

15-029

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

ORIGINAL

**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION****RECEIVED**

This Section must be completed for all projects.

JUN 26 2015

**Facility/Project Identification**HEALTH FACILITIES &  
SERVICES REVIEW BOARD

Facility Name:	Highland Park Hospital		
Street Address:	777 Park Avenue West		
City and Zip Code:	Highland Park, IL 60035		
County:	Lake	Health Service Area	VIII Health Planning Area: A-09

**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**

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

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:	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

**Additional Contact**

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

Name:	Jesse Peterson Hall
Title:	President
Company Name:	Highland Park Hospital
Address:	777 Park Avenue West Highland Park, IL 60035
Telephone Number:	847/432-8000
E-mail Address:	jhall@northshore.org
Fax Number:	847/432-9305

**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**

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

Exact Legal Name:	NorthShore University HealthSystem d/b/a Highland Park Hospital
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Name of Registered Agent:	Gerald P. Gallagher
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CEO Address:	777 Park Avenue West Highland Park, IL 60035
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E-mail Address:	jhall@northshore.org
Fax Number:	847/432-9305

### 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](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://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:

Substantive

Non-substantive

Part 1120 Applicability or Classification:  
[Check one only.]

Part 1120 Not Applicable

Category A Project

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.

The proposed project addresses the replacement of the hospital's obstetrics-related services, including its LDRPs, C-Section suite, and newborn (Level I) nursery, as well as a limited scope of support services.

The project, as originally envisioned, had an anticipated a capital cost below the IHFSRB threshold, and as a result, the need to secure a CON Permit was not sought. The scope of the project has since expanded, and now consists of six phases, allowing continuous operation of the obstetrics program during renovation. With the expanded scope, the anticipated capital cost has escalated beyond the IHFSRB threshold, and the project, which is currently underway, requires a CON Permit. As of the filing of this application, approximately \$3,500,000 in project-related costs have been incurred.

The following summarizes the phases:

Phase 1: group 1 of LDRPs

Phase 2: group 2 of LDRPs

Phase 3: C-Section suite and group 3 of LDRPs

Phase 4: lobby, canopy, group 4 of LDRPs and half of nursery

Phase 5: support areas (lactation area, staff facilities, offices, etc.) and half of nursery

Phase 6: support areas

This is a non-substantive project because it does not propose the establishment or discontinuation of a licensed health care facility or a category of service.

## PROJECT COSTS AND SOURCES OF FUNDS

	Clinical/ Reviewable	Non-Clinical/ Non-Reviewable	Total
<b>Project Costs:</b>			
Preplanning Costs	\$ 172,000	\$ 40,000	\$ 212,000
Site Survey and Soil Investigation	\$ 10,000	\$ 5,000	\$ 15,000
Site Preparation	\$ 336,000	\$ 118,000	\$ 454,000
Off Site Work	\$ 332,100	\$ 117,900	\$ 450,000
New Construction Contracts		\$ 582,000	\$ 582,000
Modernization Contracts	\$ 6,708,265	\$ 1,817,015	\$ 8,525,280
Contingencies	\$ 231,180	\$ 55,160	\$ 286,340
Architectural/Engineering Fees	\$ 631,400	\$ 275,600	\$ 907,000
Consulting and Other Fees	\$ 491,000	\$ 174,000	\$ 665,000
Movable and Other Equipment	\$ 2,663,654	\$ 398,017	\$ 3,061,671
Bond Issuance Expense			
Net Interest Expense During Construction			
Fair Mkt Value of Leased Space or Equip			
Other Costs to be Capitalized		\$ 815,000	\$ 815,000
Acquisition of Building or Other Property			
<b>TOTAL COSTS</b>	<b>\$ 11,575,599</b>	<b>\$ 4,397,692</b>	<b>\$ 15,973,291</b>
<b>Sources of Funds:</b>			
Cash and Securities	\$ 11,575,599	\$ 4,397,692	\$ 15,973,291
Pledges			
Gifts and Bequests			
Bond Issues			
Mortgages			
Leases (fair market value)			
Government Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL FUNDS</b>	<b>\$ 11,575,599</b>	<b>\$ 4,397,692</b>	<b>\$ 15,973,291</b>

**Cost Space Requirements**

**Not applicable**

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.**

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

**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: Highland Park Hospital			CITY: Highland Park, Illinois		
REPORTING PERIOD DATES: From: January 1, 2014 to: December 31, 2014					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	93	4,609	21,263	none	93
Obstetrics	25	1,469	3,445	(10)	15
Pediatrics	6	193	293	none	6
Intensive Care	12	956	3,278	none	12
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	13	641	3,303	none	13
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
<b>TOTALS:</b>	149	7,868	31,582	(10)	139

8

**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.

*Mark R. Neaman*

SIGNATURE

Mark R. Neaman

PRINTED NAME

President & CEO

PRINTED TITLE

*Gerald P. Gallagher*

SIGNATURE

Gerald P. Gallagher

PRINTED NAME

Chief Operating Officer

PRINTED TITLE

Notarization:

Subscribed and sworn to before me this 17<sup>th</sup> day of June 2015

Notarization:

