

**ORIGINAL**

16-038

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

## SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

SEP 12 2016

This Section must be completed for all projects.

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

Facility Name	Advocate Sherman Ambulatory Surgery Center		
Street Address:	1445 North Randall Road		
City and Zip Code:	Elgin, IL 60123-2300		
County:	Kane	Health Service Area - 8	Health Planning Area - A-11

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

Exact Legal Name:	Advocate Sherman Ambulatory Surgery Center, LLC		
Address:	1445 North Randall Road, Elgin, IL 60123-2300		
Name of Registered Agent:	CT Corporation System		
Name of President:	Drew Bell		
CEO Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015		
Telephone Number:	(847) 267-3537		

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental
<input checked="" type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship
		<input type="checkbox"/>	Other
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an <b>Illinois certificate of good standing.</b></li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> </ul>			
APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

**Primary Contact****[Person to receive ALL correspondence or inquiries)**

Name:	Drew Bell
Title:	Director, Operations
Company Name:	Surgical Care Affiliates
Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 267-3537
E-mail Address:	drew.bell@scasurgery.com
Fax Number:	N/A

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

Name:	Trent Gordon
Title:	Vice President, Business Development
Company Name:	Advocate Sherman Hospital & Advocate Good Shepherd Hospital
Address:	1425 North Randall, Elgin, IL 60123
Telephone Number:	(847) 842-4259
E-mail Address:	trent.gordon@advocatehealth.com
Fax Number:	(847) 842-4152

**Additional Contact**

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

Name:	Sonja Reece, FACHE
Title:	Director, Health Facilities Planning
Company Name:	Advocate Health Care
Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-5482
E-mail Address:	sonja.reece@advocatehealth.com
Fax Number:	(309) 888-0961

**Additional Contact**

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

Name:	Joe Ourth
Title:	Attorney
Company Name:	Arnstein & Lehr, LLP
Address:	120 S. Riverside Plaza, Suite 1200, Chicago, IL 60606-3910
Telephone Number:	(312) 876-7815
E-mail Address:	jourth@arnstein.com
Fax Number:	(312) 876-6215

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

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**Facility/Project Identification**

Facility Name	Advocate Sherman Ambulatory Surgery Center		
Street Address:	1445 North Randall Road		
City and Zip Code:	Elgin, IL 60123-2300		
County:	Kane	Health Service Area - 8	Health Planning Area - A-11

**Applicant /Co-Applicant Identification**

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

Exact Legal Name:	Advocate Sherman Hospital
Address:	1425 North Randall Road, Elgin, IL 60123-2300
Name of Registered Agent:	Gail D. Hasbrouck
Name of President:	Linda Deering, President, Advocate Sherman Hospital
CEO Address:	1425 North Randall Road, Elgin, IL 60123-2300
Telephone Number:	(224) 783-8009

**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
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an <b>Illinois certificate of good standing.</b></li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> </ul>					
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Telephone Number:	(847) 267-3537
E-mail Address:	drew.bell@scasurgery.com
Fax Number:	N/A

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Title:	Vice President, Business Development
Company Name:	Advocate Sherman Hospital & Advocate Good Shepherd Hospital
Address:	1425 North Randall, Elgin, IL 60123
Telephone Number:	(847) 842-4259
E-mail Address:	trent.gordon@advocatehealth.com
Fax Number:	(847) 842-4152

**Additional Contact**

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Name:	Sonja Reece, FACHE
Title:	Director, Health Facilities Planning
Company Name:	Advocate Health Care
Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-5482
E-mail Address:	sonja.reece@advocatehealth.com
Fax Number:	(309) 888-0961

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City and Zip Code:	Elgin, IL 60123-2300		
County:	Kane	Health Service Area - 8	Health Planning Area - A-11

**Applicant /Co-Applicant Identification**

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

Exact Legal Name:	Advocate Health Care Network, as the sole corporate member of Advocate Sherman Hospital
Address:	3075 Highland Parkway, Suite 600, Downers Grove, IL 60515
Name of Registered Agent:	Gail D. Hasbrouck
Name of Chief Executive Officer:	James H. Skogsbergh
CEO Address:	3075 Highland Parkway, Suite 600, Downers Grove, IL 60515
Telephone Number:	(630) 572-9393

**Type of Ownership of Applicant/Co-Applicant**

<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
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Title:	Director, Operations
Company Name:	Surgical Care Affiliates
Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 267-3537
E-mail Address:	drew.bell@scasurgery.com
Fax Number:	N/A

**Additional Contact**

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Title:	Vice President, Business Development
Company Name:	Advocate Sherman Hospital & Advocate Good Shepherd Hospital
Address:	1425 North Randall, Elgin, IL 60123
Telephone Number:	(847) 842-4259
E-mail Address:	trent.gordon@advocatehealth.com
Fax Number:	(847) 842-4152

**Additional Contact**

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Title:	Director, Health Facilities Planning
Company Name:	Advocate Health Care
Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-5482
E-mail Address:	sonja.reece@advocatehealth.com
Fax Number:	(309) 888-0961

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County:	Kane	Health Service Area - 8	Health Planning Area - A-11

