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HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Skokie Hospital		
Street Address:	9600 Gross Point Road		
City and Zip Code:	Skokie, IL 60076		
County: Cook	Health Service Area VII	Health Planning Area: A-06	

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	NorthShore University HealthSystem d/b/a Skokie Hospital
Address:	9600 Gross Point Road Skokie, IL 60076
Name of Registered Agent:	Gerald P. Gallagher
Name of Chief Executive Officer:	Kristen Murtos, President
CEO Address:	9600 Gross Point Road Skokie, IL 60076
Telephone Number:	847/933-6002

Type of Ownership of Applicant/Co-Applicant

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

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

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 during the review period]

Name:	Kristen Murtos
Title:	President
Company Name:	Skokie Hospital
Address:	9600 Gross Point Road Skokie, IL 60076
Telephone Number:	847/933-6002
E-mail Address:	kmurtos@NorthShore.org
Fax Number:	847/933-6012

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

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Skokie Hospital
Street Address:	9600 Gross Point Road
City and Zip Code:	Skokie, IL 60076
County: Cook	Health Service Area VII Health Planning Area: A-06

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	NorthShore University HealthSystem
Address:	1301 Central Street Evanston, IL 60201
Name of Registered Agent:	Gerald P. Gallagher
Name of Chief Executive Officer:	Mark R. Neaman, CEO
CEO Address:	1301 Central Street Evanston, IL 60201
Telephone Number:	847/657-5800

Type of Ownership of Applicant/Co-Applicant

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

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[Person to receive all correspondence or inquiries during the review period]

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Title:	President
Company Name:	Skokie Hospital
Address:	9600 Gross Point Road Skokie, IL 60076
Telephone Number:	847/933-6002
E-mail Address:	kmurtos@NorthShore.org
Fax Number:	847/933-6012

Additional Contact

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

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

Additional Contact

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

Name:	Honey Jacobs Skinner
Title:	Partner
Company Name:	Sidley & Austin
Address:	1 South Dearborn Chicago, IL 60603
Telephone Number:	312/853-7577
E-mail Address:	mskinner@sidley.com
Fax Number:	312/853-7036

Additional Contact

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

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

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:	Alexis Washa
Title:	Senior Director, Finance
Company Name:	NorthShore University HealthSystem
Address:	1301 Central Street Evanston, IL 60201
Telephone Number:	847/570-5230
E-mail Address:	awasha@NorthShore.org
Fax Number:	847/570-5240

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: NorthShore University HealthSystem

Address of Site Owner: 1301 Central Street Evanston, IL 60201

Street Address or Legal Description of Site: 9600 Gross Point Road Skokie, IL 60076

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, 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: NorthShore University HealthSystem d/b/a Skokie Hospital

Address: 9600 Gross Point Road Skokie, IL 60076

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

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

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

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 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 #2005-5 **(http://www.hfsrb.illinois.gov)**.

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 1110.40 and Part 1120.20(b)]

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
Substantive	☐ Part 1120 Not Applicable ☐ Category A Project
X Non-substantive	X Category B Project ☐ DHS or DVA Project

2. Narrative Description

Provide in the space below, 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.

On June 5, 2012 the Illinois Health Facilities and Services Review Board ("IHFSRB") unanimously approved Project # 12-020 ("**original project**"), proposing a major modernization project for Skokie Hospital. The multi-phased project, which had a project cost of $154M, was scheduled to be completed in December 2017, and included approximately 174,000 square feet of new construction, and 148,000 square feet of renovation. The project received approval for an alteration in February 2013, adding approximately $3M to the project cost. The post-approval planning for the project and the initial phases of construction have proceeded on schedule, with some phases being completed. To date, approximately $20M has been spent on Project #12-020.

The Permit holder, NorthShore University HealthSystem, as a result of a system-wide planning initiative has determined that, in order to maximize its ability to address the health care needs of the communities it serves, and in response to recent and anticipated adjustments to the manner in which hospital services are and will be provided, that the scope of the original project should be reduced. Under the agency's rules, the proposed reductions cannot be effectuated by way of an alteration of the original project. Therefore, and following technical assistance consultation with IHFSRB staff, this second Certificate of Need application ("**proposed project**") is being submitted. The proposed project addresses all of the issues and services addressed in the original project, with the exception of those components of the original project that have been completed, and places a greater focus on the outpatient delivery of services. The completed components include the modernization two of three medical/surgical units, acute dialysis, PT/OT/rehabilitation, and pharmacy. Consistent with the technical assistance consultation and following the anticipated receipt of a CON Permit to proceed with the proposed project, a final cost report for the original project will be filed with the IHFSRB, addressing those phases of the original project which have been completed.

Through the proposed project, the major modernization of the Skokie Hospital campus will change in the following primary ways:

- authorized Medical/Surgical beds will be reduced from 138 to 111*
- authorized ICU beds will be reduced from 16 to 12*
- new construction will be reduced from 173,957 to 87,654 square feet
- renovation will increase from 147,573 to 180,430 square feet
- a 5-room GI suite will be provided
- the combined project cost will be reduced from approximately $157M to approximately $127.3M (approximately $20M of which has been incurred through Project #12-020)

All other programmatic components of the original project that have not been completed will be addressed through the proposed project.

This is a non-substantive project because it does not address the establishment of a new health care facility, the replacement of a health care facility, or the establishment or discontinuation of a category of service.

*prior to the approval of Project 12-020 Skokie Hospital provided 173 approved Medical/Surgical beds and 20 approved ICU beds

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 equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$250,000	$150,000	$400,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	16,134,297	19,851,475	35,985,772
Modernization Contracts	23,228,531	19,227,670	42,456,201
Contingencies	1,588,530	1,824,285	3,412,815
Architectural/Engineering Fees	3,350,000	3,340,000	6,690,000
Consulting and Other Fees	1,500,000	2,000,000	3,500,000
Movable or Other Equipment (not in construction contracts)	2,902,025	11,266,550	14,168,575
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	300,000	400,000	700,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	**$49,253,383**	**$58,059,980**	**$107,313,363**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$49,253,383	$58,059,980	$107,313,363
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources		-	
TOTAL SOURCES OF FUNDS	**$49,253,383**	**$58,059,980**	**$107,313,363**

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

Related Project Costs

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

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

The project involves the establishment of a new facility or a new category of service
☐ Yes X 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 $ not applicable.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
X Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): December 31, 2017

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

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
X Project obligation 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

Are the following submittals up to date as applicable:

X Cancer Registry
X APORS
X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
X All reports regarding outstanding permits

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

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

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

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are 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: Skokie Hospital		**CITY: Skokie**			
REPORTING PERIOD DATES: From: January 1, 2013 to: December 31, 2013					
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	138	5,726	24,892	-27	111
Obstetrics					
Pediatrics	2	0	0	none	2
Intensive Care	16	800	3,255	-4	12
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	156	6,526	28,147	-31	125

* Skokie Hospital was granted approval to reduce its Medical/Surgical bed complement from 173 to 138 beds and its ICU beds from 20 to 16 through Permit 12-020, issued by the IHFSRB on June 5, 2012.

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) 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 manger 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 for Permit is filed on the behalf of _NorthShore University HealthSystem_* 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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Mark R. Neaman
PRINTED NAME

President & CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 14th day of April 2014

Signature of Notary

Seal

OFFICIAL SEAL
BARBARA M AUSTIN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/03/16

SIGNATURE

Gerald P. Gallagher
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9th day of April 2014

Signature of Notary

Seal

OFFICIAL SEAL
BARBARA M AUSTIN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/03/16

*Insert EXACT legal name of the applicant

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SIGNATURE

KRISTEN MURTOS

PRINTED NAME

PRESIDENT, SKOKIE HOSPITAL

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 3rd day of April, 2014

Barbara M Austin

Signature of Notary

Seal

OFFICIAL SEAL
BARBARA M AUSTIN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:01/03/16

SIGNATURE

Gerald P. Gallagher

PRINTED NAME

Chief Operating Officer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9th day of April 2014

Barbara M Austin

Signature of Notary

Seal

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MY COMMISSION EXPIRES:01/03/16

*Insert EXACT legal name of the applicant

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

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

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

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

3. 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.**

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

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.

PURPOSE OF PROJECT

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

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

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

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

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

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

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

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency 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** of the alternatives to the proposed project:

Alternative options **must** include:

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

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

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

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

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

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

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 1110.234 - 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.**

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;

    b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

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

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	MET 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:

NOT APPLICABLE---NO SHELL SPACE

Provide the following information:

1. Total gross square footage of the proposed shell space;

2. The anticipated use of the shell space, specifying the proposed GSF tot 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 are 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.

SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

After identifying the applicable review criteria for each category of service involved , read the criteria and provide the required information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

A. Criterion 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

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

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

Category of Service	# Existing Beds	# Proposed Beds
X Medical/Surgical	138	111
☐ Obstetric		
☐ Pediatric		
X Intensive Care	16	12

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

APPLICABLE REVIEW CRITERIA		Establish	Expand	Modernize
1110.530(b)(1) -	Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.530(b)(2) -	Planning Area Need - Service to Planning Area Residents	X	X	
1110.530(b)(3) -	Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.530(b)(4) -	Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.530(b)(5) -	Planning Area Need - Service Accessibility	X		
1110.530(c)(1) -	Unnecessary Duplication of Services	X		
1110.530(c)(2) -	Maldistribution	X	X	
1110.530(c)(3) -	Impact of Project on Other Area Providers	X		
1110.530(d)(1) -	Deteriorated Facilities			X
1110.530(d)(2) -	Documentation			X
1110.530(d)(3) -	Documentation Related to Cited Problems			X

APPLICABLE REVIEW CRITERIA		Establish	Expand	Modernize
1110.530(d)(4) -	Occupancy			X
110.530(e) -	Staffing Availability	X	X	
1110.530(f) -	Performance Requirements	X	X	X
1110.530(g) -	Assurances	X	X	X

APPEND DOCUMENTATION AS ATTACHMENT-20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

O. Criterion 1110.3030 - 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
☐ **Operating Rooms**	**10**	**12**
☐ **Surgical Recovery Stations**	**14**	**48**
☐ **GI lab**	**5**	**5**

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-34, 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)**

VIII. - 1120.120 - Availability of Funds

The applicant shall document that 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:**

$107,313,363__	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$107,313,363	**TOTAL FUNDS AVAILABLE**	

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

IX. 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 of the projects 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-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

not applicable, proof of "A" bond rating provided

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.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (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.

2. 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 38, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 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 of the cash and equivalents must be retained in the balance sheet asset accounts in order 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

not applicable

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

XI. Safety Net Impact Statement

not applicable, project is non-substantive and does not involve discontinuation

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

1. The project's material impact, if any, on essential safety net services 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 a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of 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 43.

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

APPEND DOCUMENTATION AS ATTACHMENT 40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information — Skokie Hospital

Charity Care information MUST be furnished for ALL projects.

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 44.

CHARITY CARE			
	FY 2010	FY 2011	FY 2012
Net Patient Revenue	$170,156,474	$151,174,359	$138,861,294
Amount of Charity Care (charges)	$5,447,396	$7,866,513	$8,903,077
Cost of Charity Care	$1,674,714	$2,448,669	$2,285,669

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Evanston Hospital

Charity Care information MUST be furnished for ALL projects.

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 44.

CHARITY CARE			
	FY 2010	FY 2011	FY 2012
Net Patient Revenue	$444,577,256	$488,956,865	$511,152,289
Amount of Charity Care (charges)	$37,517,375	$40,239,587	$41,987,866
Cost of Charity Care	$11,534,112	$12,525,682	$13,152,363

APPEND DOCUMENTATION AS ATTACHMENT 44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information **Glenbrook Hospital**

Charity Care information MUST be furnished for ALL projects.

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 44.

CHARITY CARE			
	FY 2010	FY 2011	FY 2012
Net Patient Revenue	$226,448,964	$246,754,212	$258,653,401
Amount of Charity Care (charges)	$12,048,413	$16,163,272	$16,621,348
Cost of Charity Care	$3,704,090	$5,031,265	$5,206, 505

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information — Highland Park Hospital

Charity Care information MUST be furnished for ALL projects.

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 44.

CHARITY CARE			
	FY 2010	FY 2011	FY 2012
Net Patient Revenue	$210,381,851	$221,647,470	$228,495,676
Amount of Charity Care (charges)	$10,687,251	$12,500,065	$10,997,224
Cost of Charity Care	$3,285,623	$3,890,991	$3,444,793

APPEND DOCUMENTATION AS ATTACHMENT 44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

File Number 0567-540-5

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

NORTHSHORE UNIVERSITY HEALTHSYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 04, 1891, 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* 2ND *day of* OCTOBER *A.D.* 2013 .

Jesse White

SECRETARY OF STATE

Authentication #: 1327500714

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

NorthShore
University HealthSystem

Skokie Hospital

Kristen Murtos
President

9600 Gross Point Road
Skokie, IL 60076
www.northshore.org

(847) 933-6002
(847) 933-6012 Fax
kmurtos@northshore.org

March 27, 2014

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

Please be advised that the Skokie Hospital site, located at 9600 Gross Point Road in Skokie, Illinois, is owned by NorthShore University HealthSystem.

Sincerely,

Kristen Murtos
President, Skokie Hospital
NorthShore University HealthSystem

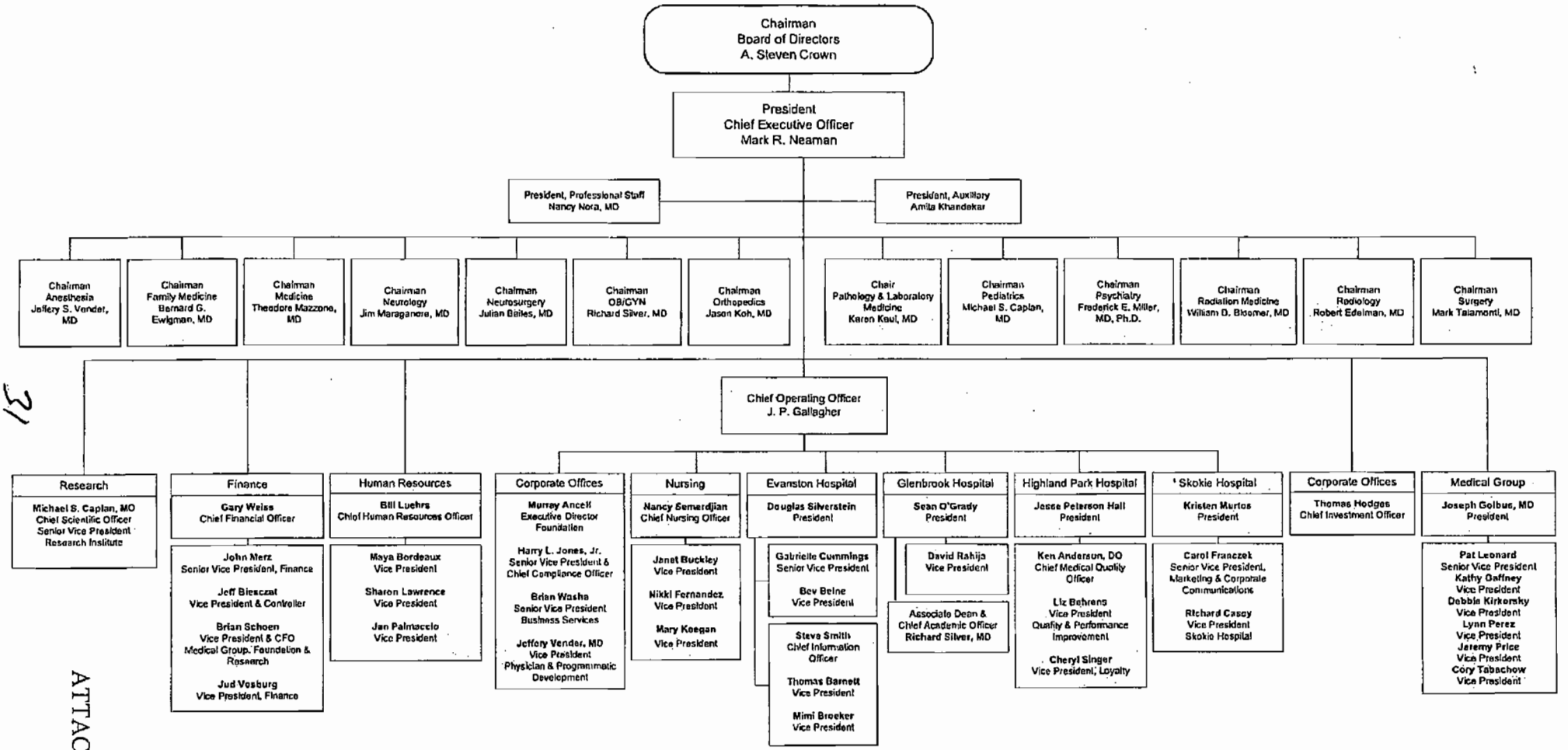
Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

March 27, 2014

NorthShore University HealthSystem
Organization Chart

2013 – 2014



ATTACHMENT 4

NorthShore
University HealthSystem

Skokie Hospital

Kristen Murtos
President

9600 Gross Point Road
Skokie, IL 60076
www.northshore.org

(847) 933-6002
(847) 933-6012 Fax
kmurtos@northshore.org

March 27, 2014

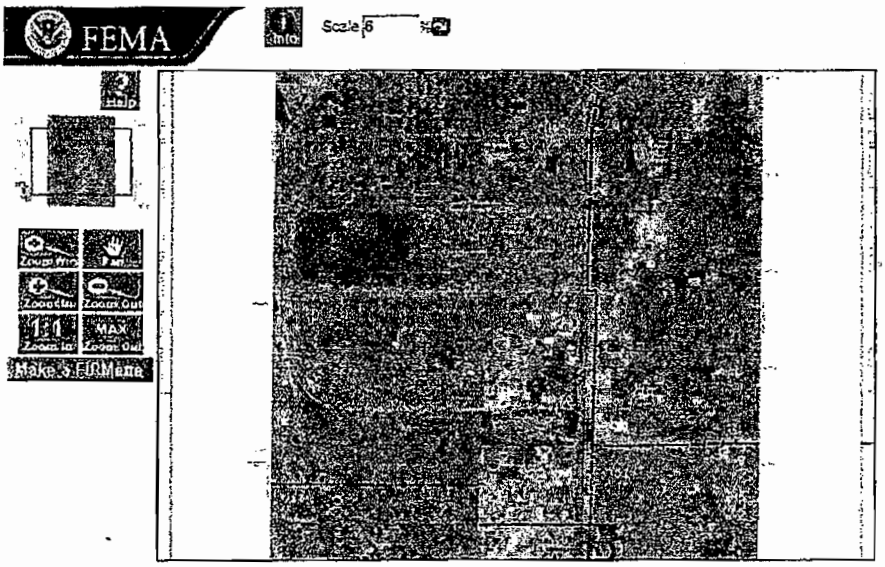
Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

I hereby certify that the Skokie Hospital campus is not located in a special flood hazard area.

Sincerely,

Kristen Murtos
President, Skokie Hospital
NorthShore University HealthSystem



ATTACHMENT 5

Illinois Historic Preservation Agency

1 Old State Capitol Plaza, Springfield, IL 62701-1512

FAX (217) 524-7525
www.illinoishistory.gov

Cook County
Skokie
CON - Modernization, Skokie Hospital
9600 Gross Point Road
IHPA Log #008123011

February 13, 2014

Jacob Axel
Axel & Associates, Inc.
675 North Court, Suite 210
Palatine, IL 60067

Dear Mr. Axel:

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

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

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

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

ATTACHMENT 6

For TTY communication, dial 888-440-9009. It is not a voice or fax line.