Subscribed and sworn to before me this 17<sup>th</sup> day of June 2015

*Barbara M Austin*

Signature of Notary

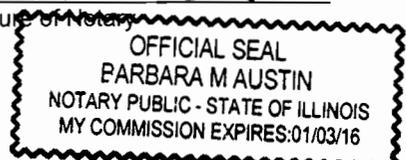
Seal



*Barbara M Austin*

Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

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*Mark R. Neaman*  
\_\_\_\_\_  
SIGNATURE

Mark R. Neaman  
\_\_\_\_\_  
PRINTED NAME

President & CEO  
\_\_\_\_\_  
PRINTED TITLE

*Jesse Peterson Hall*  
\_\_\_\_\_  
SIGNATURE

Jesse Peterson Hall  
\_\_\_\_\_  
PRINTED NAME

President, Highland Park Hospital  
\_\_\_\_\_  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 17<sup>th</sup> day of June 2015

Notarization:  
Subscribed and sworn to before me  
this 18<sup>th</sup> day of June 2015

*Barbara M Austin*  
Signature of Notary  
Seal  
**OFFICIAL SEAL**  
BARBARA M AUSTIN  
NOTARY PUBLIC - STATE OF ILLINOIS  
MY COMMISSION EXPIRES:01/03/16

*Nancy L Lentsch*  
Signature of Notary  
Seal  
**OFFICIAL SEAL**  
NANCY L LENTSCH  
NOTARY PUBLIC - STATE OF ILLINOIS  
MY COMMISSION EXPIRES:07/27/15

\*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 Board Report.**

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

**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:**

NOT APPLICABLE, NO SHELL SPACE

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
<input type="checkbox"/> Medical/Surgical		
<input checked="" type="checkbox"/> Obstetric	25	15
<input type="checkbox"/> Pediatric		
<input type="checkbox"/> Intensive Care		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(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

<b>APPLICABLE REVIEW CRITERIA</b>	<b>Establish</b>	<b>Expand</b>	<b>Modernize</b>
1110.530(d)(3) - Documentation Related to Cited Problems			X
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
C-Section	2	2

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:

\$15,973,291__	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> <li>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</li> <li>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;</li> </ol>
_____	<p>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.</p>
_____	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
_____	<p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;</li> <li>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.;</li> <li>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;</li> <li>5) For any option to lease, a copy of the option, including all terms and conditions.</li> </ol>
_____	<p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;</p>
_____	<p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
_____	<p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
\$15,973,291	<b>TOTAL FUNDS AVAILABLE</b>

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

IX. 1120.130 - Financial Viability

**NOT APPLICABLE, PROOF OF "A" BOND RATING PROVIDED**

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.**

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, DEBT WILL NOT BE INCURRED**

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

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

**C. Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

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

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

\* 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			
<b>Total</b>			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
Medicaid (revenue)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			

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

**XII. Charity Care Information**

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			
	2012	2013	2014
<b>Net Patient Revenue</b>	<b>\$228,495,676</b>	<b>\$240,527,400</b>	<b>\$253,782,530</b>
Amount of Charity Care (charges)	\$10,997,224	\$10,891,725	\$9,844,211
Cost of Charity Care	\$3,444,793	\$3,312,542	\$2,714,384

**APPEND DOCUMENTATION AS ATTACHMENT-41, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

File Number 0567-540-5



**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.



Authentication #: 1428301484

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

**In Testimony Whereof, I hereto set**  
*my hand and cause to be affixed the Great Seal of*  
*the State of Illinois, this 10TH*  
*day of OCTOBER A.D. 2014 .*

*Jesse White*

SECRETARY OF STATE

ATTACHMENT 1

**Highland Park Hospital**

777 Park Avenue West  
Highland Park, IL 60035  
www.northshore.org

(847) 480-2818  
(847) 432-9305 Fax  
jhall@northshore.org

Illinois Health Facilities and  
Services Review Board  
Springfield, IL

To Whom It May Concern:

Please be advised that the Highland Park Hospital site, located at 777 Park Avenue West in Highland Park, Illinois, is owned by NorthShore University HealthSystem.