**Applicant /Co-Applicant Identification**

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

Exact Legal Name:	Evangelical Services Corporation
Address of Registered Agent	3075 Highland Parkway, Suite 600, Downers Grove, IL 60515
Name of Registered Agent:	Gail D. Hasbrouck
Name of Chief Executive Officer:	Position currently vacant pending appointment. Role covered by Scott Powder, Senior Vice President.
CEO Address:	3075 Highland Parkway, Suite 600, Downers Grove, IL 60515
Telephone Number:	(630) 929-8716

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input checked="" type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental
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**Primary Contact**

**(Person to receive ALL correspondence or inquiries)**

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Title:	Director, Operations
Company Name:	Surgical Care Affiliates
Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 267-3537
E-mail Address:	drew.bell@scasurgery.com
Fax Number:	N/A

**Additional Contact**

**(Person who is also authorized to discuss the application for permit)**

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Title:	Vice President, Business Development
Company Name:	Advocate Sherman Hospital & Advocate Good Shepherd Hospital
Address:	1425 North Randall, Elgin, IL 60123
Telephone Number:	(847) 842-4259
E-mail Address:	trent.gordon@advocatehealth.com
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Company Name:	Advocate Health Care
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City and Zip Code:	Elgin, IL 60123-2300		
County:	Kane	Health Service Area - 8	Health Planning Area - A-11

**Applicant /Co-Applicant Identification**

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

Exact Legal Name:	Surgical Care Affiliates, Inc.
Address:	569 Brookwood Village, Suite 901, Birmingham, AL 35209
Name of Registered Agent:	The Corporation Trust Company
Name of Corporate Officer:	Andrew P. Hayek, President and CEO
Officer Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 236-0921

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input checked="" type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental
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County:	Kane	Health Service Area - 8      Health Planning Area - A-11

**Applicant /Co-Applicant Identification**

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

Exact Legal Name:	Surgical Care Affiliates, LLC
Address:	569 Brookwood Village, Suite 901, Birmingham, AL 35209
Name of Registered Agent:	The Corporation Trust Company
Name of Corporate Officer:	Andrew P. Hayek, President and CEO
Officer Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 236-00921

**Type of Ownership of Applicant/Co-Applicant**

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County: Kane	Health Service Area - 8	Health Planning Area - A-11

**Applicant /Co-Applicant Identification**

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

Exact Legal Name:	SCA Surgery Holdings, LLC
Address:	569 Brookwood Village, Suite 901, Birmingham, AL 35209
Name of Registered Agent:	The Corporation Trust Company
Name of President:	Andrew P. Hayek, President and CEO
CEO Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 236-0921

**Type of Ownership of Applicant/Co-Applicant**

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**Applicant /Co-Applicant Identification**

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

Exact Legal Name: SCA-Illinois, LLC
Address: 569 Brookwood Village, Suite 901, Birmingham, AL 35209
Name of Registered Agent: The Corporation Trust Company
Name of Corporate Officer: Richard L. Sharff, Jr., Vice President
CEO Address 569 Brookwood Village, Suite 901, Birmingham, AL 35209
Telephone Number: (205) 545-2572

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
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<input checked="" type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship
		<input type="checkbox"/>	Other
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an <b>Illinois certificate of good standing</b>.</li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> </ul>			
APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

**Primary Contact**

**[Person to receive ALL correspondence or inquiries]**

Name:	Drew Bell
Title:	Director, Operations
Company Name:	Surgical Care Affiliates
Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 267-3537
E-mail Address:	drew.bell@scasurgery.com
Fax Number:	N/A

**Additional Contact**

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

Name:	Trent Gordon
Title:	Vice President, Business Development
Company Name:	Advocate Sherman Hospital & Advocate Good Shepherd Hospital
Address:	1425 North Randall, Elgin, IL 60123
Telephone Number:	(847) 842-4259
E-mail Address:	trent.gordon@advocatehealth.com
Fax Number:	(847) 842-4152

**Additional Contact**

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

Name:	Sonja Reece, FACHE
Title:	Director, Health Facilities Planning
Company Name:	Advocate Health Care
Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-5482
E-mail Address:	sonja.reece@advocatehealth.com
Fax Number:	(309) 888-0961

**Additional Contact**

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

Name:	Joe Ourth
Title:	Attorney
Company Name:	Arnstein & Lehr, LLP
Address:	120 S. Riverside Plaza, Suite 1200, Chicago, IL 60606-3910
Telephone Number:	(312) 876-7815
E-mail Address:	jourth@arnstein.com
Fax Number:	(312) 876-6215

**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:	Drew Bell
Title:	Director, Operations
Company Name:	Surgical Care Affiliates
Address:	510 Lake Cook Road, Suite 400, Deerfield, IL 60015
Telephone Number:	(847) 267-3537
E-mail Address:	drew.bell@scasurgery.com
Fax Number:	N/A

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: <b>Advocate Sherman Hospital</b>
Address of Site Owner: <b>1425 North Randall Road, Elgin, IL 60123-2300</b>
Street Address or Legal Description of Site: <b>1445 North Randall Road, Elgin, IL 60123-2300</b>
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 <u>ATTACHMENT-2</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Operating Identity/Licensee**