ITEMIZATION OF PROJECT COSTS

Category	Clinical	Non-Clinical	Total
Preplanning Costs			$ 400,000
evaluation of alternatives	$ 200,000	$ 100,000	
feasibility assessments	$ 50,000	$ 50,000	
New Construction Contracts			$ 35,985,772
Construction	$ 16,134,297	$ 19,851,475	
Modernization			$ 42,456,201
renovation of existing space	$ 23,228,531	$ 19,227,670	
Contingencies-New Construction			$ 1,314,810
allowance	$ 500,850	$ 813,960	
Contingencies-Modernization			$ 3,412,815
allowance	$ 1,588,530	$ 1,824,285	
Architectural and Engineering Fees			$ 6,690,000
design	$ 2,914,500	$ 2,905,800	
document preparation	$ 100,500	$ 100,200	
const./ren. Monitoring	$ 201,000	$ 200,400	
interface with review agencies	$ 134,000	$ 133,600	
Consulting and Other Fees			$ 3,500,000
CON-related	$ 100,000	$ 100,000	
IDPH and municipal fees	$ 90,000	$ 160,000	
pre-arch. facility planning	$ 100,000	$ 200,000	
initial alternative planning	$ 40,000	$ 20,000	
zoning process	$ 10,000	$ 10,000	
legal fees	$ 30,000	$ 30,000	
bid prep and solicitaion processe	$ 35,000	$ 35,000	
project management	$ 640,000	$ 880,000	
utilities systems analyses	$ 45,000	$ 85,000	
life safety code consultant	$ 20,000	$ 20,000	
reimburseables	$ 175,000	$ 175,000	
site security	$ 15,000	$ 15,000	
materials testing	$ 40,000	$ 40,000	
interior design consultant	$ 60,000	$ 80,000	
misc./other	$ 100,000	$ 150,000	
Moveable and Other Equipment			$ 14,168,575
please see attached schedule of equipment >$500, 15% added for other/misc. equipment	$ 2,902,025	$ 11,266,550	
Other Costs to be Capitalized			$ 700,000
asbestos abatement	$ 300,000	$ 300,000	

ATTACHMENT 7

Skokie Hospital 3rd Floor Renovation Conceptual Equipment Estimate Updated 3-18-2014			
		$/unit	Equipment total
Furniture			
Patient Recliner	37	$ 3,500.00	$ 129,500.00
Family Seating/Sleeper	37	$ 3,900.00	$ 144,300.00
Medical Equipment			
Over Bed Table	37	$ 1,200.00	$ 44,400.00
Patient Bed	0	$ 11,000.00	$ -
Telemetry Transponders	37	$ 5,500.00	$ 203,500.00
Portable Physiological Monitor	0	$ 15,000.00	$ -
Central Station	2	$ 100,000.00	$ 200,000.00
Headwalls	37	$ 7,500.00	$ 277,500.00
Liko lifts	12	$ 7,500.00	$ 90,000.00
Equipment			
Ice Maker	2	$ 7,500.00	$ 15,000.00
Televisions	37	$ 1,300.00	$ 48,100.00
High Density Clean Supply Storage	2	$ 15,000.00	$ 30,000.00
Innerwireless	27000	$ 2.00	$ 54,000.00
Project Total			**$ 1,236,300.00**

ATTACHMENT 7

Skokie Hospital (Central Sterile Supply) Conceptual Equipment Estimate Updated 3-18-2014			
		$/Item	Equipment Total
Medical Equipment			
Steam Large Sterilizer	3	$ 100,000.00	$ 300,000.00
Steam Medium Sterilizer	7	$ 50,000.00	$ 350,000.00
Productivity Benches	6	$ 5,000.00	$ 30,000.00
ETO	1	$ 110,000.00	$ 110,000.00
Washer with Conveyer	3	$ 150,000.00	$ 450,000.00
Cart Washer	1	$ 200,000.00	$ 200,000.00
Instructment Storage	1	$ 15,000.00	$ 15,000.00
Mobile Storage	1	$ 10,000.00	$ 10,000.00
Sonic Washer	1	$ 40,000.00	$ 40,000.00
DI/ RO System	1	$ 40,000.00	$ 40,000.00
Chemical System	1	$ 30,000.00	$ 30,000.00
Sterrad	2	$ 150,000.00	$ 300,000.00
Records System	1	$ 150,000.00	$ 150,000.00
Equipment			
High Density Clean Supply Storage	1	$ 95,000.00	$ 95,000.00
Innerwireless	17000	$ 2.00	$ 34,000.00
Security	17000	$ 2.00	$ 34,000.00
Communication/ IS			
Computers	3	$ 1,500.00	$ 4,500.00
Weiss	10	$ 1,500.00	$ 15,000.00
Project Total			**$ 2,207,500.00**

ATTACHMENT 7

Skokie Hospital Surgery Pavilion (OR & PACU)
Conceptual Equipment Estimate
Updated 3-18-2014

		$/Unit	Equipment Total
Medical Equipment			
Surgical Lights & Booms	12	$ 140,000.00	$ 1,680,000.00
Video Integration Equipment	12	$ 210,000.00	$ 2,520,000.00
Anesthsia Video Equipment	12	$ 15,000.00	$ 180,000.00
OR Patient Monitors	4	$ 90,000.00	$ 360,000.00
PACU Patient Monitors	18	$ 25,000.00	$ 450,000.00
Anesthsia Machines	4	$ 50,000.00	$ 200,000.00
Surgical Tables	4	$ 75,000.00	$ 300,000.00
Blanket Warmers	6	$ 9,000.00	$ 54,000.00
Misc Equipment	1	$ 250,000.00	$ 250,000.00
Drying cabinets	2	$ 12,000.00	$ 24,000.00
			$ -
			$ -
Equipment			
Scrub sinks & Sterilizers	12	$ 5,000.00	$ 60,000.00
Headwalls	20	$ 7,500.00	$ 150,000.00
Storage	1	$ 90,000.00	$ 90,000.00
Innerwireless	50000	$ 2.00	$ 100,000.00
Security	50000	$ 2.00	$ 100,000.00
Communication/ IS			
Jetsons	10	$ 8,500.00	$ 85,000.00
Data Closet	2	$ 75,000.00	$ 150,000.00
Lodgenet		$ 200.00	$ -
Pacs	12	$ 20.00	$ 240.00
Project Total			**$ 6,753,240.00**

ATTACHMENT 7

Skokie Hospital Surgery Pavilion (Ambulatory Surgery) Conceptual Equipment Estimate Updated 3-18-2014			
		$/unit	Equipment Total
Medical Equipment			
Over Bed Table	12	$ 1,200.00	$ 14,400.00
Patient Strechers	12	$ 5,500.00	$ 66,000.00
Portable Physiological Monitor	1	$ 15,000.00	$ 15,000.00
Physiological Monitor	24	$ 15,000.00	$ 360,000.00
Central Station	1	$ 100,000.00	$ 100,000.00
Headwalls	24	$ 4,000.00	$ 96,000.00
Equipment			
Ice Maker	1	$ 7,500.00	$ 7,500.00
Televisions	24	$ 1,300.00	$ 31,200.00
High Density Clean Supply Storage	1	$ 15,000.00	$ 15,000.00
Nurse Servers	5	$ 7,500.00	$ 37,500.00
Innerwireless	7000	$ 2.00	$ 14,000.00
Security	7000	$ 2.00	$ 14,000.00
Communication/ IS			
Computers	5	$ 1,500.00	$ 7,500.00
Weiss	30	$ 1,500.00	$ 45,000.00
Printer/fax	2	$ 4,500.00	$ 9,000.00
Jetsons	4	$ 8,500.00	$ 34,000.00
Pacs	1	$ 20,000.00	$ 20,000.00
Project Total			**$ 886,100.00**

ATTACHMENT 7

Skokie Hospital Surgery Pavilion (ICU)
Conceptual Equipment Estimate
Updated 3-18-2014

		$/Unit	Equipment Total
Furniture			
Patient Recliner	12	$ 3,500.00	$ 42,000.00
Medical Equipment			
Over Bed Table	12	$ 1,200.00	$ 14,400.00
Patient Bed	12	$ 30,000.00	$ 360,000.00
Ventilators	3	$ 40,000.00	$ 120,000.00
Telemetry Transponders	12	$ 3,500.00	$ 42,000.00
Portable Physiological Monitor	2	$ 15,000.00	$ 30,000.00
Physiological Monitor	12	$ 35,000.00	$ 420,000.00
Central Station	2	$ 100,000.00	$ 200,000.00
Headwalls	16	$ 7,500.00	$ 120,000.00
Liko Lifts	16	$ 6,500.00	$ 104,000.00
Equipment			
Upright Refrig Freezer	2	$ 1,000.00	$ 2,000.00
Microwave	2	$ 1,000.00	$ 2,000.00
Coffee Maker	2	$ 750.00	$ 1,500.00
Ice Maker	1	$ 7,500.00	$ 7,500.00
Televisions	16	$ 1,300.00	$ 20,800.00
High Density Clean Supply Storage	1	$ 15,000.00	$ 15,000.00
Nurse Servers	12	$ 7,500.00	$ 90,000.00
Innerwireless	11000	$ 2.00	$ 22,000.00
Security	11000	$ 2.00	$ 22,000.00
Communication/ IS			
Weiss	12	$ 1,500.00	$ 18,000.00
Printer/fax	3	$ 4,500.00	$ 13,500.00
Jetsons	12	$ 8,500.00	$ 102,000.00
Pacs	1	$ 20,000.00	$ 20,000.00
Project Total			**$ 1,788,700.00**

ATTACHMENT 7

Skokie Hospital GI Lab Conceptual Equipment Estimate Updated 3-28-2014			
		$/unit	Equipment total
Medical Equipment			
Patient Strecher	15	$ 5,500.00	$ 82,500.00
Portable Physiological Monitor	5	$ 7,500.00	$ 37,500.00
Video Equipment & Scope	1	$ 600,000.00	$ 600,000.00
Scope Sterilzers	3	$ 60,000.00	$ 180,000.00
Headwalls	15	$ 4,500.00	$ 67,500.00
Equipment			
Ice Maker	1	$ 7,500.00	$ 7,500.00
Televisions	15	$ 1,300.00	$ 19,500.00
High Density Clean Supply Storage	1	$ 15,000.00	$ 15,000.00
Innerwireless	5500	$ 2.00	$ 11,000.00
Project Total			**$ 1,020,500.00**

ATTACHMENT 7

Cost Space Requirements

				Amount of Proposed Total Square Feet			
		Departmental Gross Square Feet			That is:		
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Med/Surg Units	$ 9,508,143	64,995	24,432		24,432		
ICU	$ 3,447,737	11,800	8,200		8,200		11,800
Surgery	$ 16,846,150	23,465	29,130	19,890	9,240		
GI Lab	$ 3,155,203		5,500	5,500			
Pre & Post GI	$ 4,432,804		8,000	8,000			
PACU/Recovery	$ 6,402,940	3,355	16,560		16,560		3,355
Same Day Surg.	$ 4,967,872	4,975	12,500		12,500		4,975
Respiratory Ther.	$ 492,534	1,580	1,580		1,580		
Total	$ 49,253,383	110,170	105,902	33,390	72,512		20,130
Non-Reviewable							
Sterile Processing	$ 6,386,598	6,020	9,120	9,120			
Cafeteria	$ 2,902,999	2,930	6,770		6,770		
Food Service	$ 7,547,797	2,535	11,158		11,158		
Conference Ctr.	$ 2,422,399		3,680	3,680			
Administration	$ 11,031,396	32,610	29,605	3,146	26,459		32,610
Support Serv. Off.	$ 1,103,140		2,110	1,055	1,055		
Simulation Lab	$ 823,154	1,740	1,215		1,215		
Hospitalists Off.	$ 1,161,200		2,775		2,775		
Care Management	$ 580,600		2,045		2,045		
On-Call Rooms	$ 1,219,260		3,675		3,675		
Dept. of Surgery	$ 2,902,999		6,380	2,645	3,735		
Telecommun.	$ 638,660	1,580	1,580		1,580		
Residents	$ 1,341,186	1,010	2,500		2,500		
Public Space	$ 9,289,597		14,948	10,995	3,953		
Mechanical	$ 6,386,598		14,960	14,525	435		
DGSF>>BGSF	$ 2,322,399		9,098	9,098			
Total	$ 58,059,980	48,425	121,619	54,264	67,355		32,610
PROJECT TOTAL	$ 107,313,363		227,521	87,654	139,867		52,740

4/2

ATTACHMENT 9

BACKGROUND OF APPLICANT

NorthShore University Health System owns and operates four IDPH-licensed hospitals:

- Highland Park Hospital
- Evanston Hospital
- Glenbrook Hospital
- Skokie Hospital

In addition, NorthShore University HealthSystem operates a CMS-certified end stage renal dialysis (ESRD) unit at Highland Park Hospital.

All of the hospitals identified above are Joint Commission accredited.

NorthShore
University HealthSystem

J. P. Gallagher, FACHE
Chief Operating Officer

1301 Central Street
Evanston, IL 60201
www.northshore.org

(847) 570-5151
(847) 570-5179 Fax
jgallagher@northshore.org

December 18, 2013

Ms. Courtney Avery
Illinois Health Facilities
And Services Review Board
525 West Jefferson
Springfield, IL 62761

Dear Ms. Avery:

In accordance with Review Criterion 1110.230.b, Background of the Applicant, we are submitting this letter assuring the Illinois Health Facilities and Services Review Board that:

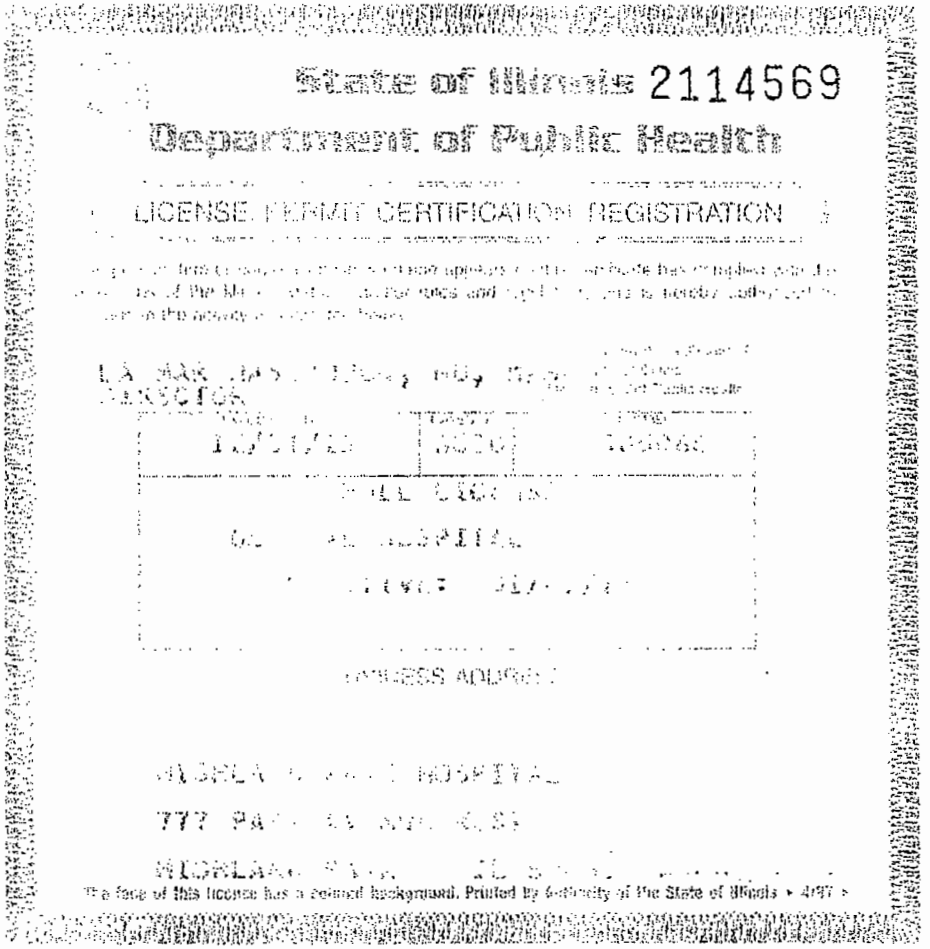
1. NorthShore University HealthSystem does not (nor did its predecessor, Evanston Northwestern Healthcare Corporation, also commonly known as Evanston Northwestern Healthcare) have any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and

2. NorthShore University HealthSystem authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me.

Sincerely,

Gerald P. Gallagher
Chief Operating Officer



State of Illinois 2114569

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

[illegible]

LA MAR [illegible], MD, [illegible]
DIRECTOR

[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

FULL LICENSE

[illegible] HOSPITAL

[illegible]

[illegible] ADDRESS

HIGHLA[illegible] HOSPITAL

777 PA[illegible]

HIGHLAN[illegible]

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

DISPLAY THIS [illegible]
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS [illegible]
IDENTIFICATION

State of Illinois 2114569
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

HIGHLAND PARK HOSPITAL

[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

FULL LICENSE

[illegible] HOSPITAL

[illegible]

12/13/[illegible]

HIGHLAND PARK HOSPITAL
777 PARK AVENUE WEST
777 PARK AVENUE WEST
HIGLAND PARK IL [illegible]

FEE RECEIPT NO.

ATTACHMENT 11

45

State of Illinois 2114485
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

Issued under the authority of the State of Illinois Department of Public Health

LA MAR HASBROUCK, MD, MPH
DIRECTOR

EXPIRATION DATE	CATEGORY	ID NUMBER
12/31/13	BGBD	0000646

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/13

BUSINESS ADDRESS

EVANSTON HOSPITAL
2650 RIDGE AVENUE
EVANSTON IL 60201

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↓

State of Illinois 2114485
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EVANSTON HOSPITAL

EXPIRATION DATE	CATEGORY	ID NUMBER
12/31/13	BGBD	0000646

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/13

12/13/12

EVANSTON HOSPITAL
2650 RIDGE AVENUE

EVANSTON IL 60201

FEE RECEIPT NO.

94

ATTACHMENT 11

47

ATTACHMENT 11

State of Illinois 2114548

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The p[illegible] whose name appears [illegible] provis[illegible] and [illegible] engag[illegible]

[illegible] MAR [illegible], MD, [illegible]
DIRECTOR

12/31/13	[illegible]	0003483

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/13

BUSINESS ADDRESS

GLENBROOK HOSPITAL

2100 PFINGSTEN ROAD

GLENVIEW IL 60025

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REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 2114548

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

GLENBROOK HOSPITAL

12/31/13	[illegible]	0003483

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/13

12/13/12

GLENBROOK HOSPITAL
2100 PFINGSTEN ROAD

GLENVIEW IL 60025

FEE RECEIPT NO.

48

ATTACHMENT 11

State of Illinois 2114581
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.

Issued under the authority of
The State of Illinois
Department of Public Health

LA MAR HASBROUCK, MD, MPH
DIRECTOR

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/13	5660	0005587

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/13

BUSINESS ADDRESS

NORTHSHORE UNIVERSITY HEALTHSYSTEM
D/B/A SKOKIE HOSPITAL
9600 GROSS POINT ROAD
SKOKIE IL 60076

OFFICE COPY

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REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

↓

State of Illinois 211458[illegible]
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

NORTHSHORE UNIVERSITY HEALTHSYS[illegible]

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/13	[illegible]	0005[illegible]7

FULL LICENSE

GENERAL HOSPITAL

EFFECTIVE: 01/01/13

12/13/12

NORTHSHORE UNIVERSITY [illegible]
9600 GROSS POINT ROAD
9600 GROSS POINT ROAD
SKOKIE IL [illegible]

FEE RECEIPT NO.