Sincerely,



Jesse Peterson Hall  
President

Date: June 17, 2015

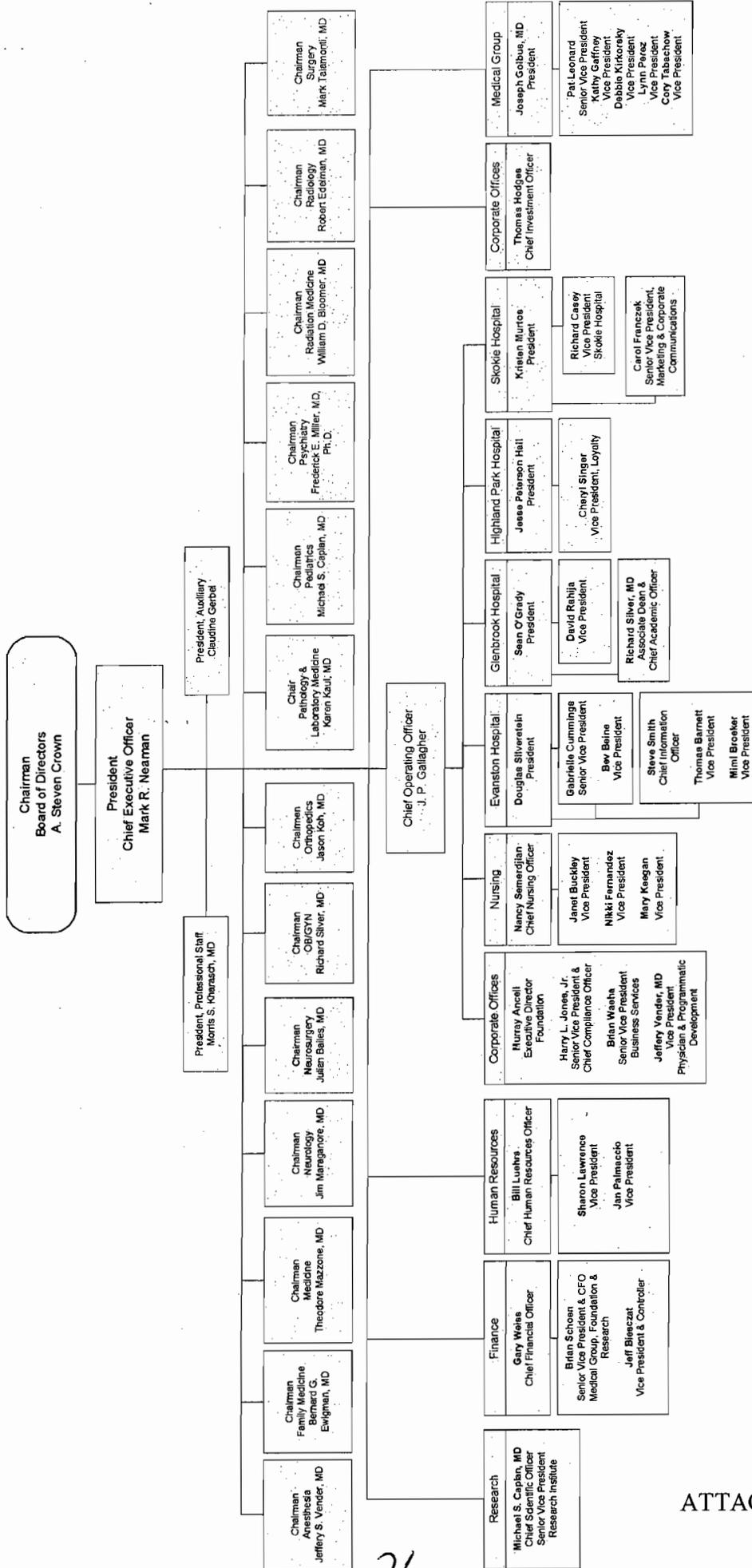
Notarized:



ATTACHMENT 2

# NorthShore University HealthSystem Organization Chart

2014 - 2015



26

## Highland Park Hospital

Jesse Peterson Hall, FACHE

President

777 Park Avenue West  
Highland Park, IL 60035  
www.northshore.org

(847) 480-2818  
(847) 432-9305 Fax  
jhall@northshore.org

Illinois Health Facilities  
and Services Review Board  
Springfield, IL

To Whom It May Concern:

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

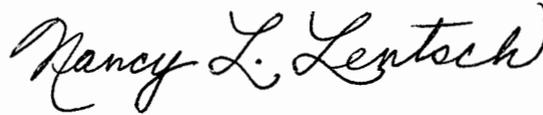
Sincerely,



Jesse Peterson Hall  
President

Date: June 17, 2015

Notarized:



The screenshot displays the FEMA Intranetix Viewer interface. At the top left is the FEMA logo. To its right, the text 'Scale 4%' and 'LOMC 1' is visible. The main area is dominated by a large, dark, textured map. To the left of the map is a vertical toolbar with several icons, including a 'Make a Printout' button at the bottom. To the right of the map is a vertical panel containing various data fields and text, likely representing map metadata or user settings. The interface is rendered in a high-contrast, black-and-white style.

ATTACHMENT 5

28

# Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

June 1, 2015

Rachel Leibowitz, Ph.D.  
Deputy State Historic Preservation Officer  
Illinois Historic Preservation Agency  
1 Old State Capitol Plaza  
Springfield, IL 62701-1507

RE: Proposed Hospital Modernization  
NorthShore Highland Park Hospital  
Highland Park, IL

Dear Dr. Leibowitz:

I am in the process of developing a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

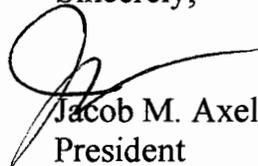
The project primarily consists of renovation, but does include the demolition of a small single-story addition to the hospital (see enclosed photo) that appears to be approximately thirty years old. I do not believe there to be any structures of historical significance in the vicinity.