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

Exact Legal Name: Advocate Sherman Ambulatory Surgery Center, LLC
Address: 1445 North Randall Road, Elgin, IL 60123-2300
<input type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input checked="" type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul>
APPEND DOCUMENTATION AS <u>ATTACHMENT-3</u> , 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](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

## 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.

Advocate Sherman Ambulatory Surgery Center, LLC, is proposing to establish a multi-specialty ambulatory surgery treatment center. Co-applicants are Advocate Sherman Hospital (Sherman, Hospital); Advocate Health Care Network, as the sole corporate member of Advocate Sherman Hospital; Evangelical Services Corporation; Surgical Care Affiliates, Inc.; Surgical Care Affiliates, LLC, SCA Surgery Holdings, LLC, SCA-Illinois, LLC; and Advocate-SCA Partners, LLC. The proposed ASTC will be located on the campus of Advocate Sherman Hospital, with an address of 1445 Randall Road, Elgin, Illinois, 60123-2300.

Advocate-SCA Partners, LLC is comprised of SCA-Illinois, LLC with 51% interest and Advocate's for-profit corporation, Evangelical Services Corporation, with the other 49% interest. Advocate-SCA Partners, LLC will hold 51% interest in the Advocate Sherman Ambulatory Surgery Center, LLC. The physician members of the Advocate Sherman Ambulatory Surgery Center, LLC will have a combined interest of 49%, and none of them will hold 5% ownership.

The proposed new ASTC will implement a charity care policy to mirror the charity care policy of Advocate Sherman Hospital. This includes seeing Medicare, Medicaid and charity care patients.

The physicians represent five specialties: General Surgery, Orthopedics, Otolaryngology, Ophthalmology, and Urology. They have considered their surgical cases at Sherman that are appropriate for care at the ASTC and anticipate that they will refer 2,579 outpatient surgical cases or 3,624 hours to the proposed ASTC. That volume of hours supports three operating rooms, which are planned in the ASTC. None of the physicians listed in the application are investors at other ambulatory surgery centers.

In addition to the three surgical operating rooms, the proposed ASTC will provide twelve recovery stations, six pre-operative stations and appropriate support space. The ASTC will also include non-clinical areas such as administration, visitor/staff support, medical records, and storage.

In accordance with Code 1110-1540 g) 4), this Project qualifies as a cooperative venture of Advocate Sherman Hospital (the "existing Hospital"), Surgical Care Affiliates, and thirteen physician members on the Sherman medical staff. The Hospital provides outpatient services to the population of the Geographic Service Area defined as within a 45 minute drive time. The Hospital has sufficient utilization to support its existing 16 operating rooms and is committed to taking three operating rooms out of service when the new ASTC opens. The Hospital has also committed not add any operating rooms until the ASTC provides 4,500 surgical hours over 12 consecutive months. The proposed charges for comparable procedures at the ASTC will be lower than those of the Hospital. Because this Project only involves cases from Sherman, there will be no impact on any other hospital or ASTC.

The Project is expected to cost \$12,718,852, funded with cash and a bank loan. It will have 15,010 usable square feet, all new construction. The building is handicapped accessible, designed for patient privacy, efficiency and flexibility in the delivery of patient care. It is also designed for energy efficiency and long-term durability of infrastructure. The anticipated completion date is March 31, 2019.

The Project is classified substantive as it proposes a new facility.

**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.

<b>PROJECT COSTS AND SOURCES OF FUNDS</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NON CLINICAL</b>	<b>TOTAL</b>
Preplanning Costs	\$ 63,433	\$ 22,067	\$ 85,500
Site Survey and Soil Investigation	\$ 7,048	\$ 2,452	\$ 9,500
Site Preparation	\$ 259,667	\$ 90,333	\$ 350,000
Off Site Work	\$ -	\$ -	\$ -
New Construction Contracts	\$ 4,865,730	\$ 1,692,694	\$ 6,558,424
Modernization Contracts	\$ -	\$ -	\$ -
Contingencies	\$ 450,072	\$ 156,587	\$ 606,659
Architectural/Engineering Fees	\$ 418,535	\$ 145,600	\$ 564,135
Consulting and Other Fees	\$ 234,609	\$ 80,860	\$ 315,469
Movable or Other Equipment (not in construction contracts)	\$ 2,762,951	\$ 710,367	\$ 3,473,317
Bond Issuance Expense (project related)	\$ 27,859	\$ 9,691	\$ 37,550
Net Interest Expense During Construction (project related)	\$ 248,538	\$ 86,462	\$ 335,000
Fair Market Value, Leased Space, Equipment	\$ -	\$ -	\$ -
Other Costs To Be Capitalized	\$ 284,371	\$ 98,927	\$ 383,298
Acquisition of Building or Other Property (excluding land)	\$ -	\$ -	\$ -
<b>TOTAL USES OF FUNDS</b>	<b>\$ 9,622,812</b>	<b>\$ 3,096,040</b>	<b>\$ 12,718,852</b>
<b>SOURCE OF FUNDS</b>			
Cash and Securities	\$ 2,405,703	\$ 774,010	\$ 3,179,713
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$ 7,217,109	\$ 2,322,030	\$ 9,539,139
Leases (fair market value)			
Governmental Appropriations			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 9,622,812</b>	<b>\$ 3,096,040</b>	<b>\$ 12,718,852</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Related Project Costs**