Midwestern Consortium
Division of Survey and Certification

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

National Provider Identifier (NPI): 1144415407
CMS Certification Number (CCN): 14-2336

March 26, 2008
(Via Certified Mail)

Thomas Hodges
Administrator
Highland Park Hospital Renal Dialysis
777 Park Avenue West, 3rd Floor
Highland Park, Illinois 60035

Dear Mr. Hodges:

The Centers for Medicare & Medicaid Services (CMS) has accepted your request for approval as a supplier of renal services in the Medicare program. Your effective date of coverage is March 5, 2008.

Your unit has been approved as a renal dialysis center. Your center is approved for a total of sixteen (16) maintenance stations and to provide the following services:

- Staff-assisted hemodialysis
- Staff-assisted peritoneal dialysis
- Patient training for hemodialysis
- Patient training for continuous ambulatory peritoneal dialysis (CAPD)
- Patient training for continuous cycling peritoneal dialysis (CCPD)

Your National Provider Identifier (NPI) is your primary identifier for all health insurance billing. The NPI should be entered on all forms and correspondence relating to the Medicare program. In addition, you have been assigned the CMS Certification Number (CCN) shown above; please provide it when contacting this office, when contacting the Illinois Department of Public Health (IDPH), or any time it is requested.

When you make general inquiries to your fiscal intermediary (FI) and/or Medicare Administrative Contractor (MAC), you will be prompted to give either your provider transaction access number (PTAN) or CCN. These identification numbers are used as authentication

elements when inquiring about beneficiary and claim specific information. When prompted for your PTAN, give your CCN.

The IDPH has advised you of certain deficiencies which were noted during the survey. We have reviewed your written plan for correcting these deficiencies and have determined that your plan is acceptable. We expect that you will correct the deficiencies within the time frames specified in your plan of correction. The IDPH will verify correction of the deficiencies.

Your intermediary for reimbursement for renal treatment procedures will be National Government Services. You must maintain separate cost centers for all renal services. Your intermediary will contact you shortly to explain the special reimbursement procedures.

If you are dissatisfied with the effective date of Medicare participation indicated above, you may request that the determination of the effective date be reconsidered. The request must be submitted in writing to this office within 60 days of the date you receive this notice. The request for reconsideration must state the issues or the findings of fact with which you disagree and the reasons for disagreement.

Please inform the IDPH if you wish to relocate your center, change the services which you are currently providing, change the number of approved stations, or undergo a change in ownership.

We welcome your participation and look forward to working with you in the administration of the Medicare program. If you have any questions, please contact Mai Le-Yuen at (312) 353-2853 or by email at mai.le-yuen@cms.hhs.gov.

Sincerely,

Heather Lang
Principal Program Representative
Non-Long Term Care Certification
& Enforcement Branch

cc: Illinois Department of Public Health
Illinois Department of Healthcare and Family Services
National Government Services
Illinois Foundation for Quality Health Care
The Renal Network

ATTACHMENT 11

SD

PURPOSE OF PROJECT

The proposed project, as discussed in the Narrative Description, represents a portion of the second phase of a campus modernization program, initiated with the construction of a 169,000 square foot medical office building (IHFSRB #09-025) approved by the State Board on December 1, 2009. The project addressed with this *Application for Permit,* along with Project 12-020, which was unanimously approved by the IHFSRB on June 5, 2012, addresses a number of the most significant facility-related deficiencies at the hospital, and as a result, will improve the health care and the manner in which services are provided to residents of the market area.

The main building of the hospital, which houses its inpatient units and many of its ancillary and support services, was built in 1962-1963. Though the hospital was built to contemporary standards at the time, it is not contemporary by today's standards. For example, the inpatient units lack private rooms with private toilets and showers; the surgical suite consists of under-sized operating rooms by today's standards, and does not provide the infrastructure found in contemporary suites; the ICU beds are not centralized to allow efficient staffing; support areas for an active outpatient surgery program are inadequate; and equipment and supply storage space is significantly inadequate. Renovation of one of the Medical/Surgical units (the other three Medical/Surgical units have been renovated through Permit 12-020) and each of the functional areas/departments noted above will be addressed through the proposed

project. At the conclusion of the proposed project, all of the hospital's Medical/Surgical beds will be located in private rooms.

It is not anticipated that the hospital's service area will change as a result of this project, with patients residing primarily in north suburban Cook County, the northernmost Chicago neighborhoods and southeastern Lake County. The table below identifies the hospital's 2013 patient origin.

ZIP Code	Community	%	Cumulative %
60076	Skokie	17.8%	17.8%
60077	Skokie	17.5%	35.3%
60053	Morton Grove	6.1%	41.4%
60645	Chicago	3.6%	45.0%
60712	Lincolnwood	3.4%	48.5%
60091	Wilmette	3.4%	51.8%
60714	Niles	2.9%	54.7%
60201	Evanston	2.9%	57.6%
60062	Northbrook	2.3%	59.9%
60025	Glenview	2.2%	62.0%
60646	Chicago	1.7%	63.8%
60659	Chicago	1.7%	65.4%
60016	Des Plaines	1.7%	67.1%
60202	Evanston	1.5%	68.6%
60626	Chicago	1.3%	69.9%
60090	Wheeling	1.3%	71.2%
60203	Evanston	1.2%	72.4%
60089	Buffalo Grove	1.1%	73.5%
60630	Chicago	1.1%	74.7%
60640	Chicago	1.1%	75.8%
60035	Highland Park	1.1%	76.8%
	other, < 1.0% of adm	23.2%	100.0%

Among the quantifiable goals of the project, which will each be measurable within six months of the project's completion are: increased patient satisfaction with their room, a reduced need to transfer medical/surgical patients from one room to another resulting from either gender or patient compatibility issues, a lower intra-hospital transfer rate for ICU patients, and increased patient satisfaction scores from surgical outpatients.

ALTERNATIVES

The proposed project, along with approved Project 12-020, are designed to address a variety of Skokie Hospital's facility-related deficiencies, the most glaring of which is a lack of contemporary private rooms with private baths and showers.

The proposed project is being presented as a now-preferred alternative to the completion of approved Project 12-020, which was designed to address the same facility-related deficiencies. The proposed project replaces the final phases of Project 12-020, reduces the number of beds to be provided at the hospital, reduces the amount of new construction, increases the hospital's ability to efficiently provide outpatient services, and reduces the overall cost of the modernization program by approximately $30M. Operating costs, accessibility to services, and the quality of care to be provided will be identical to that which would result from Project 12-020. This cost reduction will be realized through minimal new construction, coupled with extensive renovation to the existing structure. The alternatives to the proposed project are the replacement of the existing building containing the hospital's inpatient units with a new bed tower, and a less-extensive renovation program.

If one compares the proposed project, the major portion of which involves the renovation of existing space, to the alternative of building a replacement bed tower, largely because of the extent of renovation that will be undertaken, the two approaches will result in virtually identical

quality of care, patient accessibility to contemporary inpatient units, and operating costs. Again, because of the extensive nature of the proposed renovation, which will result in each room having a private toilet and shower, the construction cost differential associated with a replacement bed tower is only approximately 20%. This alternative, however, was not deemed to be feasible for two primary reasons: First, this alternative would require a re-orienting of the hospital closer to Golf Road because of the location of the existing physical plant on the hospital campus. This re-orientation would face significant resistance from the city of Skokie. Second, if the inpatient units were to move to the south, the distance between the units and many of the hospital's ancillary and support functions, including the Emergency Department, would not be practical.

The second alternative, which would include a less extensive renovation program coupled with the proposed new construction would also provide a quality of care and operating costs similar to that of the proposed project. Access to contemporary private rooms, however, would be inferior to that of the proposed project; and to the extent that components from the proposed project, such as private toilets, private showers, and levels of climate control would be eliminated, the renovation cost associated with the medical/surgical units would be reduced, potentially by as much as 40-50% ($9-10M). This alternative was rejected because it would not result in patient units similar to surrounding hospitals and consistent with the expectation of the hospital's patients.

SIZE OF PROJECT

The amount of physical space constructed and renovated in conjunction with the proposed project is necessary for the services proposed to be provided at Skokie Hospital and the amount of space is not excessive. The proposed project involves 78,556 DGSF of new construction (87,654 BGSF) and 139,867 DGSF of renovated space.,

As documented in the table below, the project involves six functional areas for which space standards are identified in Section 1110, Appendix B. The space proposed for each of those areas is consistent with the identified standards.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Med/Surg Units	64,995	73,260	(8,265)	YES
ICU	8,200	82,202	(74,002)	YES
Surgery (1)	29,130	33,000	(3,870)	YES
GI Lab	5,500	5,500	-	YES
PACU/Recovery (2)	16,560	16,560	-	YES
Pre & Post GI (3)	8,000	8,000	-	YES

(1) 12 Class C operating rooms
(2) 12 Phase I stations and 36 Phase II stations
(3) 2 pre-procedure stations @ 220 sf, 2 Phase I recovery stations and 18 Phase II recovery stations

PROJECT SERVICES UTILIZATION

The proposed project involves three departments/services for which the IHFSRB maintains utilization standards, and those standards will be met by the second year following the project costs completion: Medical/Surgical beds, ICU, and surgery.

1. Medical/Surgical Beds.

The proposed project results in a reduction in the hospital's approved number of Medical/Surgical beds from 138 to 111 beds, a 18% reduction. The anticipated reduction in utilization is the result of a variety of factors, including lower admission rates, a greater reliance on outpatient services, the admission of surgical patients on the morning of surgery, and the anticipated impact of health care legislation. Consistent with the IHFSRB's practice, the average daily census over the past two years (2012 and 2013), of 83.6 patients (combined 60,995 patient days) was used as the baseline for utilization projections. Utilization over the past 12-14 months has been purposefully stunted to allow the total renovation of two of the Medical/Surgical units, with a limited number of patients being "deflected" to the other NorthShore hospitals. The 60,995 patient days over the two-year period included 7,292 patient days of "observation" care provided on a Medical/Surgical unit.

The hospital has been successful over the past year in recruiting additional members to its medical staff, and letters (attached) from 12 physicians, identifying projected incremental

admissions to Skokie Hospital are provided at the end of this ATTACHMENT. Those letters are summarized in the table below, and identify a total of 1,496 incremental admissions, within two years of the project's completion.

Physician	Incremental Adm.	Incremental Surgeries
Wixon	201	201
Stelberg	279	279
Nolden	208	208
Mirkovic	235	235
Koh		330
Bowen		460
Carroll		75
Birmingham		400
Pasmyl	37	37
Srinivasan	87	87
Cordes	229	459
Puri	220	220
	1,496	2,991

The 1,496 projected incremental admissions, assuming the hospital's current 4.35-day average length of stay, equates to 6,507 incremental patient days and an incremental ADC of 17.82 patients. In addition, over the past two years, "observation" patient days of care have been provided at the rate of .166 observation days per day of Medical/Surgical inpatient care provided. As a result, an incremental 1,080 observation patient days of care are projected (6,507 X .166). When combined with the historical ADC of 83.6 patients, the ADC within two years of the project's completion is projected to be 104.4 patients (83.6+17.82+2.96). That projected ADC supports a "need" for 123 beds, based on the IHFSRB's 85% target utilization level. As noted above, the hospital's Medical/Surgical bed complement will be reduced to 111 beds, and a bed

complement of less than 123 is being proposed for two reasons: The first reason is to lend conservatism to the project. The second reason is to account for unanticipated medical staff attrition that will inevitably occur, either through retirement or for other reasons, prior to the project's completion (which could be offset by additions to the Medical Staff not currently known to the applicants).

2. ICU

The proposed project includes the replacement of the hospital's two existing ICUs with a single ICU, resulting in a reduction of ICU beds from 16 to 12. During the 2-year period ending December 31, 2013 the hospital provided 7,062 patient days of care in its ICUs, resulting in an average daily census of 9.67 patients. The hospital's ICU average daily census is projected to remain at a similar level through the second year following the project's completion, resulting in an occupancy rate of approximately 80%. Utilization is anticipated to be above the IHFSRB's target occupancy rate, and that will be addressed through an increased distribution of "monitored beds" on the Medical/Surgical units, increasing the ability to care for patients on those units that have required ICU care in the past. In addition, all of the Medical/Surgical beds will, upon the project's completion, be located in private rooms. The availability of private rooms will eliminate the need to treat selected patients in the ICU for infection control purposes.

3. Surgery

Through the proposed project, twelve operating rooms will be provided, all of which will be Class C suites. The twelve operating rooms will include eleven general rooms and one room

dedicated for urological surgery. During 2013 a total of 10,931 hours of non-urological surgery were provided at the hospital. Outpatient operating room hours increased at the hospital by 13.5% while inpatient admissions decreased by 8.0% from 2012 to 2013. Because of this disparity, 2013 alone, is being used as the baseline for projected operating room utilization.

Attached are letters from 12 surgeons, cumulatively projecting an incremental 2,991 surgical cases to be performed at Skokie Hospital within two years of the proposed project's completion (all non-urological). The 6,763 non-urological cases performed at the hospital in 2013 required 10,931 hours of OR time (including turnover), or 1.62 hours per case. Anticipating a similar time requirement per case, the incremental cases identified in the physician letters will require 4,845 hours of operating room time. Combining the historical utilization with the anticipated incremental utilization, a projected capacity for 15,776 hours of availability in the non-urological operating rooms will be needed. This volume supports the proposed eleven "general" ORs proposed. One room for urological surgery will be provided.

Dept./ Service	Historical* Utilization (Patient Days) (TREATMENTS) ETC.	PROJECTED UTILIZATION		STATE STANDARD	MET STANDARD?
		YEAR 1	YEAR 2		
Med/Surg (111 beds)	29,669 pt days	30,900	35,000	34,749+ pt days	yes
ICU (12 beds)	3,255 pt days	3,100	3,500	2,409+pt days	yes
General ORs (11)	10,931 hrs	15,000 hrs	15,500 hrs	15,0001+ hrs	yes

*2013

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 235 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

148 NorthShore Evanston Hospital
— NorthShore Highland Park Hospital
— NorthShore Glenbrook Hospital
87 Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 235 additional patients annually to Skokie Hospital.

148 of the patients would have otherwise been admitted to NorthShore Evanston Hospital
— of the patients would have otherwise been admitted to NorthShore Highland Park Hospital
— of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital
87 of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 235 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

148 NorthShore Evanston Hospital
— NorthShore Highland Park Hospital
— NorthShore Glenbrook Hospital
87 Northwestern Memorial Hospital
— River North Same Day Surgery
— Ravine Way Surgery Center
— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 235 additional surgical procedures annually at Skokie Hospital.

146 of the procedures would have otherwise been performed at NorthShore Evanston Hospital

__ of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

__ of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

87 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

__ of the procedures would have otherwise been performed at River North Same Day Surgery

__ of the procedures would have been otherwise performed at Ravine Way Surgery Center

__ of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: SRDJAN MIRKOVIC M.D.

Specialty: Orthopaedic Spine

Office Address: 680 N Lake Shore Drive, Suite 984

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 208 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

103 NorthShore Evanston Hospital
— NorthShore Highland Park Hospital
— NorthShore Glenbrook Hospital
105 Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 208 additional patients annually to Skokie Hospital.

103 of the patients would have otherwise been admitted to NorthShore Evanston Hospital
— of the patients would have otherwise been admitted to NorthShore Highland Park Hospital
— of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital
105 of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 208 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

103 NorthShore Evanston Hospital
— NorthShore Highland Park Hospital
— NorthShore Glenbrook Hospital
105 Northwestern Memorial Hospital
— River North Same Day Surgery
— Ravine Way Surgery Center
— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 208 additional surgical procedures annually at Skokie Hospital.

103 of the procedures would have otherwise been performed at NorthShore Evanston Hospital

— of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

— of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

105 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

— of the procedures would have otherwise been performed at River North Same Day Surgery

— of the procedures would have been otherwise performed at Ravine Way Surgery Center

— of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Mark T. Nolden

Specialty: Spine Surgery

Office Address: 680 N. Lake Shore Dr., Suite 924

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 279 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

— NorthShore Evanston Hospital
— NorthShore Highland Park Hospital
— NorthShore Glenbrook Hospital
279 Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 279 additional patients annually to Skokie Hospital.

— of the patients would have otherwise been admitted to NorthShore Evanston Hospital
— of the patients would have otherwise been admitted to NorthShore Highland Park Hospital
— of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital
279 of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 279 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

— NorthShore Evanston Hospital
— NorthShore Highland Park Hospital
— NorthShore Glenbrook Hospital
279 Northwestern Memorial Hospital
— River North Same Day Surgery
— Ravine Way Surgery Center
— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately ____ additional surgical procedures annually at Skokie Hospital.

___ of the procedures would have otherwise been performed at NorthShore Evanston Hospital

___ of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

___ of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

279 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

___ of the procedures would have otherwise been performed at River North Same Day Surgery

___ of the procedures would have been otherwise performed at Ravine Way Surgery Center

___ of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Rebecca

Specialty: ortho

Office Address: 680 N. Lake Shore Dr., Suite 914

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/01/17

April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 201 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

— NorthShore Evanston Hospital

— NorthShore Highland Park Hospital

— NorthShore Glenbrook Hospital

201 Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 201 additional patients annually to Skokie Hospital.

— of the patients would have otherwise been admitted to NorthShore Evanston Hospital

— of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

— of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

201 of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 201 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

— NorthShore Evanston Hospital

— NorthShore Highland Park Hospital

— NorthShore Glenbrook Hospital

201 Northwestern Memorial Hospital

— River North Same Day Surgery

— Ravine Way Surgery Center

— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 201 additional surgical procedures annually at Skokie Hospital.

— of the procedures would have otherwise been performed at NorthShore Evanston Hospital

— of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

— of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

201 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

— of the procedures would have otherwise been performed at River North Same Day Surgery

— of the procedures would have been otherwise performed at Ravine Way Surgery Center

— of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

M.D.

Printed Name: Rick Wixson, MD

Specialty: Orthopaedic Surgery

Office Address: 680 N. Lake Shore Dr., Suite 924

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately ____ patients to the following hospitals, excluding NorthShore Skokie Hospitals:

____ NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

____ NorthShore Glenbrook Hospital

____ Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately ____ additional patients annually to Skokie Hospital.

____ of the patients would have otherwise been admitted to NorthShore Evanston Hospital

____ of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

____ of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

____ of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 330 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

134 NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

196 NorthShore Glenbrook Hospital

____ Northwestern Memorial Hospital

____ River North Same Day Surgery

____ Ravine Way Surgery Center

____ Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 330 additional surgical procedures annually at Skokie Hospital.

134 of the procedures would have otherwise been performed at NorthShore Evanston Hospital

___ of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

196 of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

___ of the procedures would have otherwise been performed at Northwestern Memorial Hospital

___ of the procedures would have otherwise been performed at River North Same Day Surgery

___ of the procedures would have been otherwise performed at Ravine Way Surgery Center

___ of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: JASON KOH

Specialty: ORTHOPAEDIC SURGERY

Office Address: 9650 Gross Point Rd, Suite 2900

Skokie, IL 60076

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

Kristine Stojek

april 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately ____ patients to the following hospitals, excluding NorthShore Skokie Hospitals:

____ NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

____ NorthShore Glenbrook Hospital

____ Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately ____ additional patients annually to Skokie Hospital.

____ of the patients would have otherwise been admitted to NorthShore Evanston Hospital

____ of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

____ of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

____ of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 460 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

____ NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

____ NorthShore Glenbrook Hospital

____ Northwestern Memorial Hospital

460 River North Same Day Surgery

____ Ravine Way Surgery Center

____ Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 460 additional surgical procedures annually at Skokie Hospital.