I have enclosed a map of the site and photographs for your review.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,



Jacob M. Axel  
President

enclosures (photographs and map)

## PROJECT COSTS

Preplanning costs			
feasibility assessment	\$	80,000	
evaluation of alternatives	\$	70,000	
misc./other	\$	<u>20,000</u>	
			\$ 170,000
Site Survey and Soil Investigation			
survey	\$	8,000	
soil evaluation	\$	<u>7,000</u>	
			\$ 15,000
Site Preparation			
removal of drive and walkway	\$	175,000	
signage	\$	60,000	
landscaping	\$	100,000	
grading and earthwork	\$	80,000	
misc./other	\$	<u>39,000</u>	
			\$ 454,000
Off-Site Work			
roadway construction	\$	400,000	
walkway construction	\$	<u>50,000</u>	
			\$ 450,000
New Construction			
canopy and entryway	\$	<u>582,000</u>	
			\$ 582,000
Modernization			
renovation to existing facilities	\$	<u>8,525,280</u>	
			\$ 8,525,280
Contingencies			
new construction-related	\$	12,000	
renovation-related	\$	<u>274,340</u>	
			\$ 286,340

## PROJECT COSTS

### Architectural and Engineering Fees

design	\$ 650,000	
regulatory agency interaction	\$ 50,000	
monitoring	\$ 80,000	
misc./other	<u>\$ 127,000</u>	
		\$ 907,000

### Consulting and Other Fees

project management	\$ 300,000	
interior design	\$ 50,000	
traffic engineer	\$ 15,000	
insurance	\$ 20,000	
local permitting	\$ 40,000	
CON process	\$ 90,000	
equipment planning	\$ 50,000	
operational consulting	\$ 40,000	
misc./other	<u>\$ 60,000</u>	
		\$ 665,000

### Movable and Other Equipment

please see attached list  
(note: list excludes 7% for delivery and set-up)

### Other Costs to be Capitalized

façade removal and replacement	\$ 480,000	
relocation of stair tower	\$ 145,000	
2nd floor slab removal	<u>\$ 190,000</u>	
		\$ 815,000

# Highland Park Hospital LDRP Renovation

## Conceptual Equipment Estimate 6/17/2015

				Total
<b>Signage</b>				
Signs	\$ 20,000.00	1	\$	20,000.00
<b>Misc Equipment</b>				
Keys, Locks, & Special Hardware	\$ 17,800.00	1	\$	17,800.00
Video Conferencing System	\$ 50,000.00	1	\$	50,000.00
<b>Artwork</b>				
In Room Art	\$ 400.00	24	\$	9,600.00
Corridor Art	\$ 650.00	25	\$	16,250.00
<b>Furniture</b>				
Staff Lounge/ Conference- Table	\$ 1,800.00	2	\$	3,600.00
Staff Lounge/Conference- Chairs	\$ 400.00	12	\$	4,800.00
Keyboard Trays	\$ 250.00	25	\$	6,250.00
Task Chairs	\$ 700.00	25	\$	17,500.00
Ped Files	\$ 250.00	25	\$	6,250.00
Patient Side Chair	\$ 650.00	44	\$	28,600.00
Patient Recliner	\$ 3,500.00	22	\$	77,000.00
Family Sleeper	\$ 3,500.00	22	\$	77,000.00
Office Set-up	\$ 4,500.00	6	\$	27,000.00
On Call Room Set-up	\$ 4,500.00	3	\$	13,500.00
Family Waiting Area Seating	\$ 3,500.00	12	\$	42,000.00
Bed Side Table	\$ 500.00	22	\$	11,000.00
Coffee Tables	\$ 1,000.00	4	\$	4,000.00
<b>Medical Equipment</b>				
Over Bed Table	\$ 1,200.00	23	\$	27,600.00
Patient Bed	\$ 12,500.00	21	\$	262,500.00
Basinets	\$ 2,500.00	22	\$	55,000.00
Warmer	\$ 7,500.00	3	\$	22,500.00
Ohio Bed	\$ 15,000.00	5	\$	75,000.00
Stretcher	\$ 5,000.00	2	\$	10,000.00
Nurse Call System	\$ 8,500.00	23	\$	195,500.00
Nurse Call Head End & Accsories	\$ 40,000.00	1	\$	40,000.00
Surgical Lights & Booms	\$ 260,000.00	2	\$	520,000.00
Surgical Table	\$ 85,000.00	2	\$	170,000.00
Procedure Lights	\$ 6,500.00	44	\$	286,000.00
Headwalls	\$ 6,500.00	24	\$	156,000.00
Bp Cuff	\$ 150.00	30	\$	4,500.00
Thermometer	\$ 200.00	30	\$	6,000.00
<b>Equipment</b>				
Upright Refrig Freezer	\$ 1,000.00	2	\$	2,000.00
Microwave	\$ 1,000.00	1	\$	1,000.00
Coffee Maker	\$ 750.00	1	\$	750.00
Ice Maker	\$ 7,500.00	1	\$	7,500.00
Televisions	\$ 1,800.00	24	\$	43,200.00
High Density Clean Supply Storage	\$ 15,000.00	2	\$	30,000.00
Kan Ban Carts	\$ 1,500.00	22	\$	33,000.00
Misc Equipment	\$ 2,500.00	5	\$	12,500.00
Nurse Servers	\$ 7,500.00	1	\$	7,500.00
Paper towel	\$ 15.00	75	\$	1,125.00
Soap	\$ 15.00	75	\$	1,125.00
Gel	\$ 15.00	75	\$	1,125.00
Blanket Warmer	\$ 7,500.00	3	\$	22,500.00
Innerwireless	\$ 3.50	26000	\$	91,000.00
Security Systems	\$ 3.50	26000	\$	91,000.00
<b>Communication/ IS</b>				
Phones	\$ 600.00	30	\$	18,000.00
Vocera	\$ 600.00	20	\$	12,000.00
Computers	\$ 1,500.00	5	\$	7,500.00
Weiss	\$ 1,500.00	25	\$	37,500.00
Printer/fax	\$ 4,500.00	3	\$	13,500.00
Jetsons	\$ 8,500.00	10	\$	85,000.00
Data Closet	\$ 75,000.00	1	\$	75,000.00
Lodgenet	\$ 200.00	24	\$	4,800.00
<b>Project Total</b>				<b>\$ 2,861,375.00</b>

