\$ (330)	\$ (5,537)	\$ (4,608)	\$ (1,179)	\$ 743
Amounts recognized in the consolidated balance sheets consist of						
Current liability	\$ -	\$ (330)	\$ -	\$ -	\$ -	\$ -
Noncurrent assets (liabilities)	-	-	(5,537)	(4,608)	(1,179)	743
	\$ -	\$ (330)	\$ (5,537)	\$ (4,608)	\$ (1,179)	\$ 743

The funded status of the LCSF and LCPAA cash balance plans at the end of the year was as follows:

	LCSF		LCPAA	
	2024	2023	2024	2023
Funded status at end of year				
Projected benefit obligation	\$ (26,546)	\$ (22,046)	\$ (2,249)	\$ (1,829)
Plan assets at fair market value	26,322	22,222	1,875	1,582
(Deficiency)/excess of plan assets over projected benefit obligation	\$ (224)	\$ 176	\$ (374)	\$ (247)
Amounts recognized in the consolidated balance sheets consist of				
Noncurrent assets (liabilities)	\$ (224)	\$ 176	\$ (374)	\$ (247)
	\$ (224)	\$ 176	\$ (374)	\$ (247)

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The change in the accumulated benefit obligation during fiscal years 2024 and 2023 is summarized as follows:

	DB SERP		VGP	
	2024	2023	2024	2023
Projected benefit obligation at beginning of measurement year	\$ 330	\$ 959	\$ 144,651	\$ 157,277
Service cost	-	55	-	-
Interest cost	10	25	7,727	7,304
Actuarial loss (gain)	-	(57)	7,734	(11,165)
Benefits paid	-	-	(7,926)	(8,765)
Settlements	(340)	(652)	-	-
Projected benefit obligation at end of measurement year	\$ -	\$ 330	\$ 152,186	\$ 144,651

The accumulated benefit obligation for the VGP was \$152,186 and \$144,651 at August 31, 2024 and 2023, respectively. The accumulated benefit obligation for the DB SERP plan was \$0 and \$330 at August 31, 2024 and 2023, respectively.

The change in the projected benefit obligation during fiscal years 2024 and 2023 is summarized as follows:

	LCSF		LCPAA	
	2024	2023	2024	2023
Projected benefit obligation at beginning of measurement year	\$ 22,046	\$ 20,592	\$ 1,829	\$ 1,641
Service cost	3,218	3,329	463	502
Interest cost	978	798	89	76
Actuarial gain	870	(970)	115	(195)
Benefits paid	(566)	(1,703)	(247)	(195)
Projected benefit obligation at end of measurement year	\$ 26,546	\$ 22,046	\$ 2,249	\$ 1,829

The accumulated benefit obligation for the LCSF cash balance plan was \$26,546 and \$22,046 as of August 31, 2024 and 2023, respectively. The accumulated benefit obligation for the LCPAA cash balance plan was \$2,249 and \$1,829 as of August 31, 2024 and 2023, respectively.

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The change in VGP plan assets during fiscal years 2024 and 2023 is summarized as follows:

	VGP	
	2024	2023
Plan assets, at fair value at beginning of measurement year	\$ 145,394	\$ 156,209
Actual return on plan assets	13,539	(2,050)
Benefits paid	<u>(7,926)</u>	<u>(8,765)</u>
Plan assets, at fair value at end of measurement year	<u>\$ 151,007</u>	<u>\$ 145,394</u>

The change in LCSF plan assets during fiscal years 2024 and 2023 is summarized as follows:

	LCSF	
	2024	2023
Plan assets, at fair value at beginning of measurement year	\$ 22,222	\$ 15,916
Actual return on plan assets	1,420	528
Employer contributions	3,246	7,481
Benefits paid	<u>(566)</u>	<u>(1,703)</u>
Plan assets, at fair value at end of measurement year	<u>\$ 26,322</u>	<u>\$ 22,222</u>

The Medical Center expects to contribute \$4,413 to the LCSF plan during the year ending August 31, 2025.

The following table presents the VGP plan investments carried at fair value as of August 31, 2024, by caption, by the valuation hierarchy defined in Note 8:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ -	\$ -	\$ -	\$ 3,617	\$ 3,617
Common stock	-	-	-	14,168	14,168
Other fixed income	-	-	-	133,222	133,222
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,007</u>	<u>\$ 151,007</u>

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The following table presents the VGP plan investments carried at fair value as of August 31, 2023, by caption, by the valuation hierarchy defined in Note 8:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ -	\$ -	\$ -	\$ 3,358	\$ 3,358
Common stock	-	-	-	14,621	14,621
Other fixed income	-	-	-	127,415	127,415
Total assets at fair value	\$ -	\$ -	\$ -	\$ 145,394	\$ 145,394

The following table presents the LCSF cash balance plan investments carried at fair value as of August 31, 2024, by caption, by the valuation hierarchy defined in Note 8:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ -	\$ -	\$ -	\$ 26,322	\$ 26,322
Common stock	-	-	-	-	-
Fixed income	-	-	-	-	-
Total assets at fair value	\$ -	\$ -	\$ -	\$ 26,322	\$ 26,322

The following table presents the LCSF cash balance plan investments carried at fair value as of August 31, 2023, by caption, by the valuation hierarchy defined in Note 8:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ -	\$ -	\$ -	\$ 1,726	\$ 1,726
Common stock	10,509	-	-	-	10,509
Fixed income	2,180	-	-	7,807	9,987
Total assets at fair value	\$ 12,689	\$ -	\$ -	\$ 9,533	\$ 22,222

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The following table presents the LCPAA cash balance plan investments carried at fair value as of August 31, 2024, by caption, by the valuation hierarchy defined in Note 8:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ -	\$ -	\$ -	\$ 1,875	\$ 1,875
Common stock	-	-	-	-	-
Fixed income	-	-	-	-	-
Total assets at fair value	\$ -	\$ -	\$ -	\$ 1,875	\$ 1,875

The following table presents the LCPAA cash balance plan investments carried at fair value as of August 31, 2023, by caption, by the valuation hierarchy defined in Note 8:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock	836	-	-	-	836
Fixed income	761	-	-	13	774
Total assets at fair value	\$ 1,597	\$ -	\$ -	\$ 13	\$ 1,610

Investments measured at fair value using NAV per share (or equivalent) as a practical expedient were not classified in the fair value hierarchy, rather the amounts are presented to enable reconciliation of the fair value tables to the investments fair value line items presented in the plan assets.

The Medical Center's VGP pension plan weighted-average asset allocation at August 31, 2024 and 2023, by asset category is as follows:

	2024	2023
Asset category		
Return-seeking assets	9 %	10 %
Liability-hedging assets	91	90
	<u>100 %</u>	<u>100 %</u>

The Medical Center's VGP pension plan assets are invested with external managers and asset allocation is determined using a liability-hedging approach. Pension plan assets are invested in two pools: return-seeking assets and liability-hedging assets. The target allocation between return-seeking assets and liability-hedging assets changes based on a predetermined glide path policy as the plan's funded status changes.

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The objective of the return-seeking assets is to generate long-term asset growth for the pension plan. Return-seeking assets generally consist of equity securities, including public equities traded in both domestic and international markets, invested in accordance with the target allocations listed below:

The objective of holding liability-hedging assets is to dampen the plan's surplus volatility. High-quality investment grade bonds with durations that approximate the durations of the liabilities are most commonly used for liability-hedging assets.

Estimated future pension benefit payments are as follows:

	DC SERP	VGP	LCSF	LCPAA	Total
Years Ending August 31,					
2025	\$ 381	\$ 13,538	\$ 5,685	\$ 562	\$ 20,166
2026	-	9,502	1,492	-	10,994
2027	-	9,349	1,439	-	10,788
2028	-	9,660	1,714	-	11,374
2029	-	9,847	1,664	-	11,511
2030-2034	-	44,997	8,663	172	53,832
	<u>\$ 381</u>	<u>\$ 96,893</u>	<u>\$ 20,657</u>	<u>\$ 734</u>	<u>\$ 118,665</u>

Weighted-average assumptions used to determine benefit obligations at August 31, 2024 and 2023, are as follows:

	DB SERP		DC SERP		VGP	
	2024	2023	2024	2023	2024	2023
Discount rate	N/A	5.9 %	0.0 %	0.0 %	5.6 %	5.6 %
Rate of compensation increase	N/A	4.0	4.0	4.0	0.0	0.0
	LCSF		LCPAA			
	2024	2023	2024	2023		
Discount rate	5.0 %	5.2 %	5.2 %	5.4 %		
Rate of compensation increase	3.0	3.0	3.0	3.0		

Weighted-average assumptions used to determine net periodic pension benefit cost in fiscal years 2024 and 2023, are as follows:

The discount rate was determined by constructing hypothetical yield curves based on yields of corporate bonds rated AA quality. The expected rate of return on plan assets was determined by using the historical return on the various asset classes in which the plan invests.