— of the procedures would have otherwise been performed at NorthShore Evanston Hospital

— of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

— of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

— of the procedures would have otherwise been performed at Northwestern Memorial Hospital

460 of the procedures would have otherwise been performed at River North Same Day Surgery

— of the procedures would have been otherwise performed at Ravine Way Surgery Center

— of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Mark Bowen

Specialty: Orthopaedic Sports Medicine

Office Address: 680 N. Lake Shore Dr., Suite 924

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately ____ patients to the following hospitals, excluding NorthShore Skokie Hospitals:

____ NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

____ NorthShore Glenbrook Hospital

____ Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately ____ additional patients annually to Skokie Hospital.

____ of the patients would have otherwise been admitted to NorthShore Evanston Hospital

____ of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

____ of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

____ of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 346 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

____ NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

____ NorthShore Glenbrook Hospital

250 Northwestern Memorial Hospital

96 River North Same Day Surgery

____ Ravine Way Surgery Center

____ Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 75 additional surgical procedures annually at Skokie Hospital.

____ of the procedures would have otherwise been performed at NorthShore Evanston Hospital

____ of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

____ of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

45 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

30 of the procedures would have otherwise been performed at River North Same Day Surgery

____ of the procedures would have been otherwise performed at Ravine Way Surgery Center

____ of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Charles Carroll

Printed Name: Charles Carroll

Specialty: Orthopaedics

Office Address: 660 N. Lake Shore Dr., Suite 924

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/01/17

Kristine Stojek

April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately ____ patients to the following hospitals, excluding NorthShore Skokie Hospitals:

____ NorthShore Evanston Hospital

____ NorthShore Highland Park Hospital

____ NorthShore Glenbrook Hospital

____ Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately ____ additional patients annually to Skokie Hospital.

____ of the patients would have otherwise been admitted to NorthShore Evanston Hospital

____ of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

____ of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

____ of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 400 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

___ NorthShore Evanston Hospital

___ NorthShore Highland Park Hospital

___ NorthShore Glenbrook Hospital

___ Northwestern Memorial Hospital

400 River North Same Day Surgery

___ Ravine Way Surgery Center

___ Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 400 additional surgical procedures annually at Skokie Hospital.

— of the procedures would have otherwise been performed at NorthShore Evanston Hospital

— of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

— of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

— of the procedures would have otherwise been performed at Northwestern Memorial Hospital

400 of the procedures would have otherwise been performed at River North Same Day Surgery

— of the procedures would have been otherwise performed at Ravine Way Surgery Center

— of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Patrick Birmingham

Specialty: Orthopedic Sports Medicine

Office Address: 680 N. Lake Shore Dr., Suite 924

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

Kristine Stojek
April 9, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 37 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

3 NorthShore Evanston Hospital

— NorthShore Highland Park Hospital

34 NorthShore Glenbrook Hospital

— Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 37 additional patients annually to Skokie Hospital.

3 of the patients would have otherwise been admitted to NorthShore Evanston Hospital

— of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

34 of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

— of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 37 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

3 NorthShore Evanston Hospital

— NorthShore Highland Park Hospital

34 NorthShore Glenbrook Hospital

— Northwestern Memorial Hospital

— River North Same Day Surgery

— Ravine Way Surgery Center

— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 52 additional surgical procedures annually at Skokie Hospital.

3 of the procedures would have otherwise been performed at NorthShore Evanston Hospital

— of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

34 of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

— of the procedures would have otherwise been performed at Northwestern Memorial Hospital

— of the procedures would have otherwise been performed at River North Same Day Surgery

— of the procedures would have been otherwise performed at Ravine Way Surgery Center

— of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Ravi Pashyak

Specialty: Ortho

Office Address: 9650 Gross Point Road, Suite 2900

Skokie, IL 60076

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/01/17

Kristine Stojek
April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 87 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

6 NorthShore Evanston Hospital
60 NorthShore Highland Park Hospital
21 NorthShore Glenbrook Hospital
— Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 87 additional patients annually to Skokie Hospital.

6 of the patients would have otherwise been admitted to NorthShore Evanston Hospital
60 of the patients would have otherwise been admitted to NorthShore Highland Park Hospital
21 of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital
— of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 87 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

6 NorthShore Evanston Hospital
60 NorthShore Highland Park Hospital
21 NorthShore Glenbrook Hospital
— Northwestern Memorial Hospital
— River North Same Day Surgery
— Ravine Way Surgery Center
— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 87 additional surgical procedures annually at Skokie Hospital.

6 of the procedures would have otherwise been performed at NorthShore Evanston Hospital

60 of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

21 of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

— of the procedures would have otherwise been performed at Northwestern Memorial Hospital

— of the procedures would have otherwise been performed at River North Same Day Surgery

— of the procedures would have been otherwise performed at Ravine Way Surgery Center

— of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

[signature]

Printed Name: ANAND SRINIVASAN

Specialty: ORTHOPEDIC SURGERY

Office Address: 9650 Gross Point Rd, Suite 2900

Skokie, IL 60076

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

Kristine Stojek
April 7, 2014

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately ~~459~~ 229 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

___ NorthShore Evanston Hospital
___ NorthShore Highland Park Hospital
___ NorthShore Glenbrook Hospital
~~459~~ 229 Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately ~~459~~ 229 additional patients annually to Skokie Hospital.

___ of the patients would have otherwise been admitted to NorthShore Evanston Hospital
___ of the patients would have otherwise been admitted to NorthShore Highland Park Hospital
___ of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital
~~459~~ 229 of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 459 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

___ NorthShore Evanston Hospital
___ NorthShore Highland Park Hospital
___ NorthShore Glenbrook Hospital
459 Northwestern Memorial Hospital
___ River North Same Day Surgery
___ Ravine Way Surgery Center
___ Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 459 additional surgical procedures annually at Skokie Hospital.

___ of the procedures would have otherwise been performed at NorthShore Evanston Hospital

___ of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

___ of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

459 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

___ of the procedures would have otherwise been performed at River North Same Day Surgery

___ of the procedures would have been otherwise performed at Ravine Way Surgery Center

___ of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Scott Cowper

Specialty: Ortho

Office Address: 680 N. Lake Shore Dr., Suite 924

Chicago, IL 60611

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

Illinois Health Facilities and
Service Review Board
Springfield, Illinois

To Whom It May Concern:

During 2013 I admitted a total of approximately 220 patients to the following hospitals, excluding NorthShore Skokie Hospitals:

— NorthShore Evanston Hospital

— NorthShore Highland Park Hospital

— NorthShore Glenbrook Hospital

220 Northwestern Memorial Hospital

Within two years following the completion of Skokie Hospitals proposed modernization program, I anticipate that I will admit approximately 220 additional patients annually to Skokie Hospital.

— of the patients would have otherwise been admitted to NorthShore Evanston Hospital

— of the patients would have otherwise been admitted to NorthShore Highland Park Hospital

— of the patients would have been otherwise admitted to NorthShore Glenbrook Hospital

220 of the patients would have been otherwise admitted to Northwestern Memorial Hospital

In addition, during 2013 I performed approximately 220 surgical procedures at the following hospital or surgery center, excluding Skokie Hospital:

— NorthShore Evanston Hospital

— NorthShore Highland Park Hospital

— NorthShore Glenbrook Hospital

220 Northwestern Memorial Hospital

— River North Same Day Surgery

— Ravine Way Surgery Center

— Illinois Sports Medicine & Orthopedic Surgery Center

Within two years following the completion of Skokie Hospital's proposed modernization program. I anticipate that I will perform approximately 220 additional surgical procedures annually at Skokie Hospital.

___ of the procedures would have otherwise been performed at NorthShore Evanston Hospital

___ of the procedures would have otherwise been performed at NorthShore Highland Park Hospital

___ of the procedures would have otherwise been performed at NorthShore Glenbrook Hospital

220 of the procedures would have otherwise been performed at Northwestern Memorial Hospital

___ of the procedures would have otherwise been performed at River North Same Day Surgery

___ of the procedures would have been otherwise performed at Ravine Way Surgery Center

___ of the procedures would have otherwise been performed at Illinois Sports Medicine & Orthopedic Surgery Center

This information is true and correct to the best of my knowledge, and the patients referenced above have not been used to support any other Certificate of Need projects, other than the project approved for Skokie Hospital in June 2012.

Sincerely,

Printed Name: Lalit Puri, MD

Specialty: Ortho Adult Reconstructo.

Office Address: 9650 Gross Point Rd, Suite 2900

Skokie, IL 60076

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

April 7, 2014

MEDICAL/SURGICAL, OBSTETRIC, PEDIATRIC AND INTENSIVE CARE

Skokie Hospital reduced its number of authorized Medical/Surgical beds from 173 to 138, and its authorized number of ICU beds from 20 to 16 through Certificate of Need Permit #12-020 (please see discussion in "Narrative Description"). Through this proposed project, the number of authorized Medical/Surgical beds will be further reduced to 111, and the number of authorized ICU beds will be further reduced to 12. All 30,250 square feet of new construction allocated in Project #12-020 to the Medical/Surgical units and the ICU have been eliminated, and the reduced bed complements will be addressed through the renovation of existing nursing units (64,005 sf of renovated space for the Medical/Surgical units had been included in Project #12-020).

Upon the completion of the proposed project, Skokie Hospital's 111 Medical/Surgical beds will be located on three nursing units, located on the third, fourth, and fifth floors of the hospital. Renovation has been completed on the fourth (37 beds) and fifth floors (37 beds), and the third floor will house the remaining 37 beds. Upon the project's completion, all of the hospital's beds will be located in private rooms, consistent with accepted contemporary standards.

Medical/Surgical Beds

Ever since NorthShore acquired Skokie Hospital from Rush Health System in November 2008, the applicant has focused on addressing the needs of a patient population that is older than many other hospitals, particularly other area hospitals. Specifically, during 2012 51.4% of Skokie Hospital's Medical/Surgical inpatients were 75 years of age, or older. In comparison, during the same period, according to IDPH data, only 39.3% of the Medical/Surgical patients admitted in Planning Area A-08 (north suburban Cook County), 33.5% of the Medical/Surgical

patients admitted in HSA VII (Suburban Cook/DuPage Counties) and 30.5% of the Medical/Surgical patients admitted in all of Illinois are 75 years of age or older. Because of the disproportionately older patient population served, there is less predictability (i.e. predictable seasonal trends) in utilization at Skokie Hospital than there is at many other hospitals.

The anticipated reduction in utilization is the result of a variety of factors, including lower admission rates, a greater reliance on outpatient services, the admission of surgical patients on the morning of surgery, and the anticipated impact of health care legislation. Consistent with the IHFSRB's practice, the average daily census over the past two years (2012 and 2013), of 83.6 patients (combined 60,995 patient days) was used as the baseline for utilization projections. The 60,995 patient days over the two-year period included 7,292 patient days of "observation" care provided on a Medical/Surgical unit. As discussed in ATTACHMENT 15, the historical utilization of the Medical/Surgical units has been purposefully reduced to allow the renovation of two of the units to proceed.

The hospital has been successful over the past year in recruiting additional members to its medical staff, and letters (attached) from 12 physicians, identifying projected incremental admissions to Skokie Hospital are provided at the end of this ATTACHMENT. Those letters are summarized in the table below, and identify a total of 1,496 incremental admissions, within two years of the project's completion.

Physician	Incremental Adm.	Incremental Surgeries
Wixon	201	201
Stelberg	279	279
Nolden	208	208
Mirkovic	235	235
Koh		330
Bowen		460
Carroll		75
Birmingham		400
Pasmyl	37	37
Srinivasan	87	87
Cordes	229	459
Puri	220	220
	1,496	2,991

The 1,496 projected incremental admissions, assuming the hospital's current 4.35-day average length of stay, equates to 6,507 incremental patient days and an incremental ADC of 17.82 patients. In addition, over the past two years, "observation" patient days of care have been provided at the rate of .166 observation days per day of Medical/Surgical inpatient care provided. As a result, an incremental 1,080 observation patient days of care are projected (6,507 X .166), and ADC of 2.96 observation patients. When combined with the historical ADC of 83.6 patients, the ADC within two years of the project's completion is projected to be 104.4 patients (83.6+17.82+2.96). That projected ADC supports a "need" for 123 beds, based on the IHFSRB's 85% target utilization level. As noted above, the hospital's Medical/Surgical bed complement will be reduced to 111 beds, and a bed complement of less than 123 is being proposed for two reasons: The first reason is to lend conservatism to the project. The second reason is to account for unanticipated medical staff attrition that will inevitably occur, either

through retirement or for other reasons, prior to the project's completion (which could be offset by additions to the Medical Staff not currently known to the applicants).

ICU Beds

Through the proposed project, Skokie Hospital will replace two small ICUs, originally totaling 20 beds (reduced to 16 beds through Permit #12-020), with a single 12-bed ICU. The consolidation of the two units will reduce the intra-hospital transferring of patients during periods of low census, and will eliminate the staffing difficulties associated with two small units.

During the 24-month period ending December 31, 2013 the ICU average daily census at Skokie Hospital has been 9.67 patients, which would support 16 ICU beds, based on the IDPH's 60% target utilization rate. With the proposed locating of each of the ICU beds in a private room, as opposed to an "open" ICU, with the resultant elimination of many of the isolation-associated limitations, and with expanded monitoring capabilities on the Medical/Surgical unit, the applicants are confident that the proposed twelve beds will be sufficient to meet demand.

Performance Requirements

The proposed project addresses two bed categories: Medical/Surgical and ICU. Skokie Hospital will maintain 111 Medical/Surgical and 12 ICU beds, consistent with the performance requirements identified in Section 1110.530.f.

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project includes a number of clinical areas that are not categories of service, and two of those areas, surgery and recovery (PACU) have IHFSRB-developed utilization standards. In both cases, the proposed project is consistent with those standards. Twelve operating rooms are being provided, with utilization projected to reach over 16,000 hours by the second year following the project's completion, supporting a "need" for the twelve operating rooms, based on the IHFSRB-adopted standard. 48 recovery stations will be provided, 12 of which will be Phase I stations and 36 of which will be Phase II stations, consistent with the IDPH-adopted standard of four stations per operating room.

The modernization of the surgical suite will include a near replacement (68% to be addressed through new construction), to provide a contemporary surgical suite. The existing suite has become dated, and lacks the infrastructure of contemporary suites.

A new and greatly expanded same day surgery department will be developed contiguous to the surgical suite on the second floor of the hospital. Aside from relocating the same day surgery department from the first floor, the new department will be designed and organized to provide pre-operative and recovery services (stations are included in the 36 Phase II stations noted above), as well as family areas. This area is being developed in response to an expanding outpatient surgery presence at the hospital. When the existing same day surgery area was

developed, no more than 20% of the hospital's surgery was performed on an outpatient basis. In comparison, outpatients now comprise approximately 70% of the hospital's surgical caseload.

Last, the GI lab will be relocated, continuing to provide five procedure rooms. Historical utilization of this service at Skokie Hospital (an average of 9,348 hours over the past two years) supports the proposed rooms.

NorthShore
University HealthSystem

Skokie Hospital

Kristen Murtos
President

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(847) 933-6012 Fax
kmurtos@northshore.org

March 27, 2014

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom It May Concern:

Please be advised that it is fully anticipated that Skokie Hospital's intensive care (ICU) beds and medical/surgical beds will reach the IHFSRB's target occupancy level by the second year following the proposed project's completion, and that they will maintain that level.

Sincerely,

Kristen Murtos
President, Skokie Hospital
NorthShore University HealthSystem

Notarized:

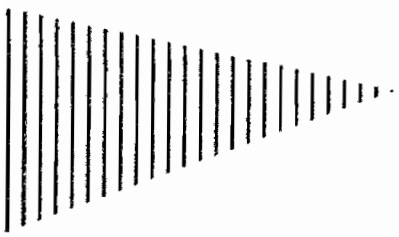
OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

March 27, 2014

CONSOLIDATED FINANCIAL STATEMENTS

NorthShore University HealthSystem
Years Ended September 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



Building a better working world

ATTACHMENT 36

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NorthShore University HealthSystem

Consolidated Financial Statements

Years Ended September 30, 2013 and 2012

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Ernst & Young LLP
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Chicago, IL 60606-1787

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Building a better working world

Report of Independent Auditors

The Board of Directors
NorthShore University HealthSystem

We have audited the accompanying consolidated financial statements of NorthShore University HealthSystem and its affiliates (collectively, the Corporation), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NorthShore University HealthSystem and its affiliates at September 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*

As discussed in Note 2 to the consolidated financial statements, NorthShore University HealthSystem changed the presentation of the provision for uncollectible accounts as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowances for Doubtful Accounts for Certain Health Care Entities*, effective October 1, 2012. Our opinion is not modified with respect to this matter.

Ernst + Young LLP

February 3, 2014

NorthShore University HealthSystem

Consolidated Balance Sheets

(Dollars in Thousands)

	September 30 2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 41,295	$ 21,856
Other short-term investments	36,565	17,016
Internally designated investments, current portion	49,575	44,960
Patient accounts receivable, less allowances for uncollectible and charity accounts (2013 – $55,507; 2012 – $53,472)	246,113	269,933
Inventories, prepaid expenses, and other	66,221	65,489
Total current assets	439,769	419,254
Investments available for general use	1,313,198	1,211,716
Internally designated investments for capital replacement and other	171,602	164,185
Property and equipment:		
Land and improvements	96,199	89,396
Buildings	1,351,161	1,221,467
Equipment and furniture	517,492	495,051
Construction-in-progress	26,548	77,332
	1,991,400	1,883,246
Less accumulated depreciation	1,023,604	918,696
Total property and equipment, net	967,796	964,550
Other noncurrent assets	213,001	203,462
Total assets	$ 3,105,366	$ 2,963,167

NorthShore University HealthSystem

Consolidated Balance Sheets (continued)

(Dollars in Thousands)

	September 30 2013	2012
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 55,124	$ 81,296
Accrued expenses and current portion of self-insurance	198,718	178,494
Due to third-party payors	81,612	88,067
Current maturities of long-term debt	9,263	8,948
Total current liabilities	344,717	356,805
Noncurrent liabilities:		
Long-term debt, less current maturities	367,200	376,463
Employee retirement plans	79,565	171,036
Accrued self-insurance and other	308,061	291,277
Total noncurrent liabilities	754,826	838,776
Net assets:		
Unrestricted	1,830,622	1,596,857
Temporarily restricted	100,951	98,205
Permanently restricted	74,250	72,524
Total net assets	2,005,823	1,767,586
Total liabilities and net assets	$ 3,105,366	$ 2,963,167

See accompanying notes.

NorthShore University HealthSystem

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended September 30	
	2013	2012
Unrestricted revenues and other support		
Net patient service and premium revenue	$ 1,765,898	$ 1,677,385
Provision for uncollectible accounts	(62,965)	(46,960)
Net patient service and premium revenue after provision	1,702,933	1,630,425
Investment earnings supporting current activities	33,000	30,000
Net assets released from restrictions used for operations	11,661	13,256
Other revenue	68,348	82,552
Total unrestricted revenues and other support	1,815,942	1,756,233
Expenses		
Salaries and benefits	980,869	912,089
Supplies, services, and other	577,582	573,611
Depreciation and amortization	118,817	115,262
Insurance	45,699	39,960
Medicaid assessment	24,828	24,828
Interest	7,668	7,469
Total expenses	1,755,463	1,673,219
Income from operations	60,479	83,014
Nonoperating income		
Dividend and interest income	27,735	33,046
Net realized gains on investments	52,764	20,664
Net unrealized gains on investments	59,117	121,898
Transfer of investment earnings supporting current activities	(33,000)	(30,000)
Other, net	(41,055)	(36,403)
Total nonoperating income	65,561	109,205
Revenue, gains, and other support in excess of expenses	126,040	192,219

Continued on next page.