5270 Lincoln Avenue  
Skokie IL, 60077

ATTACHMENT 7  
6/18/2015

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet		Amount of Proposed Total Square Feet				
		Existing	Proposed	New Const.	That is:			
					Modernized	As Is	Vacated Space	
<b>Reviewable</b>								
LDRPs (15)	\$ 6,250,823	17,483	13,091		13,091			
C-Section Suite	\$ 2,199,364	760	3,965		3,965			
Level I Nursery	\$ 810,292	752	1,098		1,098			
OB Triage (6)	\$ 2,199,364	-	4,598		4,598			
Lactation Service	\$ 115,756	226	366		366			
	\$ 11,575,599	19,221	23,118		23,118			
<b>Non-Reviewable</b>								
On-Call Rooms	\$ 131,931	312	341		341			
Staff Facilities	\$ 197,896	1,026	727		727			
Social Services	\$ 114,340		160		160			
Lobby	\$ 2,458,500	-	2,551		2,551			
Canopy	\$ 835,561	-	1,200		1,200			
Environ. Services	\$ 263,862	56	80		80			
Photographer	\$ 19,480	-	50		50			
Mechanical	\$ 376,122	201	407		407			
	\$ 4,397,692	1,595	5,516		5,516			
<b>TOTAL</b>	\$ 15,973,291	20,816	28,634	1,200	27,434			



**Illinois Department of  
PUBLIC HEALTH**

HF107144

← DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

**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.

**LaMar Hasbrouck, MD, MPH**  
**Acting Director**

Issued under the authority of  
the Illinois Department of  
Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2015		0005066
<b>General Hospital</b>		
Effective: 01/01/2015		

Exp. Date 12/31/2015  
Lic Number 0005066

Date Printed 11/25/2014

Highland Park Hospital  
777 Park Avenue West  
Highland Park, IL 60035

Highland Park Hospital  
777 Park Avenue West  
Highland Park, IL 60035

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

FEE RECEIPT NO.

June 19, 2015

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

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 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

## PURPOSE OF THE PROJECT

The purpose of the proposed project is to modernize Highland Park Hospital's obstetrics-related facilities, and particularly its patient rooms which currently operate and will continue to operate as labor-delivery-recovery-post-partum rooms (LDRPs). The existing obstetrics-related facilities have a number of design-related deficiencies, each of which will be corrected through the proposed project, including: 1) the unit lacks appropriate support space, and has patient rooms insufficiently sized for the contemporary delivery of this service, including the easy placement of a bassinette in the room; 2) the C-Section suite consists of procedure rooms that are under-sized by contemporary standards, and lacks adequate support space; and 3) the unit is difficult to access from the hospital's entrance. As a result of addressing these deficiencies, the proposed project will improve the health care and well-being of the population traditionally served by the hospital.

It is not anticipated that HPH's obstetrics market area will substantially change as a result of this project, with the vast majority of patients continuing to come from Lake County and far northeastern Cook County. The table on the following page identifies the ten ZIP Code areas that accounted for over 50% of HPH's obstetrics admissions during 2014.

ZIP Code	Community	Cumulative	
		%	%
60035	Highland Park	6.94%	6.94%
60085	Waukegan	6.66%	13.60%
60089	Buffalo Grove	6.12%	19.72%
60060	Mundelein	5.55%	25.28%
60015	Deerfield	5.08%	30.36%
60031	Gurnee	4.92%	35.28%
60073	Round Lake	4.35%	39.63%
60061	Vernon Hills	4.20%	43.83%
60062	Northbrook	4.10%	47.93%
60030	Grays Lake	3.82%	51.75%
	other	48.25%	100.00%

The success of the project will be immediately measurable through post-discharge surveys completed by patients, which, it is anticipated, will identify a higher level of patient satisfaction with the facility.

## ALTERNATIVES

The primary purpose of the proposed project is to modernize Highland Park Hospital's obstetrics-related facilities. This is being addressed through the phased renovation of the areas currently used for those services, while maintaining the program's operation.

Three alternatives were considered:

The first alternative involved the construction of an addition to the hospital to house replacement obstetrics-related services. This alternative was dismissed because of the limited space that is available for expansion, and because the capital cost associated with this alternative would exceed that of the proposed project by 30-35%. The advantage of this alternative would have been the reduced project time because of the elimination of the need to phase the project. Had this alternative been selected, the operating costs, quality of care provided, and access to care would have been very similar to that of the proposed project.

The second alternative considered involved the suspension of the hospital's obstetrics service while the proposed multi-phase project was undertaken as a single project. The primary benefits of this alternative would be the reduced project length, and the associated reduction in renovation-related costs resulting from the phased approach. This alternative was dismissed because NorthShore University HealthSystem has consolidated its obstetrics services into only two of its hospitals, Evanston Hospital and HPH. Sufficient capacity does not exist at Evanston Hospital to accommodate the HPH caseload, and had capacity been available, accessibility would have been compromised. Had this alternative been selected, a minimal reduction in operating costs would be anticipated during the construction period, with those costs returning to those of the proposed project following construction, and the quality of care would have been very similar to that of the proposed project.