11. Long-Term Debt

In May 2017, the Illinois Finance Authority issued \$135,480 of Revenue Refunding Bonds, ('Series 2017') at a premium totaling \$13,416 with an equity contribution of \$11,411 on behalf of the Hospital. The proceeds of the Series 2017 bonds were used to refund the \$148,900 par amount of the Series 2008B bonds.

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In January 2018, the Illinois Finance Authority issued \$223,550 of Taxable Revenue Refunding Bonds ('Series 2018') at par value on behalf of the Hospital. The proceeds of the Series 2018 bonds were used to refund the \$212,000 par amount of the Series 2008A bonds. The Medical Center's long-term bonds are issued under a Master Trust Indenture ('Indenture') dated May 1, 2008, as amended and restated. There are no significant changes to the underlying covenants in the Indenture. Obligations under the Indenture are collateralized by a pledge of the unrestricted receivables and assignable general intangibles of the Obligated Group, which consists of the Hospital and the Foundation (the 'Obligated Group'). Series 2017 and 2018 are the only outstanding bonds of the Medical Center.

The chart below outlines debt as of August 31, 2024 and 2023:

	2024	2023
Illinois Finance Authority revenue bonds, Series 2017, fixed interest rate ranging from 4.00% to 5.00% (premium based on imputed interest rate of 3.62%), maturing annually in principal amounts ranging from \$6,860 in August 2025 to \$13,695 in August 2039.	\$ 100,680	\$ 107,210
Illinois Finance Authority taxable revenue bonds, Series 2018, fixed interest rate ranging from 3.50% to 3.95%, maturing annually in principal amounts ranging from \$4,840 in August 2028 to \$22,850 in August 2047.	223,550	223,550
Total debt outstanding	324,230	330,760
Unamortized premium	6,452	7,271
Less: Unamortized bond issuance costs	(2,443)	(2,659)
Long-term debt	\$ 328,239	\$ 335,372

Future maturities of total outstanding debt at August 31, 2024, are as follows:

Years Ending August 31,

2025	\$ 6,860
2026	7,200
2027	7,560
2028	9,545
2029	10,875
Thereafter	282,190
	\$ 324,230

The Obligated Group is subject to various nonfinancial and financial covenants. The Obligated Group was in compliance with its debt covenants as of August 31, 2024 and 2023.

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As of August 31, 2024, the Medical Center had line of credit agreements with three commercial banks for \$45,000, \$30,000 and \$25,000. The lines of credit provide for interest rates based on various spreads to the Secured Overnight Financing Rate. There were no amounts outstanding or borrowings made under the lines of credit as of and for the years ended August 31, 2024 or 2023.

12. Leases

The Medical Center leases office and clinical space as well as real estate with lease terms ranging from 1 to 10 years with some options to extend. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

The depreciable lives of assets are limited by the expected lease terms. The majority of leases do not provide an implicit rate; therefore, the Medical Center has elected to use a risk-free rate of return as the discount rate. The Medical Center used the risk-free rate of return on September 1, 2020, for operating leases that commenced prior to that date.

Termination of these leases is generally prohibited unless there is a violation under the lease agreement.

Operating leases are classified as follows within the accompanying consolidated balance sheets at August 31, 2024 and 2023:

	<u>Classification</u>	<u>2024</u>	<u>2023</u>
Assets			
Noncurrent			
Operating	Operating lease right-of-use assets	\$ 30,965	\$ 62,808
	Total lease assets	<u>\$ 30,965</u>	<u>\$ 62,808</u>
Liabilities			
Current			
Operating	Operating lease liabilities	\$ 9,702	\$ 13,436
Noncurrent			
Operating	Operating lease liabilities	38,514	80,183
	Total lease liabilities	<u>\$ 48,216</u>	<u>\$ 93,619</u>

On June 4, 2024, the Medical Center acquired a building in which the Medical Center previously leased space for a total purchase price of \$99,500. On July 24, 2024, the Medical Center acquired a building in which the Medical Center previously leased space for a total purchase price of \$30,400. These acquisitions resulted in a reduction in operating lease right-of-use assets and operating lease liabilities of \$24,620 and \$34,683, respectively.

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Lease costs are classified as follows within the accompanying consolidated statements of operations and changes in net assets for the years ended August 31, 2024 and 2023:

<u>Lease Cost</u>	<u>Classification</u>	<u>2024</u>	<u>2023</u>
Operating lease cost	Supplies and services	\$ 18,844	\$ 20,302
Short-term lease cost	Supplies and services	128	125
Variable lease cost	Supplies and services	73	137
Total lease cost		<u>\$ 19,045</u>	<u>\$ 20,564</u>

Lease-terms, discount rates and other supplemental information as of and for the years ended August 31, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term (in years)		
Operating	5.76	7.42
Weighted-average discount rate		
Operating	1.16%	0.81%
Cash paid for amounts included in the measurement of operating lease liabilities		
Operating cash flows from operating leases	\$ 10,719	\$ 11,238

Future maturities of operating lease liabilities at August 31, 2024, are as follows:

2025	\$ 10,140
2026	10,366
2027	10,119
2028	5,959
2029	3,273
Thereafter	<u>10,192</u>
Future minimum lease payments	50,049
Less: Remaining imputed interest	<u>1,833</u>
Total	<u>\$ 48,216</u>

13. Professional and General Liability Insurance

The Medical Center maintains a program of self-insurance for professional and general liability risks. This program is maintained on behalf of all Medical Center affiliates and employees, including the employed physicians of PFF, LCMG, LCPC, LCSF, and LCPSA. More than 800 hospital-based physicians are covered by this program.

The Medical Center self-insures the first losses for both professional and general liability claims. The estimated liability for self-insured claims and the required funding for the trust are determined annually by an independent actuary and are based upon case reserves and actuarial estimates for claims that have been incurred but not yet reported. The self-insured portion of the program is administered by an independent trustee.

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The Medical Center incurred \$33,000 and \$33,060 in expense for fiscal years 2024 and 2023, respectively, for self-insured professional and general liability risk. The Medical Center's self-insurance liability has been discounted at 4% at August 31, 2024 and 2023. The effect of discounting the value of estimated liabilities was \$31,875 and \$30,831 at August 31, 2024 and 2023, respectively. Further, the Medical Center recorded an estimated liability of \$233,319 and \$207,285 at August 31, 2024 and 2023, respectively, for self-insured professional and general liability risk. Part of the liability represents the potential impact from the Illinois Senate Bill 72 (Illinois Prejudgment Interest Act), which was effective July 1, 2021.

In addition to the self-insured portion, the Medical Center purchases commercial excess reinsurance policies for claims in excess of the self-insurance limits to manage potential losses of the self-insured portion. These excess insurance policies, which are claims-made, are purchased through CMMC Insurance.

CMMC Insurance writes the professional and general liability insurance for the Hospital and its affiliates. CMMC Insurance, in turn, purchases reinsurance equal to 100% of its exposure and, therefore, holds no risk on its own books. For the years ended August 31, 2024 and 2023, premiums ceded to reinsurers were \$3,619 and \$3,051, respectively. Reinsurance recoveries receivable on unpaid losses on an undiscounted basis, were \$19,193 and \$18,622, at August 31, 2024 and 2023, respectively. CMMC Insurance is operated to break even after all expenses.

14. Functional and Natural Expense Classification

The Medical Center provides health care services to children and conducts research and programs within its geographic region. Expenses, excluding interest and including fundraising (which are reported as nonoperating activities), related to providing these services, research, and programs by both functional and natural classification as follows:

Functional Expenses

	Patient Care Services	General and Administrative	Research and Mission-Related Programs	Fundraising	Total
August 31, 2024					
Salaries, wages and employee benefits	\$ 918,575	\$ 128,587	\$ 57,354	\$ 13,527	\$ 1,118,043
Supplies and services	318,181	106,665	72,048	7,674	504,568
Insurance	43,850	-	-	-	43,850
Medicaid assessment	30,433	-	-	-	30,433
Depreciation	73,451	9,938	7	-	83,396
Interest and financing costs	-	17,006	-	-	17,006
	\$ 1,384,490	\$ 262,196	\$ 129,409	\$ 21,201	\$ 1,797,296

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	Patient Care Services	General and Administrative	Research and Mission-Related Programs	Fundraising	Total
August 31, 2023					
Salaries, wages and employee benefits	\$ 862,636	\$ 125,098	\$ 43,425	\$ 13,182	\$ 1,044,341
Supplies and services	271,992	104,784	84,776	8,056	469,608
Insurance	42,912	-	-	-	42,912
Medicaid assessment	29,014	-	-	-	29,014
Depreciation	70,850	10,330	7	-	81,187
Interest and financing costs	-	16,684	-	-	16,684
	<u>\$ 1,277,404</u>	<u>\$ 256,896</u>	<u>\$ 128,208</u>	<u>\$ 21,238</u>	<u>\$ 1,683,746</u>

Natural Expense Classification

	2024	2023
Expenditures charged to net assets with donor restrictions	\$ 151,383	\$ 130,474
Expenditures charged to net assets without donor restrictions	<u>1,645,913</u>	<u>1,553,272</u>
Total expenditures	<u>\$ 1,797,296</u>	<u>\$ 1,683,746</u>

15. Commitments and Contingencies

Health Care Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management believes that the Medical Center is in compliance, in all material respects, with fraud and abuse statutes, as well as with other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material effect on the consolidated financial statements have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation

There are lawsuits, pending claims, and incidents that occurred in the past whereby claims have been made and may be asserted against the Medical Center for which the ultimate liability, if any, cannot be reasonably estimated. Management believes that the ultimate resolution of these claims will not have a material adverse effect upon the Medical Center's consolidated financial position or results of operations. See Note 17 regarding litigation resulting from the January 2024 cybersecurity incident.