NorthShore University HealthSystem

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year Ended September 30	
	2013	**2012**
Unrestricted net assets		
Revenue, gains, and other support in excess of expenses	**$ 126,040**	$ 192,219
Pension-related changes other than net periodic costs	**105,412**	(20,162)
Net assets released from restrictions used for capital	**986**	1,344
Other transfers, net	**1,327**	1,149
Increase in unrestricted net assets	**233,765**	174,550
Temporarily restricted net assets		
Contributions and other	**7,702**	15,802
Net realized gains on investments	**5,559**	2,138
Net unrealized gains on investments	**2,132**	11,010
Net assets released from restrictions	**(12,647)**	(14,600)
Increase in temporarily restricted net assets	**2,746**	14,350
Permanently restricted net assets		
Contributions	**1,726**	1,405
Increase in permanently restricted net assets	**1,726**	1,405
Increase in net assets	**238,237**	190,305
Net assets at beginning of year	**1,767,586**	1,577,281
Net assets at end of year	**$ 2,005,823**	$ 1,767,586

See accompanying notes.

NorthShore University HealthSystem

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended September 30	
	2013	**2012**
Operating activities		
Increase in net assets	**$ 238,237**	$ 190,305
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in net unrealized gain on investments	**(61,249)**	(132,909)
Change in trading portfolio investments, net	**(47,651)**	80,737
Restricted contributions	**(9,428)**	(17,207)
Depreciation and amortization	**118,817**	115,262
Bond premium amortization	**(88)**	(88)
Pension-related changes other than net periodic cost	**(105,412)**	20,162
Provision for uncollectible accounts	**62,965**	46,960
Changes in operating assets and liabilities:		
Patient accounts receivable	**(39,145)**	(116,443)
Other current assets	**(24,478)**	(3,513)
Noncurrent assets and liabilities	**21,650**	(16,714)
Accounts payable and accrued expenses	**(5,948)**	9,019
Due to third-party payors	**(6,455)**	28,057
Net cash provided by operating activities	**141,815**	203,628
Investing activities		
Investments in property and equipment, net	**(118,771)**	(178,216)
Acquisition of other long-term assets, net	**(4,173)**	(36,836)
Net cash used in investing activities	**(122,944)**	(215,052)
Financing activities		
Restricted contributions	**9,428**	17,207
Payments of long-term debt	**(8,860)**	(8,555)
Net cash provided by financing activities	**568**	8,652
Increase (decrease) in cash and cash equivalents	**19,439**	(2,772)
Cash and cash equivalents at beginning of year	**21,856**	24,628
Cash and cash equivalents at end of year	**$ 41,295**	$ 21,856

See accompanying notes.

NorthShore University HealthSystem

Notes to Consolidated Financial Statements
(Dollars in Thousands)

September 30, 2013

1. Organization and Basis of Presentation

NorthShore University HealthSystem (NorthShore) is an integrated health care system dedicated to providing health care services, including inpatient acute and non-acute care, primary and specialty physician services, and various outpatient services. NorthShore operates four acute care facilities, including Evanston Hospital, Highland Park Hospital, Glenbrook Hospital, and Skokie Hospital, that service the greater Chicago "North Shore" and northern Illinois communities. NorthShore also includes research activities, home health and hospice care, and foundation operations.

NorthShore is the sole corporate member of NorthShore University HealthSystem Faculty Practice Associates (FPA), Radiation Medicine Institute (RMI), and NorthShore University HealthSystem Insurance International (Insurance International). Effective January 1, 2012, NorthShore University HealthSystem Medical Group, Inc. (MG) changed its name to NorthShore Physician Associates, Inc. (NPA). FPA is the sole shareholder of NPA. All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements include the accounts and transactions of NorthShore and its affiliates (collectively, the Corporation).

NorthShore, FPA, and RMI are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC). NPA is a for-profit corporation. Insurance International is a foreign corporation organized in the Cayman Islands, which does not tax the activities of this organization.

The Corporation is the primary teaching affiliate of the University of Chicago Pritzker School of Medicine (Pritzker), under which the Corporation sponsors graduate medical education programs for physicians and other health care-related personnel.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ.

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments, which are not limited as to use, with a remaining maturity of three months or less from the date of purchase.

Accounts Receivable

The Corporation evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

Inventories

Inventories are stated at the lower of cost or market, based on the first-in, first-out method.

Investments

Investments in equity securities and mutual funds are carried at fair value based on quoted market prices. Debt securities are valued using institutional bids or pricing services. Alternative investments, primarily limited partnerships and hedge funds, are accounted for using the cost or equity method, depending on the extent of the Corporation's ownership within the fund, which is evaluated quarterly.

The Corporation classifies substantially all of its investments as trading. Under a trading classification, all unrestricted realized and unrealized gains and losses are included in revenues, gains, and other support in excess of expenses.

Pursuant to Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, the Corporation has no nonfinancial assets and liabilities that are required to be measured at fair value on a recurring basis as of September 30, 2013 and 2012.

2. Summary of Significant Accounting Policies (continued)

Investments Limited as to Use

Investments limited as to use include investments internally designated by the Board of Directors (the Board) for property and equipment replacement and expansion that the Board, at its discretion, may subsequently use for other purposes and investments externally designated under indenture or donor restriction.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Typical useful lives are 5 to 40 years for buildings and improvements and 3 to 20 years for equipment and furniture. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Goodwill and Other Intangible Assets

Goodwill has been recorded at the excess of the purchase price over the fair value of the assets purchased in acquisitions. In fiscal year 2012, the Corporation adopted Accounting Standards Update (ASU) 2011-08, *Testing Goodwill Impairment.* Under the guidance, a qualitative assessment of the Corporation's base year impairment analysis, fiscal year 2011, is required. The base year analysis included the market and income valuation approaches. In 2013 and 2012, both valuation approaches were qualitatively reviewed against several variables, including macroeconomic conditions, industry/market considerations, cost factors, and overall financial performance. The assessment determined that it is more likely than not (>50%) the Corporation's fair value exceeds its carrying amount, and therefore, as of September 30, 2013, no goodwill has been impaired. The Corporation has goodwill of $116,300 and $113,502 included in other noncurrent assets at September 30, 2013 and 2012, respectively. Other intangible assets with definite lives, such as noncompete clauses or trade names, are amortized over the estimated useful life of the asset. The Corporation has $4,369 and $6,361 included in other noncurrent assets at September 30, 2013 and 2012, respectively. Amortization expense related to these other intangible assets for the years ended September 30, 2013 and 2012, was $2,444 and $3,169, respectively.

2. Summary of Significant Accounting Policies (continued)

Asset Impairment

The Corporation considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating expenses at the time the impairment is identified, except for alternative investment impairments, which are recognized in nonoperating income (loss) or changes in temporarily restricted net assets at the time the impairment is identified. There was no impairment of long-lived assets in fiscal years 2013 and 2012, except for the alternative investment impairment described in Note 4.

Asset Retirement Obligations

The Corporation accounts for the fair value of legal obligations associated with long-lived asset retirements in accordance with ASC 410-20, *Asset Retirement and Environmental Obligations.* The asset retirement obligation, which primarily relates to future asbestos remediation, is recorded in accrued self-insurance and other liabilities and was accreted to its present fair value at September 30, 2013 and 2012, of $9,112 and $9,320, respectively.

Derivative Instruments

Derivative instruments are recorded on the consolidated balance sheets at their respective fair values. The change in the fair value of those derivative instruments is recognized in nonoperating income (loss) unless specific hedge accounting criteria are met. The Corporation had no derivative instruments outstanding as of September 30, 2013 and 2012.

General and Professional Liability

The provision for self-insured general and professional liability claims, per actuarial calculations, includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimated receivable from the excess insurance carrier is reported in other noncurrent assets.

2. Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use has been limited by donors or grantors to a specific period of time or a specific purpose. Temporarily restricted gifts, grants, and bequests are reported as an increase in temporarily restricted net assets in the period received. When specific purposes are satisfied, net assets used for capital purposes are reported in the consolidated statements of operations and changes in net assets as additions to unrestricted net assets; net assets used for operating purposes are reported in the consolidated statements of operations and changes in net assets as unrestricted revenues and other support. Contributions received with donor-imposed restrictions are reported as unrestricted if the restrictions are met in the same reporting period.

Permanently restricted net assets have been restricted by donors to be invested by the Corporation in perpetuity. Certain income from such investments may be temporarily restricted as to use. Associated income that is without donor restrictions is recorded in nonoperating income (loss).

Contributions

Unconditional pledges of others to give cash and other assets to the Corporation are reported at fair value at the date the pledge is received, to the extent estimated to be collectible. Pledges received with donor restrictions that limit the use of the donated assets are reported as increases in temporarily restricted net assets. When donor restrictions are satisfied or met as a result of meeting the specified requirement or the time frame indicated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions used for operations. Contributions of long-lived fixed assets are recorded at fair value as an increase to property and equipment and an increase to unrestricted net assets.

Net Patient Service Revenue

Net patient service revenue is revenue generated from services provided by the Corporation to patients. The Corporation receives payments for these services either directly from patients or on behalf of patients from third-party payors. Net patient service revenue is reported at the estimated net realizable amounts in the period the related services are provided and is adjusted in future periods as final settlements and payments are made.

2. Summary of Significant Accounting Policies (continued)

Community Service and Care to the Indigent

The Corporation provides care to patients who meet certain criteria established under its charity care policy without charge or at amounts less than the Corporation's established rates. Community service and care to the indigent provided by the Corporation are deducted to arrive at net patient service revenue. The estimated costs incurred by the Corporation to provide these services were $30,357 and $29,854 for the years ended September 30, 2013 and 2012, respectively. These estimates were determined using a ratio of cost-to-gross charges calculated from the Corporation's most recently filed Medicare cost reports and applying that ratio to the gross charges of charity care provided in the period.

Premium Revenue

The Corporation has agreements with health maintenance organizations to provide medical services to subscribing participants. Under these agreements, the Corporation receives monthly payments based primarily on the number of participants, regardless of actual medical services provided to participants.

Revenues, Gains, and Other Support in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenues, gains, and other support in excess of expenses. The Board has approved a policy to include certain investment earnings in support of academic initiatives, as well as to provide funding to support research. Changes in unrestricted net assets that are excluded from revenues, gains, and other support in excess of expenses include contributions of long-lived assets (including assets acquired using contributions that by donor restriction were used for the purposes of acquiring such assets) and pension-related changes other than net periodic costs.

Other Revenue and Other Nonoperating Income (Loss)

Other revenue includes all other miscellaneous activities, such as retail pharmacy, rental income, cafeteria sales, unrestricted donations, and other miscellaneous revenue. Other, net, within nonoperating income (loss), consists primarily of the expenses of the Foundation, investment management expenses, and transfer of professional liability earnings to operating income.

2. Summary of Significant Accounting Policies (continued)

Revenue from the government as part of the American Recovery and Reinvestment Act of 2009, such as adopting electronic health record (EHR) technology or becoming "meaningful users" of EHRs, is recorded on a grant accounting basis as part of other revenue.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs*. ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This update was issued to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 includes amendments that clarify the FASB's intent about the application of existing measurement and disclosure and change certain principles and requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance was effective for interim and annual periods beginning after December 15, 2011. Early adoption was not permitted. The Corporation adopted the new guidance on October 1, 2012, and there was no significant impact on the consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (a consensus of the FASB Emerging Issues Task Force). The amendments in this update require certain health care entities to change the presentation of the statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue by major payor source (net of contractual allowances and discounts), as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The amendments in ASU 2011-07 were effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The disclosures required by the amendments in ASU 2011-07

2. Summary of Significant Accounting Policies (continued)

should be provided for the period of adoption and subsequent reporting periods. The Corporation adopted the new guidance on October 1, 2012. As a result of adoption, the prior year provision for uncollectible accounts on the consolidated statement of operations and changes in net assets has been reclassified to be consistent with the current year presentation.

Reclassifications

Certain reclassifications were made to the 2012 consolidated financial statements to conform with classifications made in 2013. The reclassifications had no effect on the changes in net assets or on net assets as previously reported.

3. Contractual Arrangements with Third-Party Payors

The Corporation has entered into contractual arrangements with various managed care organizations, including Blue Cross Blue Shield (BCBS), the terms of which call for the Corporation to be paid for covered services at predetermined rates. Certain services provided to BCBS program inpatients are paid at interim rates with annual settlements based on allowable reimbursable costs. Outpatient services for this BCBS population are covered by an indemnity fee-for-service policy and, therefore, are not covered under the cost settlement program. The Corporation also provides care to certain patients with government insurance programs, such as Medicare and Medicaid, at predetermined rates. Reported costs and/or services provided, under certain of the arrangements, are subject to audit by the administering agencies. Changes in the various programs, including Medicare and Medicaid, could have an adverse effect on the Corporation.

A provision has been made in the consolidated financial statements for contractual adjustments, representing the difference between the charges for services provided and estimated reimbursement from the various third-party payors. Net patient service revenue increased by $5,854 and $9,476 for the years ended September 30, 2013 and 2012, respectively, to reflect changes in the estimated Medicare and Medicaid settlements for prior years. The amount recorded in 2012 includes $9,900 from a nationwide settlement with the Centers for Medicare & Medicaid Services (CMS) resulting from an error in the Rural Budget Neutrality adjustment factor used in 1998.

3. Contractual Arrangements with Third-Party Payors (continued)

The percentages of gross patient service revenue applicable to specific payors' contractual arrangements for the years ended September 30 are as follows:

	2013	2012
Medicare	40%	40%
Medicaid	7	7
BCBS	23	23
Managed care	18	18
Other	12	12
Total	100%	100%

The Corporation's concentration of credit risk relating to accounts receivable is limited due to the diversity of patients and payors.

The percentages of gross patient accounts receivable applicable to specific payors' contractual arrangements as of September 30 are as follows:

	2013	2012
Medicare	29%	26%
Medicaid	16	27
BCBS	13	13
Managed care	24	20
Other	18	14
Total	100%	100%

The Corporation's estimation of the allowance for doubtful accounts is based primarily upon the type and age of patient accounts receivable and the effectiveness of the Corporation's collection efforts.

The Corporation's policy is to establish reserves for a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. The allowance for uncollectible accounts as a percentage of all accounts receivable was 12.2% as of September 30, 2013. The Corporation's total reserve for self-pay accounts receivable, including allowance for uncollectible accounts and charity care, was 91% of self-pay accounts receivable at September 30, 2013.

3. Contractual Arrangements with Third-Party Payors (continued)

On a monthly basis, the Corporation reviews its patient accounts receivable balances and employs various analytics to support the determination of its estimates. These efforts primarily consist of reviewing the following: historical write-off and collection experience, revenue and volume trends by payor (particularly self-pay components), changes in the aging and payor mix of patient accounts receivable (including accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients), trending of days revenue in accounts receivable, and various allowance coverage statistics.

Total net patient service revenue was $1,697,952 for the year ended September 30, 2013. Included in this amount is third-party payor revenue of $1,568,955 and self-pay revenue of $128,997.

The Corporation believes that it is in compliance with all applicable Medicare and Medicaid laws and regulations and is not aware of any pending or threatened investigations or allegations of potential wrongdoing. While no such Medicare or Medicaid regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Current liabilities include $81,612 and $88,067 for September 30, 2013 and 2012 respectively, related to various estimated settlements due to third-party payors including Medicare, Medicaid and BCBS. Laws and regulations governing Medicare and Medicaid change frequently, are complex, and are subject to interpretation. Administrative procedures for both Medicare and Medicaid preclude the final settlement until the related cost reports have been audited by the sponsoring agency and settled. As a result, there is a reasonable possibility that these recorded estimates will change as new information becomes available, and the amount of the change may be material.

For the years ended September 30, 2013 and 2012, $67,946 and $62,496, respectively, of premium revenue was generated through agreements with HMO Illinois.

In December 2008, the CMS approved continuing the State of Illinois' Hospital Assessment Program (the Program), with an effective date beginning on July 1, 2008 (the beginning of the State's fiscal year), through the State's fiscal year 2013. Legislation has been approved to

3. Contractual Arrangements with Third-Party Payors (continued)

enhance this program and extend it to December 31, 2014. Under this program, the Corporation recognized $27,596 and $28,347 of net patient service revenue for the years ended September 30, 2013 and 2012, respectively. Additionally, $24,828 of program assessment expense was recognized for both of the years ended September 30, 2013 and 2012. There were no accelerated payments or receipts in fiscal 2013 and 2012.

4. Financial Instruments

The presentation of investments at September 30 is as follows:

	2013	2012
Other short-term investments	$ 36,565	$ 17,016
Investments available for general use	1,313,198	1,211,716
Investments limited as to use:		
Internally designated investments, current portion	49,575	44,960
Internally designated for capital replacement and other	171,602	164,185
Other noncurrent assets	45,677	35,346
Total investments	$ 1,616,617	$ 1,473,223

Total investment return for the years ended September 30 is summarized as follows:

	2013	2012
Nonoperating:		
Dividend and interest income	$ 27,735	$ 33,046
Net realized gains on investments	52,764	20,664
Net unrealized gains on investments	59,117	121,898
Total nonoperating investment return	139,616	175,608
Temporarily restricted:		
Net realized gains	5,559	2,138
Net unrealized gains	2,132	11,010
Total temporarily restricted investment return	7,691	13,148
Total investment return	$ 147,307	$ 188,756

4. Financial Instruments (continued)

Investment fees for the years ended September 30, 2013 and 2012, were $21,391 and $16,793, respectively, included in other, net, within nonoperating income (loss).

The Corporation continually reviews its alternative investment portfolio recorded at cost and evaluates whether declines in the fair value of such securities should be considered other than temporary. Factored into this evaluation are general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, and the length of time and extent to which the fair value has been less than cost. Based on this evaluation, one investment in the current year and one investment in the prior year held at cost were determined to be impaired. As a result of this impairment, the Corporation recorded a loss reserve of $5,237 and $1,102 for the years ended September 30, 2013 and 2012, respectively.

5. Fair Value Measurements

The Corporation holds certain debt securities, equity securities, and investments in funds, which must be measured using a prescribed fair value hierarchy and related valuation methodologies. The concept of the "highest and best use" of an asset is used for valuation.

Highest and best use is determined by the "use of the asset by market participants, even if the intended use of the asset by the reporting entity is different." ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions about current market conditions.

The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 – Quoted market prices for identical instruments in active markets. Active markets are defined by daily trading and investor ability to exit holdings at the daily pricing. Redemption frequency is daily.

Level 2 – Quoted market prices for similar or identical instruments and model-derived valuations in which all significant inputs are observable in the market. The separately managed accounts are based on institutional bid evaluations. Institutional bid evaluations are estimated prices computed by pricing vendors. These prices are determined using observable inputs for similar securities as of the measurement date. Redemption frequency is daily or monthly.

5. Fair Value Measurements (continued)

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable. These prices are based on the net asset value reported from the investee and reviewed by an independent third party as its best estimate of fair market value of the reporting date for its investments in limited partnerships and hedge funds. Because there are no observable market transactions for interests in investments in limited partnerships and hedge funds, any investments of this nature would be classified in Level 3 of the fair value hierarchy. Redemption frequency varies from monthly to longer than one year for hedge funds. Limited partnerships are expected to be held for the life of the fund.

The Corporation's financial assets that are carried at fair value at September 30, 2013, were as follows:

Nature of Investment	Level 1	Level 2	Level 3	Total
Open-ended mutual funds	$ 48,022	$ –	$ –	$ 48,022
Domestic equity funds	91,665	177,270	–	268,935
International equity funds	18,221	319,939	–	338,160
Domestic equities	148,687	–	–	148,687
Real asset funds	–	21,474	–	21,474
Bond funds	169,570	–	–	169,570
Fixed income accounts	–	162,380	–	162,380
Treasury inflation protected securities	–	21,746	–	21,746
Total assets at fair value	$ 476,165	$ 702,809	$ –	$ 1,178,974

The Corporation's financial assets that are carried at fair value at September 30, 2012, were as follows:

Nature of Investment	Level 1	Level 2	Level 3	Total
Open-ended mutual funds	$ 37,417	$ –	$ –	$ 37,417
Domestic equity funds	91,905	155,237	–	247,142
International equity funds	18,358	255,660	–	274,018
Domestic equities	127,145	–	–	127,145
Real asset funds	–	23,466	–	23,466
Bond funds	226,723	–	–	226,723
Fixed income accounts	–	92,220	–	92,220
Treasury inflation protected securities	–	22,347	–	22,347
Total assets at fair value	$ 501,548	$ 548,930	$ –	$ 1,050,478

5. Fair Value Measurements (continued)

ASC 825 permits entities to elect to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument and is irrevocable. The Corporation has made no such elections to date.