The third alternative considered was to do only minimal/cosmetic renovation to the areas, rather than essentially replace the services, as is being proposed. The capital costs associated with this alternative would have been significantly less than those of the proposed project, while-

the operating costs, access and quality of care would have been very similar. This alternative was dismissed because it did not meet the goals and objectives of the project.

## SIZE OF PROJECT

The proposed project includes three clinical areas that have IHFSRB-adopted space standards, and as identified in the table below, each of those standards is met. As a result, the planned space is necessary and not excessive.

<b>DEPARTMENT/SERVICE</b>	<b>PROPOSED DGSF</b>	<b>STATE STANDARD</b>	<b>DIFFERENCE</b>	<b>MET STANDARD?</b>
LDRPs/OB Unit	13,091	24,000	(10,909)	YES
Level I Nursery	1,098	2,400	(1,302)	YES
C-Section Suite	4,421	3,965	(456)	YES

## PROJECT SERVICES UTILIZATION

The proposed project involves only two services, functions or equipment that have associated utilization targets adopted by the IHFSRB: obstetrics beds and the C-Section suite.

### Obstetrics Beds

Highland Park Hospital currently operates an obstetrics program consisting of 25 beds, each of which is located in a labor-delivery-recovery-post-partum room (LDRP). Through the proposed project, the number of LDRPs will be reduced to 15. No “traditional” labor-delivery-recovery rooms or “traditional” post-partum rooms are or will be provided.

Highland Park Hospital has reversed a downward trend in obstetrics admissions, and in 2014, a 15.2% increase in obstetrical admissions over the hospital’s 2013 level was experienced. In addition, data for the first four months of 2015 identify a 5.4% increase over the same period in 2014. This reversal is the direct result of two factors: the addition of obstetricians to the hospital’s Medical Staff, and the changing demographics in the hospital’s obstetrics service area. Since October 2014, 8 obstetricians have joined the Medical Staff, and since April 2013, 21 obstetricians have joined the hospital’s Medical Staff. This increase in the number referring obstetricians took place during a period in which the service area’s 20-39 age-group population has experienced growth, and that growth is anticipated to continue. A ZIP Code-specific analysis based on the population estimates and projections developed by GeoLytics for the 20-39 age-group population of the ten ZIP Code areas having the greatest number of obstetrics patients admitted to HPH during 2014 reveals significant growth. Within those ZIP Code areas, which accounted for 51.75% of HPH’s 2014 obstetrics admissions, the population is projected to increase by 11.4% between 2013 and 2018.

The applicants anticipate that the 5.4% increase in utilization experienced during the first four months of this year will continue for the remainder of the year, resulting in approximately 1,461 admissions this year. For planning purposes, utilization is conservatively anticipated to increase by 3% a year in 2016 and 2017, and 2% a year through the second year following the project's completion, as a result of both growth in the medical staff and, importantly, the demographics discussed above.

C-Section Suite

In 2014, 409 C-Sections were performed at Highland Park Hospital. The resultant C-Section rate was 29.0%, slightly lower than the planning area and the State. That rate is anticipated to remain constant through the second year following the project's completion. As a result, in 2020, approximately 470 C-Sections are projected to be performed. Two C-Section rooms are included in the project because of: 1) the frequency with which both of the hospital's existing rooms are simultaneously in use, and 2) the distance between the unit and the surgical suite, making the use of an operating room as a "back-up" impractical.

Dept./ Service	2014	PROJECTED		STATE STANDARD	MET STANDARD?
	Historical	UTILIZATION			
	Utilization (Patient Days) (TREATMENTS)	(patient days) YEAR 1	YEAR 2		
OB/LDRPs	3,250	3,780	3,856	3,832	YES
C-Section	409	460	470	801	NO

## CATEGORY OF SERVICE MODERNIZATION

The applicants propose to modernize Highland Park Hospital's obstetrics category of service through the renovation of the existing unit and the discontinuation of 10 beds. The unit will continue to operate as one providing all labor-delivery-recovery-post-partum (LDRP) rooms. While the hospital has been diligent in meeting all applicable accreditation standards and licensure and life safety codes, the unit is generally dated, lacks the support space found in contemporary units, and is under-sized by contemporary standards.

As addressed in ATTACHMENT 15, the proposed 15-bed unit is anticipated, consistent with IHFSRB standards, to operate above the target occupancy level by the second year following the project's completion.

**Highland Park Hospital**

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June 19, 2015

Illinois Health Facilities  
and Services Review Board  
Springfield, IL

To Whom It May Concern:

Please be advised that it is the anticipation of the applicants that the obstetrics unit proposed to be modernized at Highland Park Hospital will operate at or above the IHFSRB's target utilization rate by the second year of operation, following the opening of the unit.

Sincerely,



Jesse Peterson Hall  
President

Notarized: Nancy L. Lentsch



## CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project addresses the modernization of only one clinical area that is not an IDPH-designated category of service, but for which a utilization standard has been identified, the hospital's C-Section suite.