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 (Dollars in Thousands)**

Investments

The Medical Center has contractual commitments totaling \$533,800 with its private equity investment funds. As of August 31, 2024, the Medical Center’s remaining capital commitments are \$166,659. Future capital calls are expected to occur over the next several years and will be initiated by the general partner of the investment as investments are made by the funds.

Asset Retirement Obligation

An asset retirement obligation represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

The Medical Center has evaluated its leased and owned properties for potential asset retirement obligations. Based on this review, the Medical Center identified obligations primarily related to the removal of certain materials previously utilized in the construction process. The total retirement obligation of \$4,342 and \$416 was recognized as of August 31, 2024 and 2023, respectively, which was recorded as other noncurrent liabilities in the consolidated balance sheets.

16. Liquidity

Financial assets available for general expenditure within one year of the consolidated balance sheet date comprise the following at August 31:

	2024	2023
Cash and cash equivalents	\$ 38,672	\$ 78,198
Patient accounts receivable	355,957	321,286
Pledges receivable	26,745	26,554
Other receivables	114,977	74,886
Investments	1,501,977	1,369,581
	<u>\$ 2,038,328</u>	<u>\$ 1,870,505</u>

17. Cybersecurity Incident, Litigation, and Regulatory Matters

In January 2024, the Medical Center experienced a cybersecurity attack ultimately impacting certain of its information technology (IT) systems, electronic environment, and data. On January 31, 2024, to protect its systems and its ability to continue operations, the Medical Center took certain electronic systems offline, including email, phones, its electronic health record system (Epic), and Epic’s patient portal (MyChart). The Medical Center activated its standard incident response procedures, including its Hospital Incident Command Structure (HICS). Additionally, the Medical Center retained leading cybersecurity experts and legal counsel in connection with its investigation and recovery from the matter. The Medical Center has worked closely with federal law enforcement throughout its investigation. No threat actor activity has been identified in the Medical Center’s environment since January 31, 2024. The Medical Center’s investigation is ongoing. The matter did not materially impact the Medical Center’s ability to provide patient care services.

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The Medical Center maintains insurance, including coverage for certain cyber-related losses subject to aggregate policy limitations of \$20,000, after certain deductibles. As of and for the year ended August 31, 2024, \$2,000 of insurance recoveries for business interruption losses were recorded in other current assets and other operating revenue in the accompanying consolidated financial statements which was received in September 2024. As of December 19, 2024, the Medical Center has received an additional \$18,000, for a total of \$20,000, in business interruption recoveries.

On June 27, 2024, the Medical Center began notifying individuals whose data was impacted during the cybersecurity attack, including through mailing notification letters and other methods. Mailing notification letters was completed on or about July 2, 2024. The Medical Center also notified regulators on June 27-28, 2024, as required by applicable law, and is cooperating with federal and state regulators' inquiries. As of December 19, 2024, the Medical Center has responded to inquiries from at least eleven (11) regulators with respect to the cybersecurity attack.

Twenty-two separate purported class action lawsuits were filed against the Medical Center or its subsidiaries in connection with the cybersecurity attack in the United States Court for the Northern District of Illinois and the Circuit Court for Cook County Illinois. Nine (9) cases were filed in federal court and thirteen (13) cases were filed in state court. As of November 15, 2024, claims asserted against the Medical Center in state court are proceeding under a single second amended consolidated class action complaint. All previously filed individual state court complaints have been dismissed by court order. As of December 13, 2024, claims asserted against the Medical Center in federal court are proceeding under a single consolidated amended class action complaint. The Medical Center has filed a motion to dismiss the state court consolidated complaint. The Medical Center anticipates responding to the consolidated federal court complaint on or before January 29, 2025. The Medical Center believes it has meritorious defenses to the allegations and claims asserted in both the state and federal complaints and intends to defend itself in those proceedings. In accordance with the applicable accounting guidance, an accrual for a loss contingency has been recorded in self-insurance liability in the accompanying consolidated financial statements.

18. Subsequent Events

The Medical Center has evaluated all events and transactions that occurred after the consolidated balance sheet date and through the date that the consolidated financial statements were issued. There were no significant subsequent events or transactions through this date.

Supplemental Information

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidating Balance Sheet

August 31, 2024

(Dollars in Thousands)

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago Foundation	Obligated Group	Stanley Manne Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CMMC Insurance Co. Ltd	Children's Health Services, LLC	Lurie Children's Primary Care	Lurie Children's Pediatric Anesthesia Associates	Lurie Children's Surgical Foundation Inc.	Faculty Practice Plan	Eliminating Entities	Total
Assets																
Current assets																
Cash and cash equivalents	\$ 31,417	\$ -	\$ 31,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,255	\$ -	\$ 38,672
Current portion of self-insurance trust	31,699	-	31,699	-	-	-	-	-	-	-	-	-	-	-	-	31,699
Prepaid accounts receivable	324,225	-	324,225	-	17,984	2,544	695	22,812	-	464	184	2,634	7,647	-	-	336,957
Other current assets	146,881	2,621	149,502	807	9,614	3,715	176	222	22,812	2	604	961	1,626	107	(3,684)	163,344
Total current assets	1,552,722	2,621	1,555,343	807	26,986	3,519	1,071	22,812	22,812	466	788	3,215	9,273	7,362	(3,684)	609,672
Investments	1,852,775	-	1,852,775	-	-	-	-	146	238	-	-	-	-	19,467	(1,148)	1,871,480
Property and equipment, at cost	1,801,770	1,615	1,803,385	182,142	-	-	2,948	-	-	426	4,371	-	-	-	-	2,103,278
Lease, Accumulated Depreciation	916,200	1,615	917,815	50,066	-	-	1,168	-	-	3	3,407	-	-	-	-	982,489
Total property and equipment	893,576	-	893,576	134,046	-	-	1,760	-	-	423	984	-	-	-	-	1,120,769
Operating lease right-of-use assets	21,335	-	21,335	-	-	-	1,179	-	-	2,297	6,154	-	-	-	-	30,965
Other assets	60,362	-	60,362	-	-	-	-	-	-	-	-	-	-	-	-	60,362
Pledges receivable restricted by donors	934	-	934	-	-	-	-	-	-	3,759	1,418	-	-	-	-	6,111
Other	61,296	-	61,296	-	-	-	-	-	-	3,759	1,418	-	-	-	-	66,473
Total other assets	3,552,204	2,621	3,554,825	134,853	26,986	3,519	4,000	368	23,050	8,925	9,324	3,215	9,273	26,828	(4,530)	3,799,379
Liabilities and Net Assets																
Current liabilities																
Accounts payable and accrued expenses	\$ 6,860	\$ -	\$ 6,860	\$ 4,453	\$ 25,828	\$ 7,813	\$ 233	\$ 214	\$ 3,711	\$ 621	\$ 2,056	\$ 4,495	\$ 1,322	\$ 14	\$ -	\$ 6,860
Current portion of self-insurance liability	332,103	2,562	334,665	-	-	-	-	-	-	-	-	-	-	-	(3,684)	331,830
Due to third-party payors	31,699	-	31,699	-	2,712	-	-	-	-	-	-	-	-	-	-	31,699
Current portion of operating lease liabilities	159,562	-	159,562	-	-	-	236	-	-	-	-	-	-	-	-	162,264
Other noncurrent liabilities	8,983	-	8,983	-	-	-	-	-	-	231	252	-	-	-	-	9,702
Total current liabilities	539,197	2,562	541,749	4,453	28,640	7,813	469	214	3,711	852	2,307	4,495	1,322	14	(3,684)	592,355
Self-insurance liability, less current portion	182,427	-	182,427	-	-	-	-	-	19,183	-	-	-	-	-	-	201,620
Other noncurrent liabilities	25,267	-	25,267	-	-	-	459	-	-	-	-	-	-	-	-	26,324
Operating lease liabilities, less current portion	28,872	-	28,872	-	-	-	1,029	-	-	2,175	6,438	374	724	-	-	38,514
Long-term debt, less current portion	321,378	-	321,378	-	-	-	-	-	-	-	-	-	-	-	-	321,378
Total liabilities	1,097,142	2,562	1,099,694	4,453	28,640	7,813	1,967	214	22,904	3,027	8,745	4,869	1,546	14	(3,684)	1,180,192
Stockholder's equity																
Common stock	-	-	-	-	-	-	-	-	120	-	-	-	-	-	(120)	-
Retained earnings	-	-	-	-	-	-	-	-	26	-	-	-	-	-	(26)	-
Total stockholder's equity	-	-	-	-	-	-	-	-	146	-	-	-	-	-	(146)	-
Net assets	1,859,244	69	1,859,313	130,400	(1,642)	(4,294)	2,073	154	-	3,898	579	(1,654)	7,727	26,815	(1,000)	2,032,369
Without donor restrictions	586,818	-	586,818	-	-	-	-	-	-	-	-	-	-	-	-	586,818
With donor restrictions	2,452,062	69	2,452,131	130,400	(1,642)	(4,294)	2,073	154	-	3,898	579	(1,654)	7,727	26,815	(1,000)	2,819,187
Total net assets	3,552,204	2,621	3,554,825	134,853	26,986	3,519	4,036	398	23,050	8,925	9,324	3,215	9,273	26,828	(4,530)	3,799,379
Total liabilities and net assets																