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

Land acquisition is related to project <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Purchase Price: \$ _____ Fair Market Value: <u>\$150,000 (Ground lease estimate) Final FMV to be determined by independent appraiser.</u>
The project involves the establishment of a new facility or a new category of service <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, provide the dollar amount of all <b>non-capitalized</b> 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 <u>\$346,426</u>

**Project Status and Completion Schedules**

<b>For facilities in which prior permits have been issued please provide the permit numbers.</b>
Indicate the stage of the project's architectural drawings:  <input type="checkbox"/> None or not applicable <input type="checkbox"/> Preliminary <input checked="" type="checkbox"/> Schematics <input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>March 31, 2019</u>
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):  <input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed. <input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies <input checked="" type="checkbox"/> Project obligation will occur after permit issuance.
APPEND DOCUMENTATION AS <u>ATTACHMENT-B</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**State Agency Submittals for Advocate Sherman Hospital**

Are the following submittals up to date as applicable: <input checked="" type="checkbox"/> Cancer Registry <input checked="" type="checkbox"/> APORS <input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted <input checked="" type="checkbox"/> All reports regarding outstanding permits Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.
--

### 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.**

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 <u>ATTACHMENT-9</u> , 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.**

<b>FACILITY NAME: Advocate Sherman Hospital</b>			<b>CITY: Elgin, IL</b>		
<b>REPORTING PERIOD DATES: From: January 1, 2015 to: December 31, 2015</b>					
<b>Category of Service</b>	<b>Authorized Beds</b>	<b>Admissions</b>	<b>Patient Days</b>	<b>Bed Changes</b>	<b>Proposed Beds</b>
Medical/Surgical	189	9,690	49,222	0	189
Obstetrics	28	2,768	6,554	0	28
Pediatrics	8	196	696	0	8
Intensive Care	30	1,535	6,002	0	30
Comprehensive Physical Rehabilitation	0	0	0	0	0
Acute/Chronic Mental Illness	0	0	0	0	0
Neonatal Intensive Care	0	0	0	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other (identify)	0	0	0	0	0
<b>TOTALS:</b>	<b>255</b>	<b>14,189</b>	<b>62,474</b>	<b>0</b>	<b>255</b>

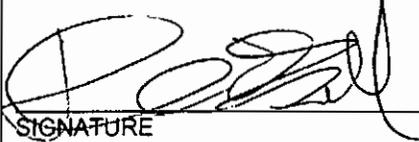
Source: HFSRB Hospital Profile, 2015

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of Advocate Sherman Ambulatory Surgery Center, LLC \*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

Drew Bell  
PRINTED NAME

President  
PRINTED TITLE

  
SIGNATURE

Kevin F. Fitch  
PRINTED NAME

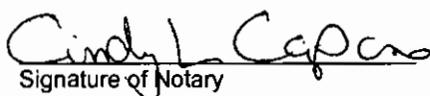
Vice President  
PRINTED TITLE

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

  
Signature of Notary



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

  
Signature of Notary



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

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- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Advocate Sherman Hospital, in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application 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.

*Linda Deering*  
SIGNATURE

Linda Deering  
PRINTED NAME

President, Advocate Sherman Hospital  
PRINTED TITLE

\_\_\_\_\_  
SIGNATURE

William P. Santulli  
PRINTED NAME

Executive Vice President/COO  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 27th day of August

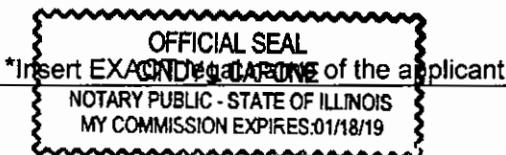
Notarization:  
Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_

*Cindy Cooper*  
Signature of Notary

\_\_\_\_\_  
Signature of Notary

Seal

Seal



**CERTIFICATION**

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- o 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);
- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Advocate Sherman Hospital, in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application 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

Linda Deering  
PRINTED NAME

President, Advocate Sherman Hospital  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Signature of Notary

Seal

*William P. Santulli*  
SIGNATURE

William P. Santulli  
PRINTED NAME

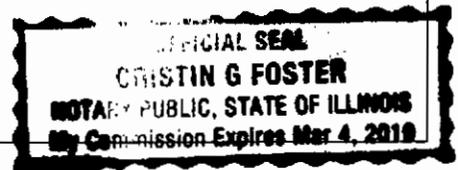
Executive Vice President/COO  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 29 day of August 2016

*Cristin G. Foster*  
Signature of Notary

Seal

\*Insert EXACT legal name of the applicant



**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o 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);
- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Advocate Health Care Network 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.