Through diligent monitoring and routine minor renovations, the areas addressed through the proposed project, including the C-Section Suite, have remained compliant with applicable life safety codes and licensure and accreditation requirements. The areas have, however, become dated, lack support space and no longer meet contemporary standards.

The hospital's existing C-Section suite consists of two procedure rooms, and the proposed suite will also consist of two procedure rooms. The existing two procedure rooms are only 315 square feet, each, well below contemporary standards, and the suite lacks storage space. In contrast, the proposed procedure rooms will be 472 square feet in size, and support space such as an anesthesia work room, a clean equipment and supply storage room, and a soiled utility room will be provided in the suite.

Based on projected births and the hospital's C-Section rate, it is anticipated that approximately 470 C-Sections will be performed during the second year, following the project's completion. While this level of utilization is below the target utilization level, it has been the hospital's experience that the existing two procedure rooms are frequently in use simultaneously, and unlike some hospitals, the distance between the obstetrical areas and the surgical suite render the use of an operating room for C-Sections impractical.

# MOODY'S

## INVESTORS SERVICE

### Rating Update: Moody's affirms NorthShore University HealthSystem's (IL) Aa2 and Aa2/VMIG 1; outlook stable

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Global Credit Research - 07 Oct 2014

#### Action affects \$300M of debt

ILLINOIS FINANCE AUTHORITY  
Hospitals & Health Service Providers  
IL

#### Opinion

NEW YORK, October 07, 2014 –Moody's Investors Service has affirmed the Aa2 and Aa2/VMIG 1 bond ratings on NorthShore University HealthSystem's (NorthShore) 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 physician group, very advanced IT strategy, strong investment position that supports a moderate debt load, and recent rebound in operating margins. Challenges include the presence of competition and heightened consolidation activities in the broader service area, and a comparatively less liquid asset allocation. The VMIG 1 short-term rating is based on the provision of standby bond purchase agreements with several banks to support unremarketed tenders of variable rate bonds, as listed below.

NorthShore and Advocate Health Care (Aa2 stable) announced their intention to merge, which is credit positive for both organizations as they combine to form Advocate NorthShore Health Partners. The systems' aligned strategies, proven management, and strong financial resources will position the new organization to meet the challenges of a rapidly changing industry. The combination, expected to close the beginning of CY 2015, will create the largest health system in Illinois and one of the largest among Moody's-rated health systems nationally with almost \$7 billion in total revenue. Because the transaction has not yet closed, it is not incorporated into the current credit assessment.

#### STRENGTHS

\*NorthShore maintains a strong balance sheet position with 289 days of cash on hand and 363% cash-to-debt as of June 30, 2014.

\*The system has a leading market share of 22% 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.

\*The debt position is low, resulting in strong adjusted debt measures including a favorably low 20% debt-to-operating revenue and 1.2 times debt-to-cashflow and very strong 12.9 times peak debt service coverage based on 9-month annualized fiscal year 2014 results. There are no plans for additional debt.

\*The system quickly implemented initiatives to improve operating performance through nine months of fiscal year 2014 to a solid 11.4% operating cashflow margin.

\*NorthShore has manageable debt structure risks with almost 500% cash-to-demand debt and diversification of banks and facility expiration dates, which mitigates a relatively high 66% variable rate debt exposure (as of fiscal year end 2013).

#### CHALLENGES

\*Cash and investments are comparatively less liquid with 59% available monthly, driven by a 30% allocation to alternative investments (as of fiscal year end 2013)

\*The system faces competition from several hospitals in the broader service area and there has been an increase in the pace of consolidation across the region.

#### 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 900-physician employed medical group, and an independent practice association (IPA) which includes the medical group and 500 affiliated physicians. The system continues to advance key strategic initiatives, including physician alignment, ambulatory growth, and information technology. 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, and position the system for population management. 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.

Fiscal year 2013 ended as expected with a 8.6% operating cashflow margin, based on nine-month performance that was the basis for the last report. The decline from 2012 was driven by inpatient volume declines, higher costs related to physician practice acquisition, and higher insurance expenses.

The system responded to lower margins quickly and effectively, as reflected in significant operating improvement through nine months of fiscal year 2014. Through nine months, admissions declined by 2.5%; including observation cases, total inpatient volume was up 0.4%, which is generally better than the trend in the broader market. Excluding investment income (which the system includes as support for operations as part of a spending rate policy), operating income was \$70 million (4.9%) through the nine months ended June 30, 2014, compared with \$20 million (1.5%) for nine months ended June 30, 2013. Operating cashflow was \$162 million (11.4%), compared with \$114 million (8.5%) in the prior year period.

NorthShore has implemented sizable cost reductions of approximately \$60 million including initiatives related to early retirement and a workforce reduction, as well as supply and other costs. Effective December 31, 2013 the defined benefit pension plan was frozen to all employees, reducing pension expense next year.

NorthShore's strong balance sheet is likely to be maintained. Capital spending is expected to increase to approximately \$200 million annually, higher than recent history but under operating cashflow expected in fiscal year 2014. The largest projects relate to finishing investments in the Skokie campus, including a surgical pavilion, ambulatory care center and infrastructure investments, as well as modernization projects at Highland Park. No new debt is anticipated.