There were no transfers between Level 1, Level 2, and Level 3 assets during the years ended September 30, 2013 and 2012.

Total investments at September 30, 2013, are $1,616,617. In addition to total investments recorded at fair value, this amount includes $428,216 in limited partnerships and funds recorded at cost, $6,805 in limited partnerships recorded using the equity method, and other assets of $2,622 recorded at cost.

Total investments at September 30, 2012, are $1,473,223. In addition to total investments recorded at fair value, this amount includes $412,239 in limited partnerships and funds recorded at cost, $8,438 in limited partnerships recorded using the equity method, and other assets of $2,068 recorded at cost.

The carrying values of patient accounts receivable, accounts payable, and accrued expenses are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

The estimated fair value of total debt was $379,555 and $401,188 at September 30, 2013 and 2012, respectively. Under the guidance set forth in ASU 2011-04, the Corporation's debt is classified as a Level 2 liability. The estimated fair value of the fixed rate debt is determined by recalculating the dollar prices of each of the Corporation's outstanding fixed rate bonds using current market yields. The variable rate debt is remarketed daily or weekly, and par value is considered as fair value. The fair value included a consideration of third-party credit enhancements, which had no impact on the estimated fair value of the debt.

6. Long-Term Debt and Debt with Self-Liquidity

All bonds issued by the Corporation were used to pay or reimburse the Corporation for certain capital projects, to provide for a portion of the interest on the bonds, and to pay certain expenses incurred in connection with the issuance of the bonds. The variable rate bonds are subject to periodic remarketing and can be converted to a fixed rate subject to certain terms of the loan agreements. The Series 2001B, 2001C, 1995, and 1996 bonds have standby bond purchase agreements (SBPAs), and the 2008 commercial paper has a letter of credit (LOC) to provide liquidity support in the event of a failed remarketing.

In November 2009, the Corporation remarketed the Series 1995 and 1996 bonds ($100,000) in a weekly demand mode to external investors. The Series 1995 bonds are backed by an SBPA issued by a financial institution that expires on September 22, 2016. The Series 1996 bonds are backed by an SBPA issued by a financial institution that expires on September 22, 2015. In the event these bonds cannot be remarketed, the bond trustee will call the bonds and the bonds will become bank bonds held by the liquidity facility provider. The liquidity facility provider will hold the bonds for 367 days or until a replacement liquidity facility is secured. After the 367-day period, the bonds will begin to amortize over a three-year period. In the event an SBPA cannot be renewed or replaced, the liquidity facility provider will make a loan in the amount necessary to complete the mandatory tender of the bonds. The principal and interest on the loan will be amortized over three years.

The Corporation has two SBPAs in conjunction with the Series 2001B and 2001C bonds with financial institutions. The Series 2001B bonds have an expiration of November 15, 2017. The Series 2001C bonds have an expiration of November 15, 2016. In the event these bonds cannot be remarketed, the bond trustee will call the bonds and the bonds will become bank bonds held by the liquidity facility provider. The liquidity facility provider will hold the bonds for 367 days or until a replacement facility is secured. After the 367-day period, the bonds will begin to amortize over a three-year period. In the event an SBPA cannot be renewed or replaced, the liquidity provider will make a loan in the amount necessary to complete the mandatory tender of the bonds. The principal and interest on the loan will be amortized over three years.

The Corporation has an LOC backup facility with a financial institution in conjunction with the 2008 Pooled Program that expires on November 30, 2014. The LOC may be drawn upon by the trustee to make payments of principal and interest on maturing commercial paper in the event that an issuance of commercial paper does not roll over. Repayments on any liquidity advance received prior to the LOC expiration date will be made in equal quarterly installments beginning

6. Long-Term Debt and Debt with Self-Liquidity (continued)

on the first subsequent quarter-end date, no less than 30 days after the commercial paper rollover date.

The Corporation's obligation to purchase the Series 1998, 1992, and 1990A debt issues with self-liquidity upon optional or mandatory tender is not supported by a third-party liquidity facility; however, when outstanding, the Corporation maintains liquid assets to redeem their maturing obligations. During the year ended September 30, 2013, the Corporation retired the 1985B and 1987A-E debt issues. As of September 30, 2013 and 2012, there were no bonds with self-liquidity outstanding with third parties.

The self-liquidity bonds held by the Corporation at September 30 are as follows:

	Final Maturity	2013	2012
1998	2032	$ 50,000	$ 50,000
1992	2026	50,000	50,000
1990A	2025	50,000	50,000
1987A–1987E	2020	–	50,000
1985B	2015	–	30,000
		$ 150,000	$ 230,000

For the self-liquidity bonds being held by the Corporation, the Corporation records related interest income and expense within nonoperating income (loss).

Under the terms of the long-term debt arrangements, various amounts are on deposit with trustees, and certain specified payments are required for bond redemption, interest payments, and asset replacement. The terms of certain long-term debt agreements require, among other things, the maintenance of various financial ratios and place limitations on additional indebtedness and pledging of assets. The Corporation remained in compliance with these agreements during the reporting periods.

The Corporation has various outstanding LOCs in connection with construction projects and property lease obligations, which amount to $2,013 and $3,287 for the years ended September 30, 2013 and 2012, respectively. No amounts have been drawn against these letters.

6. Long-Term Debt and Debt with Self-Liquidity (continued)

For the years ending September 30, 2014, 2015, 2016, 2017, and 2018, maturities of long-term debt, assuming remarketing of variable rate demand bonds (including an $88 bond premium), are $9,263, $9,638, $9,998, $10,383, and $10,793, respectively.

Interest paid for the years ended September 30, 2013 and 2012, was $6,924 and $7,125, respectively. Interest of $638 and $1,110 was capitalized for the same periods, respectively. In addition, bond premium amortization was $88 for the years ended September 30, 2013 and 2012.

Total long-term debt at September 30 is summarized as follows:

		Amortization		Outstanding Principal		Interest Rate	
			Years	September 30		September 30	
Type/Issuer	Series	Amount Range	From – To	2013	2012	2013	2012
Illinois Development Finance Authority Variable Rate Demand Revenue Bonds							
	2001B	$1,500 – $5,000	2014 – 2031	$ 40,700	$ 42,200	0.07%	0.19%
	2001C	1,500 – 5,000	2014 – 2031	40,700	42,200	0.03%	0.19%
Illinois Health Facilities Authority Variable Rate Adjustable Demand Revenue Bonds							
	1995	$1,420 – $8,605	2014 – 2035	45,900	47,265	0.06%	0.17%
	1996	1,415 – 8,560	2014 – 2035	45,930	47,285	0.07%	0.18%
Illinois Educational Facilities Authority Commercial Paper Revenue Notes							
	2008	$995 – $13,305	2032 – 2038	75,000	75,000	0.13%	0.14%
Illinois Finance Authority Revenue Refunding Bonds							
	2010	$825 – $9,685	2014 – 2037	126,155	129,295	3.00% – 5.25%	3.00% – 5.25%
Total long-term debt				374,385	383,245		
Less current maturities of debt				9,263	8,948		
Plus 2010 Series bond premium (current and long-term)				2,078	2,166		
Total long-term debt, less current maturities				$ 367,200	$ 376,463		

7. Employee Benefit Programs

The Corporation sponsors a funded, noncontributory, defined benefit pension plan (the NorthShore Plan), which covers substantially all employees with at least one year of employment. The funding policy is to contribute amounts to meet or exceed the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA).

In June 2013, the Corporation announced that it would freeze the NorthShore Plan on December 31, 2013, and enroll all employees in a new defined contribution plan. As a result of this change, a charge of $2,730 was recorded as a prior service cost and a $44,405 reduction to the benefit obligation was recorded as a curtailment. Additionally, the Corporation recorded a charge of $4,219 related to an early retirement program.

Assets held by the NorthShore Plan consist primarily of fixed income securities, domestic/international stocks, limited partnerships, and hedge funds. A plan measurement date of September 30 is used for the NorthShore Plan.

For the year ended September 30, 2013, the Corporation made contributions of $25,000 for plan year 2012.

7. Employee Benefit Programs (continued)

The summary of the changes in the benefit obligation and plan assets of the NorthShore Plan for the years ended September 30 is as follows:

	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 502,594	$ 430,324
Service cost	25,519	21,401
Interest cost	20,395	19,623
Special termination benefits	4,219	–
Curtailments	(44,405)	–
Actuarial (gains) losses	(37,606)	44,946
Benefits paid	(50,897)	(13,700)
Benefit obligation at end of year	$ 419,819	$ 502,594
Accumulated benefit obligation	$ 418,751	$ 456,330
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 341,529	$ 286,297
Actual return on plan assets	33,940	35,152
Employer contributions	25,000	33,780
Benefits paid	(50,897)	(13,700)
Fair value of plan assets at end of year	$ 349,572	$ 341,529

A summary of changes in the funded status of the NorthShore Plan and net periodic pension cost as of and for the years ended September 30 is as follows:

	2013	2012
Funded status of the plan	$ (70,247)	$ (161,065)
Unrecognized net actuarial loss	92,471	192,899
Unamortized prior service benefit	–	3,156
Prepaid pension cost	22,224	34,990
Accumulated adjustments to unrestricted net assets	(92,471)	(196,055)
Amounts recognized in consolidated balance sheets	$ (70,247)	$ (161,065)

7. Employee Benefit Programs (continued)

Changes in the NorthShore Plan's assets and benefit obligation recognized in unrestricted net assets for the years ended September 30 include the following:

	2013	2012
Current year actuarial (gain) loss	$ (89,711)	$ 33,825
Current year amortization of prior service cost	(3,156)	(568)
Recognized loss	(10,717)	(12,522)
	$ (103,584)	$ 20,735

The estimated prior service cost and net loss that will be amortized over the next fiscal year are $0 and $1,696, respectively.

The Corporation's target and actual pension asset allocations are as follows:

Asset Category	Strategic Target	Actual Asset Allocation at September 30 2013	2012
Equity securities	39.0%	34.8%	34.8%
Debt securities	23.0	26.8	28.3
Other	38.0	38.4	36.9
Total	100.0%	100.0%	100.0%

The Corporation holds certain debt securities, equity securities, and investments in funds, which must be measured using a prescribed fair value hierarchy and related valuation methodologies. The concept of the "highest and best use" of an asset is used for valuation.

Highest and best use is determined by the "use of the asset by market participants, even if the intended use of the asset by the reporting entity is different." ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions about current market conditions.

7. Employee Benefit Programs (continued)

The following table presents the NorthShore Plan's financial instruments as of September 30, 2013, measured at fair value on a recurring basis by the ASC 820 valuation hierarchy defined in Note 5:

Nature of Investment	Level 1	Level 2	Level 3	Total
Domestic equity funds	$ 18,066	$ 39,748	$ –	$ 57,814
International equity funds	–	73,493	–	73,493
Domestic equities	28,536	–	–	28,536
Real asset funds	–	5,103	–	5,103
Bond funds	49,308	–	–	49,308
Fixed income accounts	–	27,236	–	27,236
Treasury inflation protected securities	–	11,652	–	11,652
Limited partnership and hedge funds	–	–	94,902	94,902
Cash equivalents	1,528	–	–	1,528
Total assets at fair value	$ 97,438	$ 157,232	$ 94,902	$ 349,572

The following table presents the NorthShore Plan's financial instruments as of September 30, 2012, measured at fair value on a recurring basis by the ASC 820 valuation hierarchy defined in Note 5:

Nature of Investment	Level 1	Level 2	Level 3	Total
Domestic equity funds	$ 18,806	$ 31,429	$ –	$ 50,235
International equity funds	–	66,244	–	66,244
Domestic equities	34,102	–	–	34,102
Real asset funds	–	5,577	–	5,577
Bond funds	58,730	–	–	58,730
Fixed income accounts	–	21,642	–	21,642
Treasury inflation protected securities	–	11,995	–	11,995
Limited partnership and hedge funds	–	–	91,073	91,073
Cash equivalents	1,931	–	–	1,931
Total assets at fair value	$ 113,569	$ 136,887	$ 91,073	$ 341,529

7. Employee Benefit Programs (continued)

The table below sets forth a summary of changes in the fair value of the NorthShore Plan's Level 3 assets for the years ended September 30:

	2013	2012
Balance, beginning of year	$ 91,073	$ 74,114
Dividends and interest income	338	533
Unrealized gains	7,735	40
Realized gains	24	650
Purchases	8,289	18,766
Sales	(12,557)	(3,030)
Balance, end of year	$ 94,902	$ 91,073
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ 7,735	$ 40

The components of net periodic benefit costs included in the consolidated statements of operations and changes in net assets for the years ended September 30 are as follows:

	2013	2012
Service cost	$ 25,519	$ 21,401
Interest cost	20,395	19,623
Expected return on plan assets	(26,240)	(24,032)
Prior service cost recognized	3,156	568
Actuarial loss	10,718	12,522
Special termination benefit	4,219	–
Net periodic pension cost	$ 37,767	$ 30,082

The Corporation anticipates that contributions to the NorthShore Plan's assets will be made during 2014 from employer assets of $20,000. Expected employee benefit payments are $35,092 in 2014, $23,416 in 2015, $24,031 in 2016, $25,353 in 2017, $26,003 in 2018, and $139,820 during the period from 2019 through 2023.

7. Employee Benefit Programs (continued)

Assumptions used to determine benefit obligations at the measurement date for the years ended September 30 are as follows:

	2013	2012
Discount rate	**4.99%**	4.16%
Expected return on plan assets	**7.75**	7.75
Rate of compensation increase	**3.60**	3.60

Assumptions used to determine net pension expense for the years ended September 30 are as follows:

	2013	2012
Discount rate	**4.16%**	4.70%
Expected return on plan assets	**7.75**	7.75
Rate of compensation increase	**3.60**	3.78

To develop the expected long-term rate of return on assets assumption, the Corporation considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 7.75% long-term rate of return on assets assumption for 2013 and 2012.

The Corporation also sponsors a defined contribution plan that matches employee contributions at an annual discretionary percentage. Matching contributions to the defined contribution plan totaled $18,305 and $18,607 in 2013 and 2012, respectively, and are included in salaries and benefits expense. The related liability at September 30, 2013 and 2012, is $14,079 and $13,771, respectively, included in accrued expenses.

The Corporation also sponsors a supplemental executive retirement plan. The total plan liability is $12,456 and $14,305 for the years ended September 30, 2013 and 2012, respectively, and are included in accrued expenses and current portion of self-insurance and employee retirement plans based on the expected payout dates.

7. Employee Benefit Programs (continued)

The Corporation also offers an Executive and Physician Income Deferral Plan (457B), which is 100% employee-funded. The plan assets and liabilities for September 30, 2013, are $45,959 and for September 30, 2012, are $35,415. These amounts are included in other noncurrent assets and accrued self-insurance expense and other for the years ended September 30, 2013 and 2012, respectively.

8. Professional Liability Insurance

The Corporation has claims-made basis policies in excess of the amounts retained by the Corporation for professional and general liability claims. As of September 30, 2013 (beginning with policy year March 26, 2009), claims are subject to deductibles of $10,000 with a $15,000/$15,000 buffer layer. The estimated professional liability losses are calculated with the assistance of consulting actuaries, and an accrual has been made for potential claims to be paid. The discounted reserve balance (using a discount rate of 4%) was $290,340 as of September 30, 2013, and $281,116 as of September 30, 2012. Included in these amounts is a receivable for anticipated insurance recoveries of $17,360 as of September 30, 2013, and $15,116 as of September 30, 2012. The undiscounted reserve balance would have been higher by approximately $45,380 as of September 30, 2013, and $46,027 as of September 30, 2012. The Corporation is not aware of any factors that would cause insurance expense to vary materially from the amounts provided. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently may not be insured.

9. Litigation and Contingencies

In February 2004, the Federal Trade Commission (FTC) issued a complaint against the Corporation challenging its January 2000 merger with Highland Park Hospital (HPH). On April 28, 2008, the FTC issued a Final Order that requires the Corporation to conduct separate negotiations with private third-party payors for health care services of HPH unless a payor specifically elects to opt out and negotiate jointly for all of the Corporation's hospitals. The Final Order also requires the Corporation to give prior notification to the FTC for any future acquisitions of hospitals within the Chicago Metropolitan Statistical Area through April 2018. The Final Order terminates in April 2028.

9. Litigation and Contingencies (continued)

In August 2007, three individual private plaintiffs filed a purported antitrust class action lawsuit against the Corporation in Federal District Court in Chicago, Illinois, alleging anticompetitive price increases as a result of the Corporation's January 2000 merger with HPH. In May 2008, an entity titled the Painters District Counsil No. 30 Health and Welfare Fund filed a nearly identical antitrust class action against the Corporation. All four of the separate suits have been consolidated into one action. On March 30, 2010, the District Court denied the plaintiffs' motion for class certification. The plaintiffs appealed the District Court's denial of class certification to the Seventh Circuit Court of Appeals, and on January 13, 2012, the Seventh Circuit issued an opinion that vacated the District Court's decision and remanded the case back to the District Court for further proceedings. On April 4, 2012, the plaintiffs filed a renewed motion for class certification that the Corporation opposed on July 12, 2012. On December 10, 2013, the District Court granted plaintiffs renewed motion for class certification. Fact and expert discovery is ongoing and a final resolution of the matter is not expected until 2015-2016.

The Corporation has denied all allegations within the plaintiffs' complaints and intends to pursue its rights in defense of the claims. The Corporation is unable to predict the ultimate outcomes, including liability, if any, in this litigation; however, such liabilities could be material.

On June 14, 2012, the State of Illinois enacted Illinois Public Act 97-0688, which includes provisions governing property and sales tax exemptions for Illinois non-profit hospitals. Based on initial interpretations and estimates, the Corporation believes that community benefits provided by each of the hospitals will exceed their respective tax assessments and, therefore, no property or sales tax will be due for the calendar year 2012 or 2013.

Prior to the new legislation, the Corporation filed required applications seeking real estate tax-exempt status for certain of the Corporation's Skokie Hospital and related facilities, which were certified as tax-exempt as part of Rush NorthShore Medical Center prior to the merger with the Corporation on January 1, 2009. These applications are now subject to the provisions of Illinois Public Act 97-0688 enacted on June 14, 2012. The Illinois Department of Revenue has recently issued real estate tax exemption certificates, which have approved the Corporation's tax exemption filing for either full or partial exemption of the Skokie Hospital and related facilities for tax years 2009, 2010, 2011, and 2012. A local taxing district has intervened in each of the tax years and has requested a formal hearing before the Department of Revenue asserting that Public Act 97-0688 is unconstitutional. The Corporation is reviewing this request and is in discussion with the taxing district to resolve this matter.

9. Litigation and Contingencies (continued)

The Corporation is a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Corporation's financial condition or operations.

10. Commitments

Future minimum lease payments for property and equipment for all noncancelable operating leases for the next five years are as follows:

2014	$	15,144
2015		14,632
2016		13,566
2017		12,930
2018		11,370

Lease expense for the years ended September 30, 2013 and 2012, was $22,001 and $24,553, respectively.

At September 30, 2013, the Corporation is committed to $51,817 in construction-related contracts.

At September 30, 2013, the Corporation is committed to fund $91,855 to limited partnerships, which is expected to occur over the next decade. At September 30, 2013, the pension plan is committed to fund $24,909 to limited partnerships, which is expected to occur over the next decade.