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidating Balance Sheet August 31, 2023 (Dollars in Thousands)

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago	Stawley Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Hospital Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CHMC Insurance Co. Ltd	Lurie Children's Services, LLC	Lurie Children's Priority Care	Lurie Children's Pediatric Anesthesia Associates	Lurie Children's Surgical Foundation Etc.	Faculty Practice Plan	Eliminating Entries	Total
Assets																
Cash and cash equivalents	\$ 64,253	\$ 64,253	\$ -	\$ -	\$ -	\$ 5,809	\$ -	\$ -	\$ 246	\$ -	\$ -	\$ -	\$ -	\$ 7,790	\$ -	\$ 78,188
Current portion of self-insurance trust	29,223	29,223	-	-	-	-	-	-	-	-	-	-	-	-	-	29,223
Patient accounts receivable	263,664	263,664	-	-	11,570	5,484	1,066	-	21,673	2,222	302	6,633	10,405	-	-	321,286
Other current assets	85,717	1,768	1,768	474	14,743	1,196	84	78	21,919	2,223	1,058	7,338	2,237	1,327	(3,115)	128,645
Total current assets	469,857	1,768	1,768	474	26,313	12,579	1,060	78	21,919	2,223	1,058	7,338	12,837	1,327	(3,115)	557,352
Investments	1,778,962	1,778,962	-	-	-	-	-	153	-	-	-	-	-	16,945	(1,053)	1,795,007
Property and equipment, at cost	1,692,931	1,615	1,615	196,953	-	1,894,536	2,927	-	-	169	4,310	-	-	-	-	1,898,835
Less: Accumulated depreciation	844,935	1,615	1,615	54,188	-	846,540	1,051	-	-	169	3,235	-	-	-	-	905,014
Total property and equipment	847,996	1,615	1,615	142,765	-	1,047,996	1,876	-	-	169	1,075	-	-	-	-	993,821
Operating lease right-of-use assets	52,165	-	-	-	-	-	1,415	-	-	2,981	6,647	-	-	-	-	82,908
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledges receivable restricted by donors	74,297	74,297	-	-	-	-	-	-	-	-	-	-	-	-	-	74,297
Other	1,676	1,676	-	-	-	-	-	-	-	-	-	-	-	-	-	1,676
Total other assets	75,973	75,973	-	-	-	-	-	-	-	-	-	-	-	-	-	75,973
Total assets	\$ 3,218,953	\$ 3,220,741	\$ 1,768	\$ 143,239	\$ 26,313	\$ 12,579	\$ 4,381	\$ 229	\$ 21,919	\$ 6,732	\$ 10,198	\$ 7,338	\$ 12,813	\$ 26,062	\$ (4,168)	\$ 3,490,374
Liabilities and Net Assets																
Current liabilities	\$ 6,530	\$ 6,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,530
Current portion of long-term debt	191,020	194,441	3,421	5,577	27,304	9,128	621	662	3,144	734	4,592	3,031	2,812	274	(3,115)	248,885
Accounts payable and accrued expenses	29,223	29,223	-	-	-	-	-	-	-	-	-	-	-	-	-	29,223
Current portion of self-insurance liability	114,907	114,907	-	-	4,724	1,677	-	-	-	-	450	-	-	-	-	121,758
Due to third-party payors	12,781	12,761	-	-	-	-	228	-	-	215	232	-	-	-	-	13,148
Current portion of operating lease liabilities	354,441	357,862	3,421	5,517	32,028	10,805	849	662	3,144	849	5,264	3,031	2,812	274	(3,115)	418,942
Total current liabilities	328,942	328,842	3,421	5,517	32,028	10,805	849	662	3,144	849	5,264	3,031	2,812	274	(3,115)	328,942
Long-term debt, less current portion	159,440	159,440	-	-	-	-	-	-	-	-	-	-	-	-	-	159,440
Self-insurance liability, less current portion	69,964	69,964	-	-	-	-	-	-	-	-	-	-	-	-	-	69,964
Operating lease liabilities, less current portion	37,157	37,157	-	-	-	-	265	-	-	2,406	6,546	-	-	-	-	178,062
Other non-current liabilities	929,844	933,265	3,421	5,577	32,028	10,805	2,645	662	21,768	3,355	11,812	3,250	2,812	274	(3,115)	1,024,936
Total liabilities	1,733,965	1,731,932	(1,633)	137,662	(5,715)	1,774	1,736	(433)	-	5,377	(1,614)	4,066	10,201	26,786	(900)	1,909,894
Common stock	555,544	555,544	-	-	-	-	-	-	-	-	-	-	-	-	-	555,544
Retained earnings	2,289,109	2,287,476	(1,833)	137,662	(5,715)	1,774	1,736	(433)	-	5,377	(1,614)	4,066	10,201	26,786	(900)	2,465,438
Total net assets	3,218,953	3,220,741	1,768	143,239	26,313	12,579	4,381	229	21,919	6,732	10,198	7,338	12,813	26,062	(4,168)	3,490,374

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Year Ended August 31, 2024 (Dollars in Thousands)

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago	Stanley Mann Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group, LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CHMC Insurance Co. Ltd	Lurie Children's Health Services, LLC	Lurie Children's Primary Care	Lurie Pediatric Anesthesia Associates	Lurie Children's Surgical Foundation Inc.	Faculty Practice Plan	Eliminating Entries	Total
Operating revenue	\$ 1,204,886	\$ -	\$ -	\$ 130,785	\$ 17,485	\$ 6,542	\$ -	\$ -	\$ 3,547	\$ 21,627	\$ 19,118	\$ 50,723	\$ -	\$ (390)	\$ 1,454,344
Patient service revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and philanthropy used for program purposes	53,898	-	18,290	2,685	686	66	-	-	310	-	1	473	-	(22,500)	53,899
Grants and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted income used for program purposes	97,484	-	28,828	608	276	-	-	-	-	-	36	257	-	(29,803)	97,484
Reor-designated	22,839	-	1,098	719	314	-	-	-	-	-	-	52	-	(2,245)	22,839
Other operating revenue	57,311	332	1,023	68,813	8,483	632	-	132	325	271	3,738	19,130	27,805	(85,794)	102,969
Total operating revenue	1,438,228	332	49,038	201,898	27,356	7,240	132	4,182	4,182	21,898	22,894	70,833	27,805	(160,732)	1,731,336
Operating expenses															
Salaries, wages and employee benefits	749,402	13,527	49,398	204,731	34,325	10,342	608	7,702	7,702	15,079	32,372	80,081	889	(71,418)	1,104,516
Supplies and services	458,520	7,298	11,701	37,215	5,982	1,055	915	1,351	1,351	3,886	3,151	4,483	24,958	(69,312)	498,884
Insurance	20,657	-	-	14,800	1,326	-	-	-	-	391	1,179	5,488	6	-	43,660
Medical assessment	30,433	-	-	-	-	-	-	-	-	-	-	-	-	-	30,433
Depreciation and amortization	73,736	-	9,315	-	-	117	-	-	56	172	-	-	-	-	83,386
Interest and financing costs	17,006	-	-	-	-	-	-	-	-	-	-	-	-	-	17,006
Total operating expenses	1,338,754	20,825	70,412	256,749	40,713	11,514	1,521	139	9,109	25,328	38,702	100,022	25,863	(140,731)	1,778,095
Income (loss) from operations	97,474	(20,493)	(21,374)	(52,089)	(13,359)	(4,274)	(1,521)	(7)	(4,927)	(3,430)	(13,808)	(28,387)	1,942	(1)	(44,761)
Nonoperating income (expense)															
Investment return (loss)	171,692	-	-	-	-	-	(7)	-	-	-	-	-	2,487	7	174,179
Unrestricted contributions and bequests	-	23,924	-	-	-	1,135	-	-	-	-	-	-	(500)	-	25,059
Fundraising expense	(11,853)	-	-	-	-	(208)	-	-	-	-	-	-	-	-	(12,061)
Other	-	-	-	-	-	72	-	-	-	-	28	183	-	(100)	(1,170)
Total nonoperating income (expense)	159,739	23,924	-	-	-	999	(7)	-	-	-	28	183	1,987	(83)	166,267
Excess (deficiency) of revenue over expenses	257,213	3,431	(21,374)	(52,089)	(13,359)	(3,275)	(1,528)	(7)	(4,927)	(3,430)	(13,780)	(28,204)	3,929	(94)	121,506
Net assets released from restrictions used for purchase and construction of property and equipment	318	-	-	-	-	-	-	-	-	-	-	-	-	-	318
Retirement plan-related change other than net periodic retirement plan cost	161	-	-	-	-	-	-	-	-	-	-	-	-	-	161
Other	1,365	(117)	-	-	-	-	-	-	-	-	(145)	(611)	-	-	(595)
Transfers (to) from affiliates	(123,374)	(1,612)	14,112	56,162	7,291	3,612	2,114	3,447	3,447	5,623	6,187	27,339	(2,901)	-	1,248
Change in net assets without donor restrictions	135,691	1,702	(7,262)	4,073	(6,068)	337	586	(7)	(1,480)	2,193	(5,738)	(2,416)	1,028	(94)	122,475