#### OUTLOOK

The stable rating outlook reflects our expectations that NorthShore will sustain recent improvement in operating margins and maintain balance sheet strength.

## WHAT COULD CHANGE THE RATING 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 upgrade 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 CHANGE THE RATING DOWN

A rating downgrade will be considered if the system's margins decline from FY 2014 interim levels or investments decline notably; while not expected, a significant increase in debt without cashflow growth could cause a downgrade.

## KEY INDICATORS

### Assumptions & Adjustments:

- Based on financial statements for NorthShore University HealthSystem
- First number reflects audit year ended September 30, 2013
- Second number reflects unaudited nine-month results through June 30, 2014, 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
- Non-recurring items: No adjustments
- \*Inpatient admissions: 43,110; 41,941
- \*Observation stays: 17,711; 18,968
- \*Medicare % of gross revenues: 40%; N/A
- \*Medicaid % of gross revenues: 7%; N/A
- \*Total operating revenues (\$): \$1.8 billion; \$1.9 billion
- \*Revenue growth rate (%) (3 yr CAGR): 5.4%; N/A
- \*Operating margin (%): 1.5 %; 4.9%
- \*Operating cash flow margin (%): 8.6%; 11.4%
- \*Debt to cash flow (x): 1.6 times; 1.2 times
- \*Days cash on hand (excluding self-insurance funds): 270 days; 289 days
- \*Maximum annual debt service (MADS) (\$): \$24 million; \$24 million
- \*MADS coverage with reported investment income (x): 11 times; 15 times
- \*Moody's-adjusted MADS Coverage with normalized investment income (x): 10.0 times; 12.9 times
- \*Direct debt (\$): \$376 million; \$369 million
- \*Cash to direct debt (%): 323%; 363%
- \*Comprehensive debt: \$577 million; N/A
- \*Cash to comprehensive debt (%): 210%; N/A
- \*Monthly liquidity to demand debt (%): 402%; N/A

RATED DEBT (as of June 30, 2014)

-Series 1995 (\$45 million) variable rate bonds supported by standby bond purchase agreements from Wells Fargo Bank, NA, expiring September 22, 2016: Aa2/VMIG 1

-Series 2001C (\$39 million) variable rate bonds supported by standby bond purchase agreements from Wells Fargo Bank, NA,, expiring November 15, 2016: Aa2/VMIG 1

-Series 1996 (\$46 million), and Series 2001B (\$39 million), variable rate bonds supported by standby bond purchase agreements from JPMorgan Chase Bank, expiring September 22, 2015 and November 15, 2017, respectively: Aa2/VMIG 1

-Series 2010 fixed rate bond (\$123 million): Aa2

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

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. An additional methodology used was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in May 2013. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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**Highland Park Hospital**

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jhall@northshore.org

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 Highland Park 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,



Jesse Peterson Hall  
President

Date: June 17, 2015

Notarized:



	A		B		C		D		E		F		G		H		Total		
	Cost/Sq. Ft.		Mod.		New		Circ.		Mod.		Circ.		New Const. \$		Modernization \$		(G + H)		
<b>Reviewable</b>																			
LDRPs (15)		\$ 285.00							13,091						\$ 3,730,935		\$ 3,730,935		\$ 3,730,935
C-Section Suite		\$ 330.00							3,965						\$ 1,308,450		\$ 1,308,450		\$ 1,308,450
Level I Nursery		\$ 285.00							1,098						\$ 312,930		\$ 312,930		\$ 312,930
OB Triage (6)		\$ 275.00							4,598						\$ 1,264,450		\$ 1,264,450		\$ 1,264,450
Lactation Service		\$ 250.00							366						\$ 91,500		\$ 91,500		\$ 91,500
contingency		\$ 10.00							23,118						\$ 6,708,265		\$ 6,708,265		\$ 6,708,265
															\$ 231,180		\$ 231,180		\$ 231,180
															\$ 6,939,445		\$ 6,939,445		\$ 6,939,445
<b>Non-Reviewable</b>																			
On-Call Rooms		\$ 210.00								341					\$ 71,610		\$ 71,610		\$ 71,610
Staff Facilities		\$ 210.00								727					\$ 152,670		\$ 152,670		\$ 152,670
Social Services		\$ 210.00								160					\$ 33,600		\$ 33,600		\$ 33,600
Lobby		\$ 570.00								2,551					\$ 1,454,070		\$ 1,454,070		\$ 1,454,070
Canopy		\$ 485.00						1,200						\$ 582,000		\$ 582,000		\$ 582,000	
Environmental Services		\$ 190.00								80					\$ 15,200		\$ 15,200		\$ 15,200
Photographer		\$ 210.00								50					\$ 10,500		\$ 10,500		\$ 10,500
Mechanical		\$ 195.00								407					\$ 79,365		\$ 79,365		\$ 79,365
contingency		\$ 10.00						1,200	4,316					\$ 582,000	\$ 1,817,015	\$ 2,399,015		\$ 2,399,015	
														\$ 12,000	\$ 43,160	\$ 55,160		\$ 55,160	
														\$ 594,000	\$ 1,860,175	\$ 2,454,175		\$ 2,454,175	
<b>TOTAL</b>		\$ 495.00	\$ 320.76				1,200		27,434					\$ 594,000	\$ 8,799,620	\$ 9,393,620		\$ 9,393,620	