Future minimum intangible asset amortization for the next five years is as follows:

2014	$	2,382
2015		1,034
2016		501
2017		184
2018		49

11. General, Administrative, and Fund-Raising Expenses

General and administrative expenses incurred in connection with providing inpatient, outpatient, professional, and emergency care services amounted to $273,148 in 2013 and $266,753 in 2012. Fund-raising expenses for the years ended September 30, 2013 and 2012, were $2,396 and $2,728, respectively.

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2013	2012
Restricted for:		
Research	$ 18,089	$ 16,875
Special purpose	82,862	81,330
Total temporarily restricted net assets	$ 100,951	$ 98,205

Permanently restricted net assets totaled $74,250 and $72,524 for the years ended September 30, 2013 and 2012, respectively. Earnings from permanently restricted net assets are used toward research, special purpose, and general operations and to fund department chairs, as well as uncompensated care offered to patients who meet certain criteria established under the Corporation's charity care policy.

12. Temporarily and Permanently Restricted Net Assets (continued)

Activity in the endowment funds was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2011	$ 5,385	$ 27,258	$ 71,119	$ 103,762
Contributions	–	–	1,405	1,405
Investment return	796	4,544	–	5,340
Change of value in trust	1,926	11,010	–	12,936
Distributions	(796)	(5,374)	–	(6,170)
Net asset reclassification from unrestricted investment	(114)	(2,045)	–	(2,159)
Endowment net assets at September 30, 2012	7,197	35,393	72,524	115,114
Contributions	–	–	1,726	1,726
Investment return	1,307	7,573	–	8,880
Change of value in trust	263	2,131	–	2,394
Distributions	(1,307)	(4,883)	–	(6,190)
Net asset reclassification from unrestricted investment	(13)	(924)	–	(937)
Endowment net assets at September 30, 2013	$ 7,447	$ 39,290	$ 74,250	$ 120,987

The State of Illinois passed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. The Corporation has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. In compliance with this interpretation of UPMIFA, the Corporation classifies permanently restricted net assets as (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated in a manner considered with the standard of prudence prescribed by UPMIFA.

The Corporation has adopted a policy of requiring a minimum donation of $1,500 to establish an endowed chair and $1,000 to establish an endowed research project or endowed clinical program.

12. Temporarily and Permanently Restricted Net Assets (continued)

The Corporation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Currently, the Corporation expects its endowment funds over time to provide an average rate of return of approximately 5% annually. To achieve this long-term rate of return objective, the Corporation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

An endowment fund is considered to be underwater when the market value of the endowment is less than the original (and any subsequent) donations received by the Corporation. The Corporation has adopted a policy that such shortfall amounts will be funded by the Corporation from the Corporation's unrestricted investment funds. The funded amount was $108 and $1,046 as of September 30, 2013 and 2012, respectively.

13. Income Taxes

The Corporation and its related affiliates, except for NPA, known as NorthShore Exempt Group, have been determined to qualify as a tax-exempt organization under Section 501(c)(3) of the IRC. Most of the income received by NorthShore Exempt Group is exempt from taxation under Section 501(a) of the IRC, as income related to the mission of the organization. Accordingly, there is no material provision for income tax for these entities. Some of the income received by exempt entities is subject to taxation as unrelated business income. NorthShore and its subsidiaries file federal income tax returns and returns for various states in the U.S.

ASC 740, *Income Taxes*, requires that realization of an uncertain income tax position is more likely than not (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. Furthermore, this interpretation prescribes the benefit to be recorded in the financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. This interpretation also clarifies the financial statement classification of tax-related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits. No amount was recorded for the years ended September 30, 2013 or 2012.

13. Income Taxes (continued)

The Corporation currently has a net operating loss carryforward of $11,671, which generated assets of $4,706. NPA currently has a net operating loss carryforward of $642, which generated assets of $259. These assets are 100% offset by valuation allowances.

14. Subsequent Events

The Corporation evaluated events and transactions occurring subsequent to September 30, 2013 through February 3, 2014, the date of issuance of the consolidated financial statements. During this period, there were no items requiring disclosure or recognition in the consolidated financial statements.

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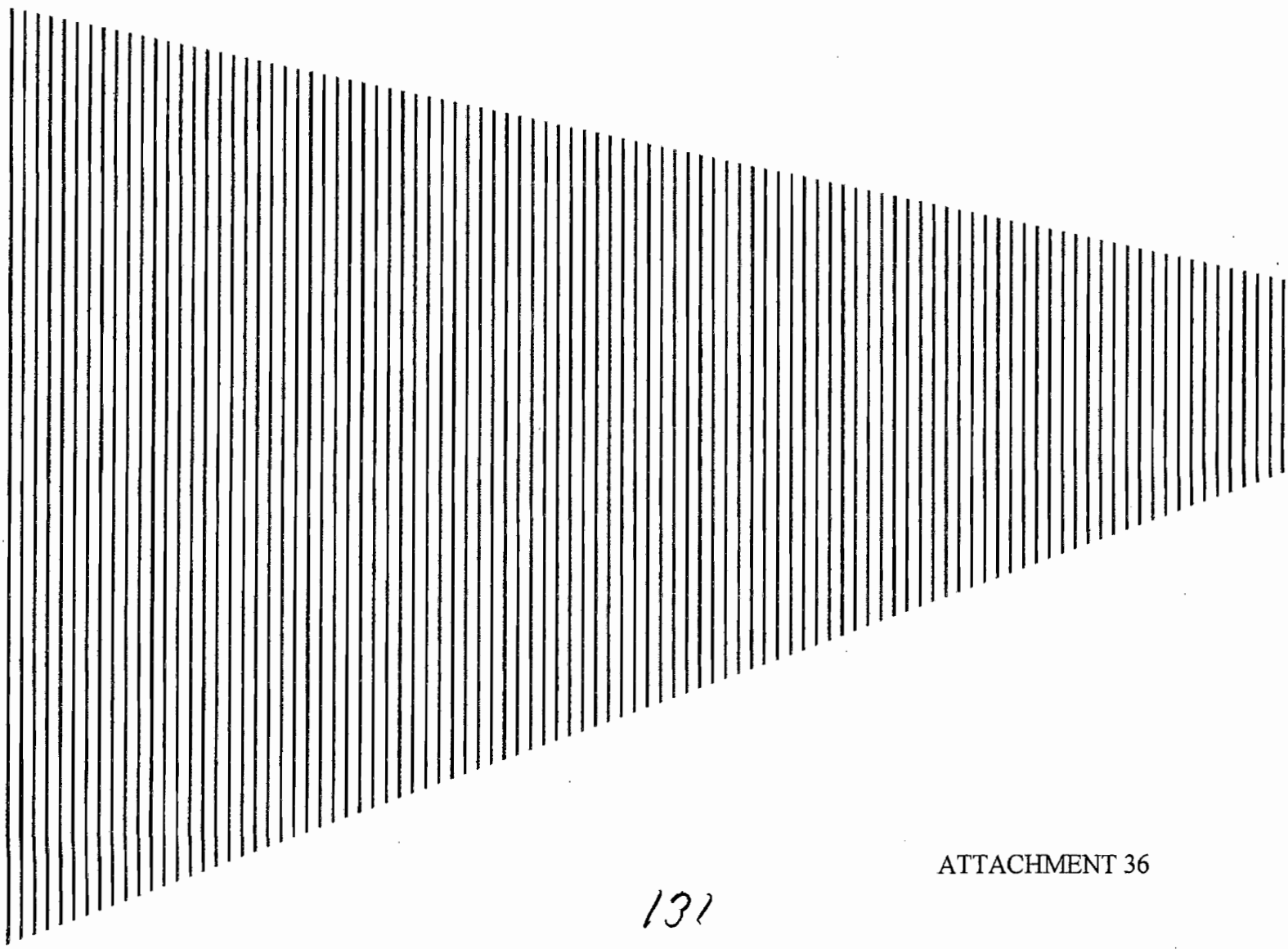

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Illinois Finance Authority
NorthShore University HealthSystem; System

Credit Profile

Illinois Fin Auth, Illinois

NorthShore Univ Hlth Sys, Illinois

Illinois Finance Authority (NorthShore University Health System)

Long Term Rating	AA/Stable	Affirmed

Illinois Finance Authority (NorthShore University Health System)

Long Term Rating	AA/NR/Stable	Affirmed

Illinois Finance Authority (NorthShore University Health System) hosp VRDO ser 1995

Long Term Rating	AA/A-1+/Stable	Affirmed

Illinois Finance Authority (NorthShore University Health System) hosp VRDO ser 1996

Long Term Rating	AA/A-1/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has affirmed its 'AA' long-term rating on Illinois Finance Authority's $132.28 million series 2010 revenue refunding bonds, issued on behalf of NorthShore University HealthSystem (NorthShore). At the same time, Standard & Poor's affirmed its 'AA/A-1+' ratings (series 1995 and 2001C) and 'AA/A-1' ratings (series 1996 and 2001B) on the authority's $184.52 million bonds issued for NorthShore. The short-term ratings on the variable-rate demand bonds are currently based on standby bond purchase agreements (SBPAs) from JPMorgan Chase Bank N.A. expiring on Sept. 22, 2013 (series 2001B) and Sept. 22, 2015 (series 1996) and Wells Fargo Bank N.A. expiring on Sept. 22, 2013 (series 2001C) and Sept. 22, 2016 (series 1995). The long-term outlook remains stable.

Standard & Poor's has also affirmed its 'AA/NR' rating on the authority's series 1985B, 1987A, 1987B, 1987C, 1987D, 1987E, 1988, 1990A, 1992, and 1998 bonds, also issued for NorthShore. These ratings reflect the long-term rating on NorthShore and the repurchase of these bonds by NorthShore. While these bonds are still technically outstanding, they are held internally by NorthShore and are not shown on NorthShore's financial statements. NorthShore is not currently remarketing these bonds to external investors, so no short-term rating is required. In addition, management has indicated that any future reoffering of these bonds to external investors would most likely be accompanied by some type of credit or liquidity support and we would assign a short-term rating at that time. The rating also reflects $75 million of unrated commercial paper, which is supported by a letter of credit from Northern Trust.

The 'AA' long-term rating on NorthShore's debt reflects our assessment of NorthShore's integrated business model with four hospitals, a large and growing employed physician group, and a large outpatient presence in a very demographically favorable service area combined with a long record of sound operations and an excellent balance sheet. The rating also reflects our view of NorthShore's strong business position in Chicago's northern suburbs, excellent financial profile highlighted by solid revenue growth and excellent liquidity, and success in growing into a system over the past decade. We also consider the management team strong. A leading market position and a young

average age of plant and manageable future capital needs are additional credit strengths. A midsize research base and academic affiliation with the University of Chicago's School of Medicine are additional credit strengths. The rating also reflects our view that NorthShore is very well positioned for health care reform including a well-executed medical staff strategy with a large employed and integrated medical group and excellent information technology capabilities. Debt service coverage of MADS remains strong despite recent declines in inpatient volumes. Furthermore, management indicates it not currently contemplating any future debt issuances.

Risks to the rating include softer operating income in the current year, which largely reflects a decline in inpatient admissions along with a continuing shift to observation cases. However, the market remains competitive and recent consolidation in the market suggests intensifying competition in the broader Chicago market in the years ahead. The rating also incorporates management's success in incorporating numerous medical groups and other hospitals into the NorthShore system structure over the past few years. These acquisitions include the Chicago Institute of Neurosurgery and Neuroresearch in December 2009 and Skokie Hospital on Jan. 1, 2009. Management also successfully managed a changed academic affiliation to the University of Chicago from Northwestern University in 2008. At that time, management successfully rebranded itself as the NorthShore University HealthSystem from Evanston Northwestern Healthcare to reflect the system's establishment of a broader service area over the past decade and the change in its academic affiliation. The change in academic affiliation also highlights growing competition between NorthShore and Northwestern Memorial Hospital, located on Chicago's north side. Like many of Chicago's larger institutions, Northwestern has expanded through combination with other entities and brought one of NorthShore's northern competitors--Lake Forest Hospital--into its system. Management indicates that its already large employed physician group of more than 800 providers as of June 30, 2012, is likely to continue to expand in the years ahead.

NorthShore's capital plan is manageable at roughly $155 million annually for fiscal 2013-2015, which includes roughly 10% that is unallocated for projects to be determined. We consider this manageable based on NorthShore's current size and cash flow capacity although overall liquidity growth will be a function of investment performance assuming it funds the capital plan internally as currently planned.

A general obligation pledge of the corporation secures the bonds. This pledge, which includes all of the system's hospitals, is augmented by a pledge of the contribution agreements executed by the restricted affiliates. The main affiliate not securing the bonds is the NorthShore Physician Associates Inc. (IPA). However, Standard & Poor's includes all of the affiliates in its analysis. NorthShore has no swap agreements outstanding.

Outlook

The stable outlook reflects our view of NorthShore's strong enterprise profile, excellent financial profile, and expectation that it will be able to manage health care reform successfully. A higher rating or positive outlook is possible if NorthShore can generate operating margins that exceed the 'AA' medians and can consistently grow market share while maintaining balance sheet strength. Light debt levels and solid liquidity give NorthShore considerable cushion to deal with unexpected changes in its financial or operating profile. We do not expect to lower the rating during the two-year outlook period, but a sharp financial or business deterioration could cause a negative outlook or downgrade.

Enterprise Profile

NorthShore's flagship facility and headquarters are based in Evanston, Ill., one of Chicago's northern suburbs. Over the years, NorthShore has expanded to a four-hospital system, including its flagship (Evanston Hospital), Glenbrook Hospital, Highland Park Hospital, and, most recently, Skokie Hospital. The system has 736 staffed inpatient beds. Inpatient admissions rose to 40,346 in 2011 from 40,098 in 2010. However, for the nine-month fiscal 2012 interim period ended June 30, there were 28,445 inpatient admissions, which is down from 30,529 for the prior-year comparable period. Inpatient volume excludes slightly more than 1,900 psychiatric, behavioral, and rehabilitation admissions in fiscal 2011 and almost 1,600 in the current year-to-date period. Outpatient visits have shown consistent and moderate growth while total surgeries have remained generally level. Equivalent inpatient admissions have shown solid growth over many years. Volume in the interim period is definitely softer although management reports the decline is similar to that shown by many other health care systems. The declines at NorthShore are at the three smaller facilities, principally, Skokie Hospital.

For the fiscal 2012 interim period ended June 30, NorthShore's overall net payor mix remained strong: Only 29% was Medicare and only 3% was Medicaid. Blue Cross and other commercial payors were also strong at 29% each of the total net patient revenues. Only 7% were self-pay. The self-pay percentage reflects NorthShore's success at collecting individual copays and deductibles from patients.

Management

While senior management has been long-tenured and stable for an extended period, the long-term chief operating officer (COO) will retire at the fiscal year-end, and assist with strategic acquisitions after that date. This has led to a series of senior management changes, which includes the president of Evanston Hospital -- the system's flagship -- becoming the new COO. The current president of Glenbrook Hospital will become the president of Evanston Hospital and the senior vice president of Evanston will become the new president of Glenbrook Hospital. The current CEO remains unchanged and, at this time, has not announced plans to retire. Standard & Poor's views these changes as routine and reflective of normal succession planning and believes this does not signify any change in strategy.

Overall, Standard & Poor's believes the management team at NorthShore is strong and its accomplishments include building a fully integrated system with four facilities and a large employed-physician base. The team successfully changed the system's academic affiliation a few years ago with little or no disruption to operations. In addition, the NorthShore's fully electronic medical record system has achieved the highest level (i.e., a seven) given by the Healthcare Information and Management Systems Society (HIMSS).

The acquisition of Highland Park Hospital in 2000 led to a series of legal issues including a complaint from the Federal Trade Commission that was resolved in 2008. According to the settlement, NorthShore must negotiate with private insurers separately for Highland Park Hospital although private payors may opt to negotiate jointly. This has not hurt NorthShore's overall financial profile to date. Four private legal actions stemming from the Highland Park acquisition have been consolidated into a class and it is still working its way through the legal system. We do not believe this is a credit risk to NorthShore at this time.

Table 1

Northshore University HealthSystem Utilization

	--Fiscal year ended Sept. 30--			
	2012*	**2011**	**2010**	**2009**
Inpatient admissions	28,445	40,346	40,098	38,113
Equivalent inpatient admissions	83,757	108,469	103,982	98,848
Patient days	146,958	202,438	180,775	173,700
Observation days	18,687	19,944	17,112	19,465
Emergency room visits	92,501	120,623	118,884	116,063
Outpatient visits	950,083	1,166,923	1,185,391	1,126,297
Home health visits	55,616	66,486	62,263	60,659
Inpatient surgeries	7,758	11,204	11,908	12,634
Outpatient surgeries	19,043	24,336	23,980	20,752
Births	2,922	4,107	4,261	4,566
Psychiatric/behavioral health admissions	1,227	1,445	1,776	1,809
Rehabilitation admissions	354	459	423	401

*Nine-month interim period ended June 30.

Financial Profile

Operating income, as measured by Standard & Poor's, has been adjusted to reclassify certain items as they appear in NorthShore's audited format from operating revenue to nonoperating revenue. These adjustments totaled $38.5 million in the current fiscal year through June 30, 2012, $48.9 million in fiscal 2011, $53.5 million in fiscal 2010, and $54 million in fiscal 2009. These adjustments include endowment spending, which in fiscal 2011 totaled $29 million; interest income on malpractice reserves, which totaled $14.7 million in fiscal 2011; and $5.2 million of unrestricted contributions for free care in fiscal 2011. When these items are moved to nonoperating income, operating income totals $28.8 million (2.2% margin) in the current year-to-date, which was down from $52.3 million (3.2% margin) in fiscal 2011 and comparable with the $35.9 million (2.3% margin) posted in fiscal 2010. Softer operating results in fiscal 2012 reflect weaker volume trends and the ramp-up period needed for many of the new physician practices. Illinois' provider tax provides a very small benefit because NorthShore's overall payor mix is quite strong -- 58% of net revenues come from commercial payors including Blue Cross, while Medicaid is light at just 3%.

Net nonoperating revenues were much improved in fiscal 2011 at $97.1 million after nonoperating expenditures, which is up from $19.3 million in fiscal 2010. The current year-to-date results reflect weaker nonoperating performance at $21.2 million. However, due to the large unrealized gains shown in the current year, fiscal 2012 performance shows much stronger change in net assets versus last year. For nonoperating revenues, Standard & Poor's adjusts nonoperating results to exclude unrealized gains and losses as well as changes in fair value of derivatives. Overall excess income was strong, in our view, at $149.5 million in fiscal 2011 (8.5% margin), which was up significant from fiscal 2010's $55.2 million (3.5% margin). The current year-to-date total of $50 million (3.8% margin) in excess income is comparable with fiscal 2010 results. Overall coverage of maximum annual debt service, excluding unrealized gains, was exceptionally strong, in our opinion, at 11.4x in fiscal 2011 and returned to a still strong 7.6x in the current year to

date. Operating lease adjusted coverage drops considerably to 5.2x in the current year. Overall cash flow, as measured by Standard & Poor's, has ranged up and down since 2009, averaging slightly more than 10% annually.

At fiscal 2011 year-end, NorthShore's unfunded pension liability has grown to $144 million with a funded status of 66.5 percent. Standard & Poor's considers this manageable based on NorthShore's strong liquidity. The growth in this liability reflects a drop in the discount rate to 4.7% in fiscal 2011.