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Year Ended August 31, 2023 (Dollars in Thousands)

	Ann & Robert H. Lurie Children's Hospital of Chicago	Ann & Robert H. Lurie Children's Hospital of Chicago	Stanley Mennie Children's Research Institute	Pediatric Faculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CMHC Insurance Co. Ltd	Lurie Children's Health Services, LLC	Lurie Children's Primary Care	Lurie Pediatric Anesthesia Associates	Lurie Children's Surgical Foundation Inc.	Faculty Practice Plan	Eliminating Entries	Total
Operating revenue	\$ 1,188,870	\$ -	\$ -	\$ 134,881	\$ 16,782	\$ 6,450	\$ -	\$ -	\$ 2,222	\$ 22,202	\$ 20,702	\$ 52,162	\$ -	\$ (558)	\$ 1,423,523
Net assets released from restrictions															
Contributions and philanthropy	62,463		17,472	2,285	1,038	100			209	336		447		(21,096)	62,462
Grants for non-program purposes	88,011		24,053	1,220	411						18	213		(25,914)	68,012
Grants and other purposes	8,141		1,763	308	411				101			52		(3,098)	8,140
Board-designated income	44,870		193	62,847	8,101	246		128	362	168	3,514	16,820	26,585	(83,245)	80,489
Other operating revenue	1,352,155		43,501	201,551	26,741	8,808		128	2,794	22,706	24,234	69,694	27,028	(134,710)	1,642,626
Total operating revenue	1,654,450		62,463	342,062	395,362	15,604		256	3,383	25,116	27,718	86,614	53,613	(209,804)	1,835,335
Operating expenses	725,296		42,115	180,106	31,866	9,367	678		3,490	15,147	27,176	77,130	862	(92,764)	1,031,159
Salaries, wages, and employee benefits	392,581		13,643	39,504	5,854	973	485		1,893	9,002	3,428	12,599	24,408	(42,544)	481,552
Supplies and services	20,423			14,475	1,316					305	1,045	5,336	11		42,912
Insurance	29,014														29,014
Medical assessment	71,390		9,524			108				165					81,187
Depreciation and amortization	16,654														16,654
Interest and financing costs	20,768		65,292	244,086	38,926	10,448	1,143		5,183	24,619	31,649	95,085	25,281	(134,710)	1,652,508
Total operating expenses	1,255,388		(20,787)	225,389	70,792	(3,642)	(1,143)	(18)	(2,308)	(1,913)	(7,415)	(25,371)	1,745		(19,882)
Nonoperating income (expense)	104,484						(4)	15					594	4	105,093
Investment return (loss)	23,189					1,082						(45)	(500)		24,281
Unrestricted contributions and inquests	(8,002)					(102)								(100)	(8,043)
Fundraising expense															
Other	95,482					885	(41)	(5)			17	(105)	94	(96)	100,093
Total nonoperating income (expense)	193,249		(21,791)	(42,535)	(12,185)	(2,656)	(1,147)	(4)	(2,389)	(1,913)	(7,398)	(25,478)	1,839	(96)	80,211
Excess (deficiency) of revenue over expenses	1,060														1,060
Net assets released from restriction used for purchase and construction of property and equipment	2,924														2,924
Retirement plan-related change other than net periodic retirement plan cost	1,983														1,983
Other	(89,265)		(1,078)	11,756	(31,437)	2,969	1,030		7,842	(475)	10,879	37,287	495		3,903
Transfers (to) from affiliates															1,983
Change in net assets without donor restrictions	\$ 99,951	\$ 826	\$ (10,025)	\$ 18,482	\$ (43,652)	\$ 333	\$ (117)	\$ (4)	\$ 5,253	\$ (2,389)	\$ 3,601	\$ 12,530	\$ 2,334	\$ (96)	\$ 87,057

RatingsDirect®

Illinois Finance Authority Ann & Robert H Lurie Children's Hospital of Chicago; Hospital

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Ann & Robert H Lurie Children's Hospital of Chicago, Illinois

Illinois Finance Authority (Ann & Robert H. Lurie Children's Hospital of Chicago)

Long Term Rating

AA-/Negative

Outlook Revised

Credit Highlights

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'AA-' long-term rating on the Illinois Finance Authority's revenue bonds outstanding issued for the Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's).
- Children's Hospital of Chicago Medical Center is the parent organization for the system, and we refer to the combined system in this report as Lurie Children's.
- The outlook revision reflects our expectations for Lurie Children's potentially reduced cash flow following multiple years of operating losses followed by a challenging 2023 and 2024, with the latter year's performance mostly related to a cyber security event in early February.

Security

The obligated group's gross receipts secure the bonds.

Credit overview

The rating reflects our view of Lurie Children's good market share and strong positioning, albeit in the competitive Chicago-area market and with good partnerships across the region. In addition, Lurie Children's has made significant strides around research and clinical investments over the past several years that, along with simplification of its physician structure, should help it expand its presence among pediatric hospitals in the region and the U.S.

The rating also incorporates our view of Lurie Children's light and conservative debt structure that, along with steady investment income, has allowed for generally healthy maximum annual debt service coverage despite operating losses over the past few years. Unrestricted reserves remain sound, though days' cash on hand is down from the mid-300s, lighter than that of peers, and benefits from reduced capital expenditures that will likely need to increase for Lurie Children's to maintain its position in a more competitive market. Although we view the recent disruption resulting from the cyber attack as having eased in the late spring, the event came at a time when cash flow hadn't rebounded from the earlier sector pressures. We believe Lurie Children's healthy business position and balance sheet offer limited flexibility as it looks to improve performance over the next couple of years.

Our credit rating incorporates a one-notch positive holistic adjustment related to the very low debt and still healthy

business position along with the February 2024 cyber attack's significant impact on that year's losses. Furthermore, it reflects our view of management's initiatives to improve cash flow. That said, we would likely remove this holistic adjustment without significant improvement to performance or if certain reserve-related metrics further deteriorated.

Following higher operating losses in 2023, the abovementioned cyber attack of early February 2024 and significant one-time expenses with additional revenue loss from business interruption significantly affected fiscal 2024 results. In addition, Lurie Children's has experienced higher staffing expenses that began a couple of years ago, though we note a decrease in contract labor and uneven inpatient volumes. That said, management has made changes to its cost structure and is working through a host of initiatives to improve earnings. We expect a reduced though still meaningful operating loss for fiscal 2024 compared with interim 2024 given the performance improvement initiatives and as the cyber attack factors ease, and we expect further budgeted improvement in 2025 but still an operating loss as calculated by S&P Global Ratings.

We also expect increased capital spending, mostly for a larger ambulatory project in a neighboring suburb, along with routine spending, but believe that those will be managed within cash flow, as the organization has goals of maintaining days' cash on hand, at minimum. However, we believe that ongoing cash flow improvement is necessary to ensure appropriate investment. Lurie Children's is updating its strategic plan, which should be available at our next review and, although we don't expect any near-term significantly large capital spending projects, any sizable spending without improvement to cash flow could further influence our view of the rating.

The 'AA-' rating further reflects our view of Lurie Children's:

- Strong balance sheet, highlighted by very light debt and conservative debt structure and minimal liabilities outstanding with solid unrestricted reserves;
- Continued good business position as the only freestanding pediatric acute care facility in the state, with a strong relationship with Northwestern University's (AA+/Stable) Feinberg School of Medicine and Northwestern Memorial Hospital (AA+/Stable) and provision of the majority of high-acuity services with sound clinical partners and growing outpatient presence in the seven-county service area; and
- Consistently robust maximum annual debt service coverage through 2023 as a result of low debt and adequate cash flow supported by nonoperating income.

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

- Operating losses since the start of the pandemic that increased in 2024, though they mostly related to the cyber attack in February;
- Competition in the broader service area from other systems and academic medical centers that continue to invest in pediatric services, coupled with Lurie Children's reduced capital spending over the past few years and tightening of flexibility with lower days' cash on hand; and
- Operating income that depends somewhat on supplemental funds through the Illinois provider fee program, coupled with Medicaid exposure in a state with historical fiscal challenges.