*JA Skogsbergh*

SIGNATURE

James H. Skogsbergh  
PRINTED NAME

President and CEO  
PRINTED TITLE

*William P. Santulli*

SIGNATURE

William P. Santulli  
PRINTED NAME

Executive Vice President/COO  
PRINTED TITLE

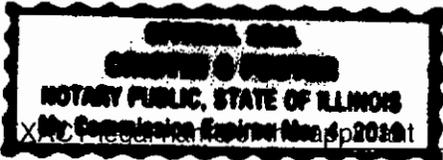
Notarization:  
Subscribed and sworn to before me  
this 30 day of August 2016

*Cristin G. Foster*

Signature of Notary

Seal

\*Insert X in the box if the notary is a Notary Public in the State of Illinois. My Commission Expires Mar 4, 2019

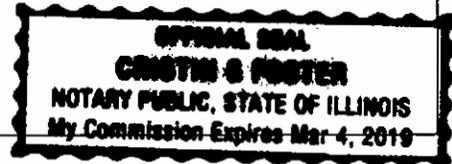


Notarization:  
Subscribed and sworn to before me  
this 30 day of August 2016

*Cristin G. Foster*

Signature of Notary

Seal



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- o 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);
- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

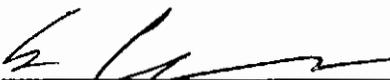
This Application for Permit is filed on the behalf of Evangelical Services Corporation in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf 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

Scott Powder  
PRINTED NAME

Senior Vice President  
PRINTED TITLE



SIGNATURE

Eric Tower  
PRINTED NAME

Assistant Secretary  
PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this 6<sup>th</sup> day of September 2016

Notarization:

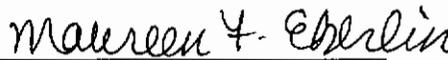
Subscribed and sworn to before me  
this 6<sup>th</sup> day of September 2016



Signature of Notary

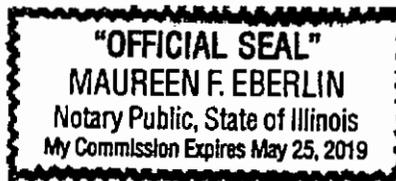
Seal





Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
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- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Surgical Care Affiliates, Inc.  
\*In accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application 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

Richard L. Sharff, Jr.  
PRINTED NAME

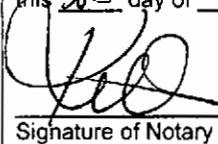
Executive Vice President & General Counsel  
PRINTED TITLE

  
SIGNATURE

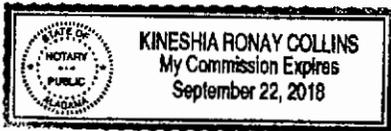
Tom W.F. DeWeerd  
PRINTED NAME

Executive Vice President & Chief Financial Officer  
PRINTED TITLE

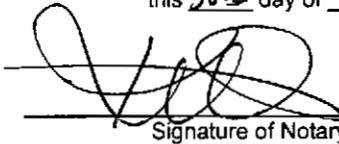
Notarization:  
Subscribed and sworn to before me  
this 30<sup>th</sup> day of August

  
Signature of Notary

Seal



Notarization:  
Subscribed and sworn to before me  
this 30<sup>th</sup> day of August

  
Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of Surgical Care Affiliates, LLC  
\*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

Richard L. Sharff, Jr.  
PRINTED NAME

Executive Vice President & General Counsel  
PRINTED TITLE

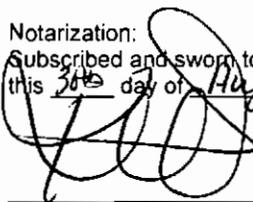


SIGNATURE

Tom W.F. DeWeerd  
PRINTED NAME

Executive Vice President & Chief Financial Officer  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 30<sup>th</sup> day of August

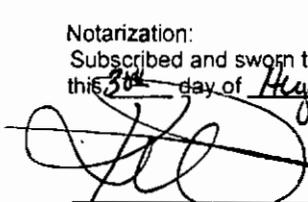


Signature of Notary

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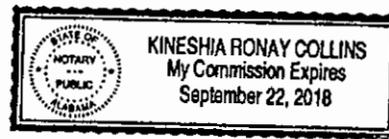


Notarization:  
Subscribed and sworn to before me  
this 30<sup>th</sup> day of August



Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

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

This Application for Permit is filed on the behalf of SCA Surgery Holdings, LLC  
\*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

Richard L. Sharff, Jr.  
PRINTED NAME

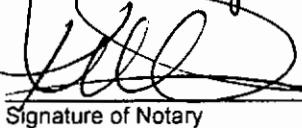
Vice President & Board Member  
PRINTED TITLE

  
SIGNATURE

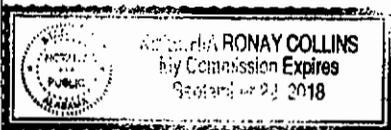
Tom W.F. DeWeerd  
PRINTED NAME

Vice President & Board Member  
PRINTED TITLE

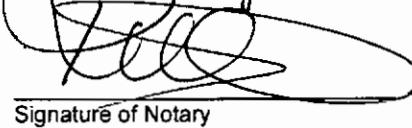
Notarization:  
Subscribed and sworn to before me  
this 30<sup>th</sup> day of August

  
Signature of Notary

Seal



Notarization:  
Subscribed and sworn to before me  
this 30<sup>th</sup> day of August

  
Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of SCA-Illinois, LLC

\*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.