NorthShore's unrestricted cash and investments have also been adjusted by Standard & Poor's to exclude funds set aside for malpractice liabilities, even though those funds are technically not restricted. This is also a regular reclassification for us and allows us to compare balance sheets across many organizations. Adjusted unrestricted cash and investments as of June 30, 2012, (unaudited) were an excellent 253 days' cash on hand ($1.1 billion) and an excellent 293% of outstanding long-term debt. The excellent cash to debt metrics also reflect NorthShore's light debt burden at only 1.3% and light debt overall at only $377.8 million, which is only 19.4% of capitalization. This incorporates NorthShore's repurchase of roughly $360 million of its own debt in fiscal 2008 and is now holding $250 million of that debt internally and, as a result, is not reflected in the financial statements. Overall asset allocation is roughly 20% hedge funds, 20% international equity, 22% fixed income, 25% domestic equity, and 13% other.

Over the past few years, NorthShore's overall investment in net fixed assets has been above depreciation consistently and we consider the average age of plant strong at a low 8.6 years. Management estimates future capital expenditures at $155 million a year for the next three fiscal years, which is consistent with historical levels. Management reports no new debt plans and expects to fund capital expenditures through cash flow. As a result, any improvement in liquidity is likely to be driven by nonoperating performance.

Table 2

Northshore University HealthSystem Financial Statistics

	--Fiscal year ended Sept. 30--				Medians
	2012*	2011	2010	2009	Healthcare system AA 2011
Financial performance					
Net patient revenue ($000s)§	1,201,480	1,517,384	1,411,115	1,344,541	2,285,957
Total operating revenue ($000s)	1,307,481	1,658,211	1,541,619	1,476,613	MNR
Total operating expenses ($000s)	1,278,721	1,605,839	1,505,719	1,465,465	MNR
Operating income ($000s)	28,760	52,372	35,900	11,148	MNR
Operating margin (%)	2.20	3.16	2.33	0.75	4.70
Net nonoperating income ($000s)	21,230	97,143	19,328	(59,894)	MNR
Excess income ($000s)	49,990	149,515	55,228	(48,746)	MNR
Excess margin (%)	3.76	8.52	3.54	(3.44)	7.40
Operating EBIDA margin (%)	8.94	10.82	9.93	7.72	10.70
EBIDA margin (%)	10.39	15.76	11.04	3.82	12.50
Net available for debt service ($000s)	138,057	276,562	172,366	54,171	414,337
Maximum annual debt service ($000s)	24,070	24,070	24,070	24,070	MNR
Maximum annual debt service coverage (x)	7.65	11.49	7.16	2.25	6.20
Operating lease-adjusted coverage (x)	5.20	6.54	4.27	1.76	4.20

Table 2

Northshore University HealthSystem Financial Statistics (cont.)

Liquidity and financial flexibility					
Unrestricted cash and investments ($000s)	1,106,428	1,087,648	1,044,724	911,706	2,029,010
Unrestricted days' cash on hand	253.2	267.0	272.8	242.9	265.40
Unrestricted cash/total long-term debt (%)	292.8	282.2	265.1	324.7	207.60
Cash available within 30 days/contingent liability debt (%)	261.2	N/A	N/A	N/A	MNR
Average age of plant (years)	8.6	7.3	7.9	7.8	9.50
Capital expenditures/depreciation and amortization (%)	130.0	135.8	149.3	155.6	147.90
Debt and liabilities					
Total long-term debt ($000s)	377,840	385,411	394,055	280,800	MNR
Long-term debt/capitalization (%)	19.4	21.3	21.9	17.8	28.90
Contingent liabilities ($000s)	255,330	259,520	265,000	N/A	MNR
Contingent liabilities/total long-term debt (%)	67.6	67.3	67.2	N/A	MNR
Debt burden (%)	1.32	1.34	1.51	1.68	2.00
Defined benefit plan funded status (%)	N/A	66.53	73.62	77.02	77.70

*Nine-month interim data ended June 30. §Excludes premium revenue of $47.8 million, $62.3 million, $62.6 million, $60.3 million, respectively, for 2012, 2011, 2010, 2009.

Related Criteria And Research

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Not-For-Profit Health Care, June 14, 2007 USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- USPF Criteria: Standby Bond Purchase Agreement Automatic Termination Events, April 11, 2008

Ratings Detail (As Of September 21, 2012)

Illinois Fin Auth, Illinois

NorthShore Univ Hlth Sys, Illinois

Illinois Finance Authority (NorthShore University Health System) hosp VRDO ser 2001B

Long Term Rating	AA/A-1/Stable	Affirmed

Illinois Finance Authority (NorthShore University Health System) hosp VRDO ser 2001C

Long Term Rating	AA/A-1+/Stable	Affirmed

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MOODY'S
INVESTORS SERVICE

Rating Update: Moody's affirms Aa2 and Aa2/VMIG 1 ratings on NorthShore University HealthSystem's bonds; Outlook is stable

Global Credit Research - 11 Sep 2012

Rating action affects approximately $317 million of outstanding rated debt

ILLINOIS FINANCE AUTHORITY
Hospitals & Health Service Providers
IL

Opinion

NEW YORK, September 11, 2012 --Moody's Investors Service has affirmed the Aa2 and Aa2/VMIG 1 bond ratings on NorthShore University HealthSystem's outstanding bonds as listed in the RATED DEBT section. The rating outlook is stable.

SUMMARY RATINGS RATIONALE

The Aa2 long-term rating is based on NorthShore University HealthSystem's good geographic coverage with four hospitals in attractive service areas and a close integration with a large medical group, very advanced information technology capabilities, strong balance sheet position that supports a moderate debt load, and good and sustainable operating margins. Challenges include the presence of competition and heightened consolidation activities in the broader service area, a comparatively less liquid asset allocation, and moderately high comprehensive debt position.

STRENGTHS

*Strong balance sheet position with 233 days of cash on hand and 263% cash-to-debt as of June 30, 2012

*Leading market share in an attractive service area with a large commercial patient base; the system's strong market position and patient demand is supported by a centralized and integrated patient care model, a large consolidated employed multi-specialty and primary care medical group, and very advanced information technology capabilities

*Low debt position, resulting in strong adjusted debt measures including a favorably low 22% debt-to-operating revenue and 1.6 times debt-to-cashflow and very strong 10.3 times peak debt service coverage; there are no plans for additional debt

*Several years of improvements in operating margins (4.3% fiscal year 2011) and operating cashflow margins (11.9%), consistent with the median for the rating category; NorthShore's ability to achieve these margins is particularly good given the system's large medical group

*Manageable debt structure risks with 394% cash-to-demand debt and diversification of banks and facility expiration dates, which mitigates a relatively high 66% variable rate debt exposure

*Manageable capital spending projections relative to operating cashflow levels

CHALLENGES

*Moderating operating performance in fiscal year 2012, partly driven by declines in inpatient volumes

*Comparatively less liquidity with 60% of cash and investments available monthly, driven by an increasing allocation to alternative investments (30% at fiscal yearend 2011)

*Competition from several hospitals in the broader service area and consolidation of smaller hospitals with large, financially secure, regional systems

*Operating leases and unfunded defined benefit pension obligations result in total comprehensive debt that is 70%

ATTACHMENT 37

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higher than direct debt, resulting in comparatively moderate cash-to-comprehensive debt of 154% (Aa2 median is 171%)

DETAILED CREDIT DISCUSSION

LEGAL SECURITY: The bonds are unsecured obligations of the Corporation, which includes Evanston Hospital, Glenbrook Hospital, Highland Park Hospital, and Skokie Hospital.

INTEREST RATE DERIVATIVES: None

RECENT DEVELOPMENTS/RESULTS

NorthShore maintains a solid market position and good geographic coverage in an attractive service area, despite competition and increasing hospital consolidation in the secondary service area. NorthShore maintains a leading and generally stable market share of approximately 22% in a 50-zip code area centered around Evanston, IL and the area north and west of Evanston.

The system benefits from its tightly integrated model comprised of four hospitals, a large 800-physician employed medical group, and a 500-physician independent practice association (IPA). The system continues to advance key strategic initiatives, including physician alignment, ambulatory growth, and information technology. The system now employs over 800 faculty practice physicians under a unified medical staff who perform research, teaching, and clinical functions. The medical group has grown significantly from 470 physicians in 2006 and the system continues to add physicians, including several large groups. Over the last two years, NorthShore added a total of 103 physicians through the acquisition of a number of large groups; additionally, a large 250-physician IPA was added and consolidated with the system's existing IPA. NorthShore's employed and aligned physician model has been a consistent strategy for many years, enabling the development of a highly integrated and consolidated physician staff and platform to integrate new physicians into the organization quickly and efficiently.

NorthShore's very advanced information technology strategies and investments have supported the system's strategies related to physician alignment, quality of patient care and clinical outcomes, and building a distinct brand based on a uniform customer experience. Additionally, these capabilities position the system to meet the goals of healthcare reform, providing higher quality at a lower cost. NorthShore fully implemented electronic medical records ten years ago, which allows standardized clinical protocols, centralized scheduling, electronic scheduling, among other benefits that aim to improve quality of care and patient satisfaction. Among the leading health systems in the country, NorthShore is now on the forefront of developing data analytics capabilities, including the ability to do predictive modeling of patient populations.

Inpatient volumes were soft in fiscal year 2011 and through the interim period of fiscal year 2012. Inpatient admissions in fiscal year 2011 were flat; factoring observation cases, total admissions were up 1%. Through nine months of fiscal year 2012, inpatient volumes are down, reflecting declines in the region, a mild winter and flu season and continuing shifts to observation cases. Inpatient admissions were down 6%; factoring observation cases, total admission volume was down 2%. Three hospitals experienced declines (with and without observation cases) in this period with the largest decline at Skokie Hospital; Evanston Hospital's volumes increased modestly. NorthShore's outpatient business continues to grow as a result of ambulatory strategies, including outpatient surgeries which were up 4% in the interim period.

NorthShore has sustained improvement in operating margins through fiscal year 2011, although performance is down in 2012. Excluding investment income (which the system includes as support for operations as part of a spending rate policy), NorthShore had operating income of $72 million (4.3% operating margin) in 2011, compared with $57 million (3.6%) in 2010. On the same basis operating cashflow was $199 million (11.9% operating cash flow margin) in 2011, compared with $175 million (11.2%) in 2010. Revenue grew 7% as a result of growth in outpatient services and the addition of physicians. The system's ability to improve margins is notable given revenue challenges and support for a large teaching program and medical group; the medical group accounts for approximately 26% of system revenues.

Through nine months of fiscal year 2012, operating performance and margins are down notably from the prior year primarily as a result of volume declines. Operating income was $45 million (3.4%) through the nine months ended June 30, 2012, compared with $63 million (5.0%) for nine months ended June 30, 2011. Operating cashflow was $133 million (10.0%), compared with $157 million (12.4%) in the prior year period. Revenue growth slowed to 5%. The system has identified up to $14 million in cost reductions to offset revenue shortfalls.

As of June 30, 2012, NorthShore's investment portfolio remained strong at $1.0 billion in unrestricted cash and investments (excluding self-insurance assets), consistent with fiscal yearend 2011. NorthShore's investment allocation has shifted more assets into alternative assets and international equity and less fixed income and domestic equity. Based on fiscal year-end 2011 and including current cash, the allocation was 28% cash and fixed income, 24% U.S. equities, 17% non-U.S. equities, and 31% alternative investments including 23% in hedge funds and 5% private equity. Sixty percent of the portfolio can be liquidated within one month, which is relatively low (the Aa2-median is 78%), although more common with an investment portfolio of this size. The large size of the portfolio and low debt level are some offsetting factors to this risk. Most of NorthShore's assets are well diversified among managers.

NorthShore's capital plans are manageable relative to operating cashflow with a projection of $155 million annually over the next three years. The system has invested in its hospital facilities and so capital spending is largely for ambulatory strategies on and off the major campuses. No new direct debt is anticipated. The system has a fair amount of indirect debt in the form of operating leases and defined benefit pension obligations. Total comprehensive debt is 70% higher than direct debt, resulting in comparatively moderate cash-to-comprehensive debt of 154% (Aa2 median is 171%). The system will be increasing its pension contribution next year.

Outlook

The stable outlook reflects our expectations that NorthShore will at least maintain good operating margins and balance sheet strength as well as market share

WHAT COULD MAKE THE RATING GO UP

Given the system's high rating category and location in a single region, there is a low likelihood of a rating upgrade in the short-term. Longer-term, a rating update may be considered with significant and sustained improvement in operating margins and absolute cash flow generation, growth in market share to provide a distinct leading position, and significant diversification of cash flow among multiple markets

WHAT COULD MAKE THE RATING GO DOWN

Unexpected increase in debt without commensurate increase in cashflow; notable and prolonged decline in margins and liquidity strength

KEY INDICATORS

Assumptions & Adjustments:

-Based on financial statements for NorthShore University HealthSystem

-First number reflects audit year ended September 30, 2011

-Second number reflects unaudited nine-month results through June 30, 2012, annualized

-Investment returns normalized at 6% unless otherwise noted

-Comprehensive debt includes direct debt, operating leases, and pension obligation, if applicable

-Monthly liquidity to demand debt ratio is not included if demand debt is de minimis

*Inpatient admissions: 46,357; 43,931

*Observation stays: 16,247; 17,417

*Medicare % of gross revenues: 39%; N/A

*Medicaid % of gross revenues: 7%; N/A

*Total operating revenues ($): $1.7 billion; $1.8 billion

*Revenue growth rate (%) (3 yr CAGR): 9.4%; N/A

*Operating margin (%): 4.3%; 3.4%

*Operating cash flow margin (%): 11.9%; 10.0%

*Debt to cash flow (x): 1.5 times; 1.6 times

*Days cash on hand (excluding self-insurance funds): 251 days; 233 days

*Maximum annual debt service (MADS) ($): $24.5 million; $24.1 million

*MADS coverage with reported investment income (x): 14.3 times; 10.6 times

*Moody's-adjusted MADS Coverage with normalized investment income (x): 11.2 times; 10.3 times

*Direct debt ($): $394 million; $387 million

*Cash to direct debt (%): 261%; 263%

*Comprehensive debt: $665 million; N/A

*Cash to comprehensive debt (%): 154%; N/A

*Monthly liquidity to demand debt (%): 347%; N/A

RATED DEBT (as of September 30, 2011)

-Series 1995 ($49 million), Series 2001C ($44 million) variable rate bonds supported by standby bond purchase agreements from Wells Fargo Bank, NA, expiring September 22, 2016 and September 22, 2013, respectively: Aa2/VMIG1

-Series 1996 ($49 million), and Series 2001B ($44 million), variable rate bonds supported by standby bond purchase agreements from JPMorgan Chase Bank, expiring September 22, 2015 and September 22, 2013, respectively: Aa2/VMIG1

-Series 2010 fixed rate bond ($132 million): Aa2

-Series 1985B, 1987A-E, 1990A, 1992, 1998 variable rate bonds (no debt publicly outstanding; bonds held by NorthShore): Aa2 long-term rating

CONTACTS

Obligor: Gary Weiss, Chief Financial Officer 847-570-5065

Financial Advisor: Mark Melio, Melio & Company, LLC, 847-441-2900

Underwriter: Tim Wons, Executive Director, JPMorgan Securities Inc., 312-385-8455

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was Not-For-Profit Healthcare Rating Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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NorthShore
University HealthSystem

Skokie Hospital

Kristen Murtos
President

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March 27, 2014

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

I hereby attest that the total estimated project costs associated with Skokie Hospital's modernization project to be addressed by the Illinois Health Facilities and Services Review Board will be addressed through the use of cash and other liquid assets.

Sincerely,

Kristen Murtos
President, Skokie Hospital
NorthShore University HealthSystem

Notarized:

OFFICIAL SEAL
KRISTINE STOJEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:06/01/17

Kristine Stojek
March 27, 2014

ATTACHMENT 39A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A Cost/Sq. Foot New	B Cost/Sq. Foot Mod.	C Gross Sq. Ft. New	D Gross Sq. Ft. Circ.	E Gross Sq. Ft. Mod.	F Gross Sq. Ft. Circ.	G Const. $ (A x C)	H Mod. $ (B x E)	Total Costs (G + H)
Reviewable									
Med/Surg Units		$ 306.02			24,432			$ 7,476,681	$ 7,476,681
ICU		$ 346.06			8,200			$ 2,837,692	$ 2,837,692
Surgery	$ 503.07	$ 351.78	19,890		9,240		$ 10,006,062	$ 3,250,447	$ 13,256,510
GI Lab	$ 453.99		5,500				$ 2,496,945		$ 2,496,945
Pre & Post GI	$ 453.99		8,000				$ 3,631,920		$ 3,631,920
PACU/Recovery		$ 317.46			16,560			$ 5,257,138	$ 5,257,138
Same Day Surg.		$ 317.46			12,500			$ 3,968,250	$ 3,968,250
Respiratory Ther.		$ 277.42			1,580			$ 438,324	$ 438,324
Total			33,390		72,512		$ 16,134,927	$ 23,228,531	$ 39,363,458
contingency	$ 15.00	$ 15.00					$ 500,850	$ 1,087,680	$ 1,588,530
TOTAL	$ 498.23	$ 335.34					$ 16,635,777	$ 24,316,211	$ 40,951,988
Non-Reviewable									
Sterile Processing	$ 490.00		9,120				$ 4,468,800		$ 4,468,800
Cafeteria		$ 300.00			6,770			$ 2,031,000	$ 2,031,000
Food Service		$ 470.00			11,158			$ 5,244,260	$ 5,244,260
Conference Ctr.	$ 400.00		3,680				$ 1,472,000		$ 1,472,000
Administration	$ 400.00	$ 240.00	3,146		26,459		$ 1,258,400	$ 6,350,160	$ 7,608,560
Support Serv. Off.	$ 400.00	$ 200.00	1,055		1,055		$ 422,000	$ 211,000	$ 633,000
Simulation Lab		$ 320.00			1,215			$ 388,800	$ 388,800
Hospitalists Off.		$ 230.00			2,775			$ 638,250	$ 638,250
Care Management		$ 230.00			2,045			$ 470,350	$ 470,350
On-Call Rooms		$ 230.00			3,675			$ 845,250	$ 845,250
Dept. of Surgery	$ 400.00	$ 230.00	2,645		3,735		$ 1,058,000	$ 859,050	$ 1,917,050
Telecommun.		$ 230.00			1,580			$ 363,400	$ 363,400
Residents		$ 230.00			2,500			$ 575,000	$ 575,000
Public Space	$ 475.00	$ 300.00	10,995		3,953		$ 5,222,625	$ 1,185,900	$ 6,408,525
Mechanical	$ 300.00	$ 150.00	14,525		435		$ 4,357,500	$ 65,250	$ 4,422,750
DGSF>>BGSF	$ 175.00		9,098		-		$ 1,592,150		$ 1,592,150
Total			54,264		67,355		$ 19,851,475	$ 19,227,670	$ 39,079,145
contingency	$ 15.00	$ 15.00			15.00		$ 813,960	$ 1,010,325	$ 1,824,285
TOTAL	$ 380.83	$ 300.47					$ 20,665,435	$ 20,237,995	$ 40,903,430
PROJECT TOTAL			87,654		139,867		$ 37,301,212	$ 44,554,206	$ 81,855,418

ATTACHMENT 39C

PROJECTED OPERATING COSTS and
TOTAL EFFECT OF PROJECT ON CAPITAL COSTS

SKOKIE HOSPITAL

2018 Projections

Adjusted patient days:

	$315,222,611	=	31,699
$	9,944		

	Med/Surg	ICU	Total Hosptal
Operating Costs:			
salaries & benefits	$ 22,115,008	$ 2,505,332	$ 95,897,490.11
supplies	$ 854,735	$ 122,763	$ 6,930,758
Total	$ 22,969,744	$ 2,628,094	$ 102,828,248
Operating Cost per Adjusted Patient Day:	$724.61	$82.91	$3,243.87

Capital Costs:

depreciation, amortization, interest:	$25,587,657
Capital Cost per Adjusted Patient Day:	$807.20

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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