Environmental, social, and governance

We consider Lurie Children's social capital risk higher given its elevated Medicaid exposure. While we recognize that its payer mix is more typical when compared with that of other children's hospitals, we view Illinois' Medicaid program as an additional risk, given the state's history of budget issues and delayed payments, although as of late there has been improvement. In addition, as with many health care organizations, Lurie Children's has had higher human capital risks tied to labor and staffing pressures that have manifested in higher expenses, but this has started to ease like many places.

While Lurie Children's experienced a significant cyber attack, we don't believe that this was due to heightened governance risk given this was its first such event and management responded quickly. We analyzed Lurie Children's environmental factors as neutral within our credit analysis.

Outlook

The negative outlook reflects our view that Lurie Children's cash flow could remain weak over the outlook period and that reserves, while still good, are not strong enough to support the rating--especially as capital expenses have also been below annual depreciation expense and will likely increase over the coming years.

Downside scenario

Given the history of recent operating losses, we are likely to consider a lower rating if Lurie Children's operating margins do not improve to at least break-even, by S&P Global Ratings' calculations, in 2025 with further improvement into 2026. In addition, we could consider a lower rating if unrestricted reserves or cash on hand do not remain around 300 days. While such a event is not expected over the near term, any deterioration in Lurie Children's business position could pressure the rating.

Upside scenario

We could revise the outlook to stable if cash flow improves at a stronger pace than budgeted and if the balance sheet ratios remain at least stable. Given recent operating pressures, we don't view a positive outlook or higher rating as likely over the outlook period.

Credit Opinion

Enterprise Profile: Very Strong

Good positioning as stand-alone pediatric provider, albeit in a competitive service area

As mentioned, Lurie Children's maintains a sound market position. This is reflected in its generally stable position (since 2019) in a large service area that incorporates Chicago and the surrounding counties, albeit with ongoing competition from other academic medical centers and larger systems. The hospital's consistently strong regional and national quality rankings across a broad range of pediatric specialties, along with its growing and diversified medical staff, support its market position.

Over the past several years, Lurie Children's has invested substantially in the organization through increased faculty employment and affiliations and additional inpatient capacity, outpatient satellite facilities, and research capabilities. In fact, research has almost doubled to a budgeted \$132 million in 2024 from \$76 million in 2017 and has largely been funded from external grants and philanthropy, with internal investment held at around \$25 million. We expect that research will continue to grow, as it is an important strategy for the hospital.

Significant physician alignment has occurred in 2024, including changes to compensation, and there will be one medical group effective Jan. 1, 2025, down from six, bringing further efficiencies and volumes. Lurie Children's has also worked over the past few years to expand its active physician base, which consists of more than 1,800 providers, including approximately 770 employed pediatric care and pediatric subspecialty physicians.

Lurie Children's also has a sizable geographic footprint through its ambulatory sites and branded clinics at hospitals across the Chicago area and partnership models with several regional hospitals and systems.

Overall pediatric services in the greater Chicago market continue to consolidate, specifically those services oriented toward tertiary and quaternary services. However, we believe that Lurie Children's, with a leading market share, depth of services, and large medical staff, and with the largest market share of high-acuity services, continues to hold a solid position.

Management reports that inpatient volumes are lower than expected and could reflect the shift to outpatient, as market share remains largely stable.

Lurie Children's remains the only stand-alone acute care pediatric facility in the state, although providers such as Advocate Aurora Health and University of Chicago's Comer Children's Hospital do provide competition for certain high-acuity services.

Cyber attack affected Lurie Children's beginning in the middle of second quarter fiscal 2024

The cyber attack was a ransomware attack that took Lurie Children's systems offline in early February 2024 and through early March 2024. Management had largely caught up on billing as of May 2024 and worked through most of its cash collections with minimal draws on its line. Although Lurie Children's cyber security preparation had no meaningful omissions, management has reviewed its cyber security measures and learnings to further fortify and prepare for a future attack, should one occur. We will monitor the number of lawsuits that have been filed in relation to the cyber attack and the impact of those on Lurie Children's credit profile.

Management focused on performance improvement and reviewing strategic priorities following the and of the Vision 2025 strategic plan

Following the events in 2023 and 2024, management has focused on performance improvement plans. These initiatives started in 2023 with the appointment of a new chief financial officer, resulting in slightly better performance through year-end 2023 that continued through early 2024 (prior to the cyber attack) and, while still an operating loss, was better than budget.

Given that the Vision 2025 strategic plan is coming to a close, the team will be developing an updated strategic plan. Vision 2025 strategies focused on advancing clinical service lines and research, increasing access and expanding patient draw, and improving care management and quality, all while focusing on employees and staff and maintaining

sound financial health. We believe the team has been successful in many of its strategies despite pandemic challenges and especially in advancing its quality, research, and clinical capabilities, but recognize that the current conditions create some challenges to certain initiatives, including expanded access. We expect that the new strategy will focus on some similar areas as Vision 2025 with additional considerations on partnerships and affiliations to enable expanded volumes for the hospital, and revisit areas of capital spending and needs. As those plans become more defined, we'll more fully incorporate them into our view of the rating.

Table 1

Ann & Robert H. Lurie Children's Hospital of Chicago--Enterprise Statistics				
	--Nine months ended May 31--		--Fiscal year ended Aug. 31--	
	2024	2023	2022	2021
PSA population	N.A.	1,900,000	1,900,000	1,900,000
PSA market share (%)	N.A.	30.8	28.9	31.7
Inpatient admissions*	8,063	9,781	9,397	9,184
Equivalent inpatient admissions	15,679	17,646	16,653	15,909
Emergency visits	55,163	55,674	55,565	39,292
Inpatient surgeries	3,631	4,816	4,564	4,702
Outpatient surgeries	14,878	20,308	17,605	16,105
Medicare case mix index	N.A.	N.A.	N.A.	N.A.
FTE employees	5,235	5,049	4,581	4,174
Active physicians§	N.A.	N.A.	1,830	N.A.
Employed physicians	N.A.	771	741	777
Based on net/gross revenues	N.A.	Net	Net	Net
Medicare (%)	N.A.	0	0	0
Medicaid (%)	N.A.	37.0	38.0	34.1
Commercial/Blues (%)	N.A.	60.0	60.0	63.0

*Excludes normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. §Includes employed physicians. FTE--Full-time equivalent. N.A.--Not available. PSA--Primary service area.

Financial Profile: Strong

Financial performance weakened at the start of the pandemic with increased losses in 2023 and interim 2024

The cyber attack had a significant impact on interim fiscal 2024's weak results, but softer inpatient volume also had an effect. That said, we expect final fiscal 2024 performance could be an improvement over that of interim 2024 given significant expense and revenue initiatives that were put in place after the cyber attack.

Management accelerated initiatives, including a staffing reduction of slightly more than 150 (mostly administrative) positions, pricing and rate review (commercial contracts), length-of-stay and access improvement with the new physician contracts, and continued focus on managing staffing and labor expenses. Management's focus on physician alignment and simplifying the physician group structure, including the compensation plan, should also help expenses and increase access and throughput.

In addition, consultants helped identify \$25 million of improvement in late 2023 and earlier in 2024, and Lurie Children's obtained additional Medicaid rates totaling around \$36 million effective Jan. 1, 2024. Fiscal 2023 results came in around budgeted expectations and were largely challenged by labor and inflationary expenses with no COVID-related stimulus in that year (or in 2024).

Healthy nonoperating revenue (investment income and unrestricted contributions) continued to support good debt service coverage through 2023, and this has continued through 2024 though at a slightly weaker level given the cyber attack challenges. We continue to move all investment income, including income tied to endowment spending, to nonoperating income. We also understand that management made its full \$16 million endowment draw for 2024 (from \$13 million in 2023) and that will likely continue for 2025 as it manages performance pressures. Fiscal 2025 full endowment draw will likely be around \$25 million in 2025.

We expect fiscal 2025 could still yield an operating loss though an improved result over that of 2023 and 2024, as calculated by S&P Global Ratings, unless initiatives and performance improve more meaningfully. Longer term, management has healthier targets that could put Lurie Children's in a better position to manage its operating and capital investments needed in this competitive region.

Lurie Children's balance sheet is a credit strength, although days' cash on hand has declined from earlier years' highs.

Reserves have continued to increase as a result of positive cash flow and, in most years, investment gains, albeit with limited capital spending. That said, days' cash on hand has stabilized at lower-than-historical levels (300), partly due to the significant growth in the expense base.

In addition, while capital spending is likely to be on par with that of recent years in 2024, Lurie Children's used \$133 million of reserves to buy two buildings (in which it had leased space) and will use these to consolidate other leased space and administrative functions and free up some hospital space. Days' cash on hand could modestly decline from this spending, though fiscal year-end investment returns could help partly offset that spending.

We expect capital spending to rise as cash flow improves, and thus days' cash on hand is likely to remain broadly stable at best, but this depends on investment performance and cash flow improvement. Management is targeting increased routine and strategic capital spending at likely more than \$120 million in 2025 from \$67 million in 2023 and around \$75 million in 2024 (excluding the recent building purchases).