Richard L. Sharff, Jr.  
SIGNATURE

Richard L. Sharff, Jr.  
PRINTED NAME

Vice President & Board Member  
PRINTED TITLE

Tom W.F. DeWeerd  
SIGNATURE

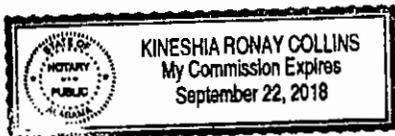
Tom W.F. DeWeerd  
PRINTED NAME

Vice President & Board Member  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 20<sup>th</sup> day of August

[Signature]  
Signature of Notary

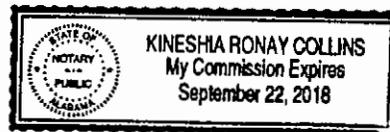
Seal



Notarization:  
Subscribed and sworn to before me  
this 31<sup>st</sup> day of August

[Signature]  
Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of Advocate-SCA Partners, LLC 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.

*Scott Powder*

SIGNATURE

Scott Powder  
PRINTED NAME

Senior Vice President  
PRINTED TITLE

SIGNATURE

Michael Rucker  
PRINTED NAME

Board Member  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 6<sup>th</sup> day of September 2016

Notarization:  
-Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

*Cristin G. Foster*

Signature of Notary

Seal

Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of Advocate-SCA Partners, LLC  
\*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

Michael Rucker  
PRINTED NAME

Board Member  
PRINTED TITLE

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

  
Signature of Notary

Seal  


\*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:**

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 to be allocated to each department, area or function;
3. Evidence that the shell space is being constructed due to
  - a. Requirements of governmental or certification agencies; or
  - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
  - a. Historical utilization for the area for the latest five-year period for which data 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**

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

**H. Non-Hospital Based Ambulatory Surgery**

This section is applicable to all projects proposing to establish or modernize a non-hospital based ambulatory surgical treatment center or to the addition of surgical specialties.

**1. Criterion 1110.1540(a), Scope of Services Provided**

Read the criterion and complete the following:

a. Indicate which of the following types of surgery are being proposed:

<input type="checkbox"/> Cardiovascular	<input type="checkbox"/> Obstetrics/Gynecology	<input type="checkbox"/> Pain Management
<input type="checkbox"/> Dermatology	<input checked="" type="checkbox"/> Ophthalmology	<input type="checkbox"/> Podiatry
<input type="checkbox"/> Gastroenterology	<input type="checkbox"/> Oral/Maxillofacial	<input type="checkbox"/> Thoracic
<input checked="" type="checkbox"/> General/Other	<input checked="" type="checkbox"/> Orthopedic	<input checked="" type="checkbox"/> Otolaryngology
<input type="checkbox"/> Neurology	<input type="checkbox"/> Plastic	<input checked="" type="checkbox"/> Urology

b. Indicate if the project will result in a  limited or  a multi-specialty ASTC.

**2. Criterion 1110.1540(b), Target Population**

Read the criterion and provide the following:

- On a map (8 1/2" x 11"), outline the intended geographic services area (GSA).
- Indicate the population within the GSA and how this number was obtained.
- Provide the travel time in all directions from the proposed location to the GSA borders and indicate how this travel time was determined.

**3. Criterion 1110.1540(c), Projected Patient Volume**

Read the criterion and provide signed letters from physicians that contain the following:

- The number of referrals anticipated annually for each specialty.
- For the past 12 months, the name and address of health care facilities to which patients were referred, including the number of patients referred for each surgical specialty by facility.
- A statement that the projected patient volume will come from within the proposed GSA.
- A statement that the information in the referral letter is true and correct to the best of his or her belief.

**4. Criterion 1110.1540(d), Treatment Room Need Assessment**

Read the criterion and provide:

- a. The number of procedure rooms proposed.
- b. The estimated time per procedure including clean-up and set-up time and the methodology used in arriving at this figure.

**5. Criterion 1110.1540(e), Impact on Other Facilities**

Read the criterion and provide:

- a. A copy of the letter sent to area surgical facilities regarding the proposed project's impact on their workload. NOTE: This letter must contain: a description of the project including its size, cost, and projected workload; the location of the proposed project; and a request that the facility administrator indicate what the impact of the proposed project will be on the existing facility.
- b. A list of the facilities contacted. NOTE: Facilities must be contacted by a service that provides documentation of receipt such as the US. Postal Service, FedEx or UPS. The documentation must be included in the application for permit.

**6. Criterion 1110.1540(f), Establishment of New Facilities**

Read the criterion and provide:

- a. A list of services that the proposed facility will provide that are not currently available in the GSA; or
- b. Documentation that the existing facilities in the GSA have restrictive admission policies; or
- c. For co-operative ventures,
  - a. Patient origin data that documents the existing hospital is providing outpatient surgery services to the target population of the GSA, and
  - b. The hospital's surgical utilization data for the latest 12 months, and
  - c. Certification that the existing hospital will not increase its operating room capacity until such a time as the proposed project's operating rooms are operating at or above the target utilization rate for a period of twelve full months; and
  - d. Certification that the proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

**7. Criterion 1110.1540(g), Charge Commitment**

Read the criterion and provide:

- a. A complete list of the procedures to be performed at the proposed facility with the proposed charge shown for each procedure.
- b. A letter from the owner and operator of the proposed facility committing to maintain the above charges for the first two years of operation.