Key projects include a new ambulatory site (approximately \$60 million) in Schaumburg, a neighboring northwest suburb of Chicago, a new interoperative MRI project, and some backfill related to the newly acquired buildings.

Management expects that spending is likely to remain at \$120 million to \$150 million annually over the medium term for general routine and infrastructure investment, largely supported by cash flow as it improves, although we expect that some debt could be considered depending on cash flow trends. As management completes its next strategic plan, we will monitor capital needs and sources of funding.

Lurie Children's has a history of successful fundraising and has extended its comprehensive "Campaign for Every Child" through 2025 with a focus on advancing its research agenda. The campaign had raised more than \$647 million as of end of July 2024, exceeding the goal of \$500 million. Lurie Children's has almost \$500 million of donor-restricted

and endowment investments that are not part of the unrestricted investments but that provide investment income flexibility to manage future clinical and research initiatives and any short-term needs with additional draws.

Lurie Children's maintains extremely low debt but sizable leases

Overall, Lurie Children's debt has continued to decrease with amortization, with modest leases of about \$72 million relative to \$328 million of long-term debt. We view the debt structure as conservative, with no debt-related contingent liquidity risks (including no direct placement debt and no swaps) and no large bullets or tenders. Lurie Children's also has lines of credit with three banks, with a total of \$100 million available and \$5 million drawn at May 31, 2024. Lurie Children's has no immediate plans to issue debt over the next year or two and until performance and cash flow improve.

Lurie Children's has a frozen defined benefit cash balance pension plan, and funding remains healthy at around 100% at fiscal year-end 2023 as a result of strong investment results.

Table 2

Ann & Robert H. Lurie Children's Hospital of Chicago--Financial Statistics					
	--Nine months ended May 31--		--Fiscal year ended Aug. 31--		'AA-' rated stand-alone hospital medians
	2024	2023	2022	2021	2021
Financial performance					
Net patient revenue (\$000s)	1,066,843	1,423,523	1,288,448	1,141,150	1,069,229
Total operating revenue (\$000s)	1,240,930	1,629,735	1,524,682	1,352,306	1,116,021
Total operating expenses (\$000s)	1,337,383	1,662,508	1,536,262	1,362,371	1,145,034
Operating income (\$000s)	(96,453)	(32,773)	(11,580)	(10,065)	25,596
Operating margin (%)	(7.77)	(2.01)	(0.76)	(0.74)	1.30
Net nonoperating income (\$000s)	72,225	72,227	65,008	79,875	40,719
Excess income (\$000s)	(24,228)	39,454	53,428	69,810	52,037
Excess margin (%)	(1.85)	2.32	3.36	4.87	4.80
Operating EBIDA margin (%)	(1.78)	3.99	6.23	7.26	8.00
EBIDA margin (%)	3.82	8.07	10.06	12.43	9.40
Net available for debt service (\$000s)	50,126	137,325	159,983	178,067	137,325
MADS (\$000s)	23,752	23,752	23,752	23,752	23,049
MADS coverage (x)	2.81	5.78	6.74	7.50	4.90
Operating-lease-adjusted coverage (x)	N.A.	3.57	4.07	4.56	3.90
Liquidity and financial flexibility					
Unrestricted reserves (\$000s)	1,392,417	1,259,122	1,222,024	1,284,134	1,077,922
Unrestricted days' cash on hand	298.8	290.6	308.4	368.9	324.3
Unrestricted reserves/total long-term debt (%)	424.0	382.9	363.7	374.4	315.1
Unrestricted reserves/contingent liabilities (%)	N.M.	N.M.	N.M.	N.M.	1601.5
Average age of plant (years)	11.8	11.1	9.4	8.4	11.4
Capital expenditures/depreciation and amortization (%)	77.5	83.0	54.5	65.7	121.3

Table 2

	Ann & Robert H. Lurie Children's Hospital of Chicago--Financial Statistics (cont.)				'AA-' rated stand-alone hospital medians
	--Nine months ended May 31--		--Fiscal year ended Aug. 31--		
	2024	2023	2022	2021	
Debt and liabilities					
Total long-term debt (\$000s)	328,390	328,842	336,028	342,949	285,689
Long-term debt/capitalization (%)	14.4	14.7	15.6	14.7	18.1
Contingent liabilities (\$000s)	0	0	0	0	70,018
Contingent liabilities/total long-term debt (%)	0.0	0.0	0.0	0.0	16.4
Debt burden (%)	1.36	1.40	1.49	1.66	1.90
Defined benefit plan funded status (%)	N.A.	100.51	99.32	105.49	100.4
Miscellaneous					
Medicare advance payments (\$000s)*	0	0	0	0	MNR
Short-term borrowings (\$000s)*	5,000	0	0	0	MNR
COVID-19 stimulus recognized (\$000s)	0	0	50,460	13,695	MNR
Risk-based capital ratio (%)	N.M.	N.M.	N.M.	N.M.	MNR
Total net special funding (\$000s)	80,728	82,306	58,055	40,648	MNR

*Excluded from unrestricted reserves, long-term debt, and contingent liabilities. MNR--Median not reported. N.A.--Not available. N.M.--Not meaningful.

Credit Snapshot

- Credit profile: Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) is a 364-staffed-bed children's hospital located in downtown Chicago. The obligated group consists of Lurie Children's and the Ann & Robert H. Lurie Children's Hospital of Chicago Foundation (the foundation). Entities outside of the obligated group include Stanley Manne Children's Research Institute; Lurie Children's Medical Group (LCMG), the one employed physician group that was recently consolidated from five groups; Almost Home Kids, an entity that provides transitional and respite care for children with medical complexity outside of the acute care setting; Children's Hospital of Chicago Medical Center (the parent); Lurie Children's Health Partners Care Coordination, an organization to coordinate and provide health care for medically complex children; and CMMC Insurance Co. Ltd., an offshore insurance captive. There is also a joint venture clinically integrated network with the community physicians and LCMG.
- Group rating methodology: Core

Related Research

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

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Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$10,280	\$5,060	\$15,340
Site Survey and Soil Investigation	0	0	0
Site Preparation	0	0	0
Off Site Work	0	0	0
New Construction Contracts	0	0	0
Modernization Contracts	\$552,359	\$243,795	\$796,154
Contingencies	\$55,236	\$24,380	\$79,616
Architectural/Engineering Fees	\$48,440	\$23,860	\$72,300
Consulting and Other Fees	\$112,695	\$45,505	\$158,200
Movable or Other Equipment (not in	\$90,475	\$44,561	\$135,036
Bond Issuance Expense (project related)	0	0	0
Net Int Expense During Constr (project related)	0	0	0
Fair Market Value of Leased Space or Equipment	0	0	0
Other Costs to Be Capitalized			
- IT	\$47,950	\$23,619	\$71,569
- artwork	\$500	\$500	\$1,000
- signage	\$500	\$500	\$1,000
- security	\$81,750	\$40,250	\$122,000
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS	\$1,000,185	\$452,030	\$1,452,215
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$1,000,185	\$452,030	\$1,452,215
Pledges	0	0	0
Gifts and Bequests	0	0	0
Bond Issues (project related)	0	0	0
Mortgages	0	0	0
Leases (fair market value)	0	0	0
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	\$1,000,185	\$452,030	\$1,452,215

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

Project Costs and Sources of Funds

Descriptions of Line Items of Cost

Line 1. Preplanning Costs \$15,340

This work entailed preliminary work prior to initial design and space lay-outs. Of this amount, \$10,280 is assigned to space regarded as clinical.

Line 6. Modernization Contracts \$796,154

The project is the build-out of 2,049 sq ft of shell space. Construction includes all HVAC (with special temperature and humidity requirements for medication processing), electrical and plumbing, cabinets, counter space, shelving and storage space for prescription processing and storage. Functional areas accommodate loading and receiving, prescription processing and fulfillment, medication packing and shipping (mail order service). The space layout includes a waiting area for patients/family members, a drop off and pick-up counter, call center, manager's room and storage.

Of the total \$796,154 modernization cost, \$552,359 is assigned to clinical functions.

Line 7. Contingencies \$79,696

Contingencies are an allowance for unforeseen conditions. Given that this space is unoccupied recently constructed shell space, contingencies are set at 10% for this project, below the standard of 15% allowed for modernization. The clinical contingency is \$55,236.

Line 8. Architectural/Engineering fees \$72,300

These fees cover final design and project oversight. A/E fees for this project are 9.1% for the total project, and 9.0% for the clinical components. These are within the State's range of 7.18% – 10.78% for outpatient clinic service facilities with total modernization and contingency costs below \$900,000.

Line 9. Consulting and Other Fees \$158,200

This line item includes project management, equipment and furnishings planning, the Certificate of Need consultant, and the CON application fee.

Line 10. Moveable or other equipment \$135,036

Equipment includes: refrigerators, freezers, label printers, barcode scanners, receipt printers, credit card terminals with signature pads, point of sale registers, and postage scale. There is a component budget for the preparation and processing of medications. Furnishings include call center desks, task

chairs, chairs for waiting guests, consult desk and chairs, manager office desk and chair, and lateral file cabinets.

The cost of clinical equipment and furnishings is \$90,475 of the total \$135,036.

Line 14. Other Costs to be Capitalized \$195,569

These other costs include:

\$71,569 for IT: document printers and scanners, phone, cabling separate from what has been included in the equipment line item above.

\$1,000 for artwork

\$1,000 for signs

\$122,000 for security: cameras and sensors, card access systems and door modification, cabling.

C. Reasonableness of Project Cost

COST AND SQUARE FOOT BY DEPARTMENT

Department	A		B		C		D		E		F		G	H	I	J				
	Cost / Sq ft		Mod		New Const		DGFS		Mod		DGFS						Const \$ (A x C)	Mod \$ (B x E)	Total Cost (G + H)	Vacated
	New																			
CLINICAL																				
Specialty Pharmacy			\$400.26						1,380			21%		\$552,359		\$552,359				
Clinical subtotal			\$400.26						1,380			21%		\$552,359		\$552,359				
NON-CLINICAL																				
Waiting area			\$363.87						192			21%		\$69,864		\$69,864				
Rx Drop-off and pick up			\$363.87						198			21%		\$72,047		\$72,047				
Call Center			\$363.87						47			21%		\$17,102		\$17,102				
Manager's office			\$363.87						95			21%		\$34,568		\$34,568				
Overstock storage			\$366.52						137			21%		\$50,214		\$50,214				
Subtotal non-clinical			\$364.41						669			21%		\$243,795		\$243,795				
TOTAL			\$388.56						2,049			21%		\$796,154		\$796,154				

D. Project Operating Costs

First full year (Year 2027)

Estimated Project Start Up Operating Cost

\$ 1,830,278

Project Direct Operating Expenses - 2 years after Complete (Year 2029)

	Project 2029
Total Operating Costs	\$ 12,091,719
Equivalent Patient Days*	NA
Direct Cost per Equivalent Patient Day*	NA

*Equivalent patient days not applicable for the project because the volumes are prescriptions

**COGS excluded from Operating Cost

E. Total Effect of the Project on Capital Costs

Project Direct Operating Expenses - 2 years after Complete (Year 2029)

	Project 2029	Total Hospital 2029
Equivalent Patient Days (All Lurie Children's Hospital)*	NA	458,999
Total Project Capital Cost	\$ 1,452,215	
Useful Life	17.1	
Total Annual Depreciation	\$ 108,698	\$ 76,894,062
Depreciation Cost per Equivalent Patient Day*	NA	\$ 168

*Equivalent patient days not applicable for the project because the volumes are prescriptions

Section X. CHARITY CARE INFORMATION

CHARITY CARE - Ann & Robert H. Lurie Children's Hospital of Chicago

	2021	2022	2023
Net Patient Revenue	\$914,817,591	\$1,039,410,390	\$1,168,670,090
Amount of Charity Care (charges)	\$3,920,720	\$6,989,677	\$6,688,528
Cost of Charity Care	\$1,094,878	\$2,062,697	\$1,844,292

CHARITY CARE - Children's Hospital of Chicago Medical Center

	2021	2022	2023
Net Patient Revenue	\$1,141,149,793	\$1,288,448,020	\$1,423,521,860
Amount of Charity Care (charges)	\$5,470,956	\$8,016,056	\$7,597,894
Cost of Charity Care	\$1,873,129	\$2,574,519	\$2,241,457

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: ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO 225 E. CHICAGO AVE
(Name) (Address)
CHICAGO IL 60611 312-227-4000
(City) (State) (ZIP Code) (Telephone Number)

2. Project Location: 3 HILLCREST BOULEVARD SCHAUMBURG IL
(Address) (City) (State)
COOK
(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 [Printer icon] icon in the top corner of the page. Select the pin tool icon [Pin icon] and place a pin on your site. Print a FIRMETTE size image.

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

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes ___ No [X] ?

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

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

FIRM Panel Number: _____ Effective Date: _____
Name of Official: _____ Title: _____
Business/Agency: _____ Address: _____
(City) (State) (ZIP Code) (Telephone Number)
Signature: _____ Date: _____

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

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

National Flood Hazard Layer FIRMette

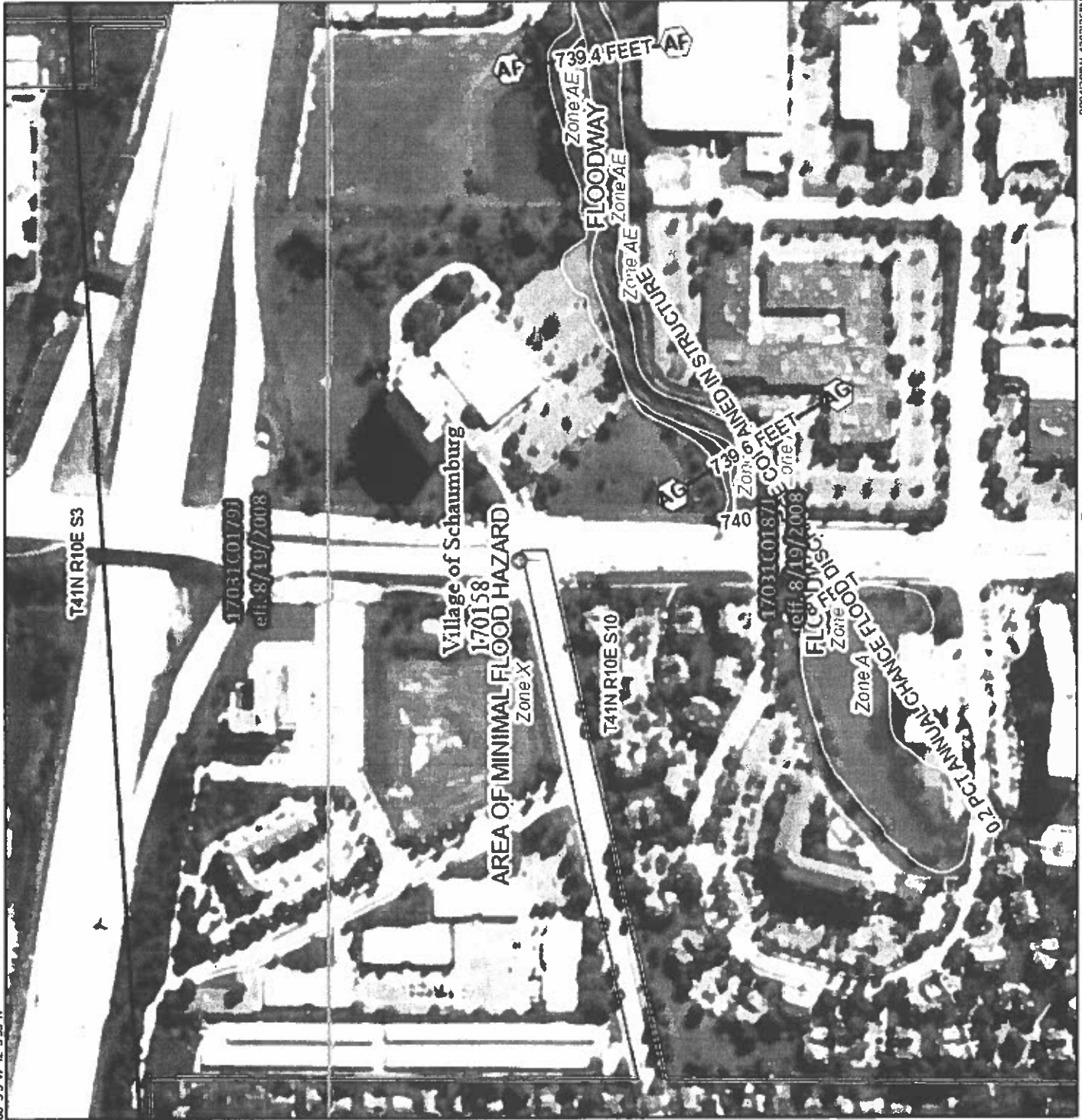


88°55'W 42°33'N

Legend

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

SPECIAL FLOOD HAZARD AREAS	Without Base Flood Elevation (BFE) Zone A, V, A99	With BFE or Depth Zone AE, AO, AH, VE, AR	Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD	0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with draining areas of less than one square mile Zone X	Future Conditions 1% Annual Chance Flood Hazard Zone X	Area with Reduced Flood Risk due to Levee. See Notes. Zone X
OTHER AREAS	Area with Flood Risk due to Levee Zone D	Area of Minimal Flood Hazard Zone X	Effective LOMRs
GENERAL STRUCTURES	Channel, Culvert, or Storm Sewer	Levee, Dike, or Floodwall	Area of Undetermined Flood Hazard Zone X
OTHER FEATURES	Cross Sections with 1% Annual Chance Water Surface Elevation	Coastal Transect	Limit of Study
	Jurisdiction Boundary	Coastal Transect Baseline	Profile Baseline
	Hydrographic Feature	Digital Data Available	No Digital Data Available
	Unmapped	The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.	



88°42'8"W 42°3'26"N

1:6,000

2,000

1,500

1,000

500

0