**8. Criterion 1110.1540(h), Change in Scope of Service**

Read the criterion and, if applicable, document that existing programs do not currently provide the service proposed or are not accessible to the general population of the geographic area in which the facility is located.

APPEND DOCUMENTATION AS ATTACHMENT-27, 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:**

_____	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <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>
_____	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: <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>
_____	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.
<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**

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**

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**

**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			
Total			
Medicaid (revenue)	Year	Year	Year
Inpatient			
Outpatient			
Total			

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

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

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:

<b>INDEX OF ATTACHMENTS</b>		
<b>ATTACHMENT NO.</b>		<b>PAGES</b>
1	Applicant/Coapplicant Identification including Certificate of Good Standing	49-62
2	Site Ownership	63-64
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	65-66
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	67-69
5	Flood Plain Requirements	70-72
6	Historic Preservation Act Requirements	73-75
7	Project and Sources of Funds Itemization	76-79
8	Obligation Document if required	80
9	Cost Space Requirements	81
10	Discontinuation	NA
11	Background of the Applicant	82-87
12	Purpose of the Project	88-96
13	Alternatives to the Project	97-102
14	Size of the Project	103
15	Project Service Utilization	104-105
16	Unfinished or Shell Space	NA
17	Assurances	106-107
18	Master Design Project	NA
19	Mergers, Consolidations and Acquisitions	NA
	<b>Service Specific:</b>	NA
20	Medical Surgical Pediatrics, Obstetrics, ICU	NA
21	Comprehensive Physical Rehabilitation	NA
22	Acute Mental Illness	NA
23	Neonatal Intensive Care	NA
24	Open Heart Surgery	NA
25	Cardiac Catheterization	NA
26	In-Center Hemodialysis	NA
27	Non-Hospital Based Ambulatory Surgery	108-131
28	Selected Organ Transplantation	NA
29	Kidney Transplantation	NA
30	Subacute Care Hospital Model	NA
31	Children's Community-Based Health Care Center	NA
32	Community-Based Residential Rehabilitation Center	NA
33	Long Term Acute Care Hospital	NA
34	Clinical Service Areas Other than Categories of Service	NA
35	Freestanding Emergency Center Medical Services	NA
	<b>Financial and Economic Feasibility:</b>	
36	Availability of Funds	132-140
37	Financial Waiver	141-164
38	Financial Viability	165-167
39	Economic Feasibility	168-170
40	Safety Net Impact Statement	171-172
41	Charity Care Information	173
	<b>Appendix A – Physician Letters</b>	174-207
	<b>Appendix B – Surgery Centers</b>	208-237
	<b>Appendix C – Hospitals</b>	238-258
	<b>Appendix D – Advocate Financials</b>	259-331
	<b>Appendix E – SCA Financials</b>	332-341

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

**Type of Ownership of Applicant/Co-Applicant**

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

o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**

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.**

See Attachment 1, Exhibit 1, for the Advocate Sherman Ambulatory Surgery Center, LLC certificate of good standing.

File Number 0585512-8



**To all to whom these Presents Shall Come, Greeting:**  
*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

ADVOCATE SHERMAN AMBULATORY SUGERY CENTER, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON AUGUST 23, 2016, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.



Authentication #: 1623700841 verifiable until 08/24/2017.  
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 24TH  
day of AUGUST A.D. 2016

*Jesse White*

SECRETARY OF STATE

**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.**

See Attachment 1, Exhibit 2 to 3, for the Advocate Sherman Hospital and Advocate Health Care Network certificates of good standing.

File Number

0421-243-6



**To all to whom these Presents Shall Come, Greeting:**

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

ADVOCATE SHERMAN HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 29, 1887, 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 18TH day of AUGUST A.D. 2016 .*

Authentication #: 1623101590 verifiable until 06/18/2017  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

*File Number*

1707-692-2



***To all to whom these Presents Shall Come, Greeting:***

***I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that***

**ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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 18TH day of AUGUST A.D. 2016 .***



Authentication #: 1623101402 verifiable until 08/18/2017  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

**Type of Ownership of Applicant/Co-Applicant**

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**

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.**

See Attachment 1, Exhibit 4, for the Evangelical Services Corporation certificate of good standing.

File Number 5291-138-9



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

EVANGELICAL SERVICES CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 24, 1982, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1615202936 verifiable until 05/31/2017  
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 31ST day of MAY A.D. 2016 .

Jesse White

SECRETARY OF STATE

**Type of Ownership of Applicant/Co-Applicant**

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**

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.

Surgical Care Affiliates, Inc., is registered in the State of Delaware. It conducts no business in Illinois other than to serve as a holding entity and is not required by the Illinois Secretary of State to register to do business in Illinois. Its certificate of good standing from Delaware is included as Exhibit 5.

# Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SURGICAL CARE AFFILIATES, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF AUGUST, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



*Jeffrey W. Bullock*  
 Jeffrey W. Bullock, Secretary of State

4322814 8300  
 SR# 20165478590  
 You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

Authentication: 202870943  
 Date: 08-23-16

**Type of Ownership of Applicant/Co-Applicant**

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.

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.**

Surgical Care Affiliates, LLC, SCA Surgery Holdings, LLC, and SCA-Illinois, LLC, are registered in the State of Delaware. They conduct no business in Illinois other than to serve as holding entities and are not required by the Illinois Secretary of State to register to do business in Illinois. Their certificates of good standing from Delaware are included in Exhibits 6, 7, and 8.

Advocate-SCA Partners, LLC, certificate of good standing is included as Exhibit 9.

# Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SURGICAL CARE AFFILIATES, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF AUGUST, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.



*Jeffrey W. Bullock*  
Jeffrey W. Bullock, Secretary of State

4289130 8300

SR# 20165478601

You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

Authentication: 202870947

Date: 08-23-16

# Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SCA SURGERY HOLDINGS, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF AUGUST, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.



*Jeffrey W. Bullock*  
Jeffrey W. Bullock, Secretary of State

4545056 8300  
SR# 20165478599  
You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

Authentication: 202870945  
Date: 08-23-16

# Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SCA-ILLINOIS, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-THIRD DAY OF AUGUST, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.



*Jeffrey W. Bullock*  
Jeffrey W. Bullock, Secretary of State

5673924 8300

SR# 20165478595

You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

Authentication: 202870944

Date: 08-23-16

File Number

0509172-1



**To all to whom these Presents Shall Come, Greeting:**

**I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that**

**ADVOCATE-SCA PARTNERS, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON FEBRUARY 25, 2015, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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 23RD day of AUGUST A.D. 2016 .**



Authentication #: 1523601800 verifiable until 08/23/2017  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: <b>Advocate Sherman Hospital</b>
Address of Site Owner: <b>1425 N. Randall Road, Elgin, IL 60123-2300</b>
Street Address or Legal Description of Site: <b>1445 N. Randall Rd., Elgin, IL 60123-2300</b> 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 <u>ATTACHMENT-2</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Proof of site ownership is shown as Attachment 2, Exhibit 1.

 Advocate Sherman Hospital

1425 N. Randall Road || Elgin, IL 60123 || T 847.742.9800 || [advocatehealth.com](http://advocatehealth.com)

September 1, 2016

Ms. Courtney Avery  
Administrator  
Health Facilities and Services Review Board  
525 W. Jefferson Street, Second Floor  
Springfield, IL 62761

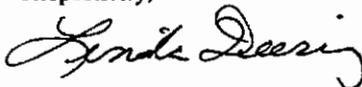
RE: Advocate Sherman Ambulatory Surgery Center

Dear Ms. Avery:

This attestation letter is submitted to indicate that Advocate Sherman Hospital owns the land that the proposed Advocate Sherman Ambulatory Surgery Center site at the 1445 N. Randall Road in Elgin, IL will be located.

We trust this attestation complies with the State Agency Proof of Ownership requirement indicated in the Permit application – July 2013 edition.

Respectfully,



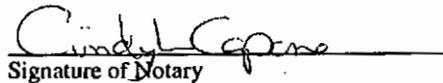
Linda Deering, RN, MSN  
President  
Advocate Sherman Hospital

Notarization:

Subscribed and sworn to before me  
This 1<sup>st</sup> day of September, 2016.

(Seal of Notary)



  
Signature of Notary

A faith-based health system serving individuals, families and communities  
Recipient of the Magnet award for excellence in nursing services by the American Nurses Credentialing Center



**Operating Identity/Licensee**

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

Exact Legal Name: <b>Advocate Sherman Ambulatory Surgery Center, LLC</b>	
Address: <b>1445 N. Randall Road, Elgin, IL 60123-2300</b>	
<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input checked="" type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/>
Other	
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul>	
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Certificate of Good Standing for Advocate Sherman Ambulatory Surgery Center, LLC is appended as Attachment 3, Exhibit 1.

Advocate-SCA Partners, LLC will hold 51% interest in the Advocate Sherman Ambulatory Surgery Center, LLC. There are thirteen physician members of the Advocate Sherman Ambulatory Surgery Center, LLC, listed below. Their combined interest will be 49%, and none of them will hold 5% ownership. There will be no investor that does not meet the criteria of an 'accredited investor' as defined in the Securities Act of 1933, Part 230, Section §230.501.

1	Leo M. Farbota
2	Rachel P. Baer
3	Chirag Dholakia
4	Nicholas Kunio
5	Jeffrey A. Kazaglis
6	Scott W. Mox
7	Jongwook Ham
8	Jane T. Dillon
9	Aijaz Alvi
10	James H. Griffin
11	Evelyn Ackermann
12	Michael Seigle
13	Belal Bakir

File Number 0585512-8



**To all to whom these Presents Shall Come, Greeting:**  
*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

ADVOCATE SHERMAN AMBULATORY SUGERY CENTER, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON AUGUST 23, 2016, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY 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 24TH*  
 day of AUGUST A.D. 2016

*Jesse White*

SECRETARY OF STATE

Authentication #: 1623700841 verifiable until 08/24/2017.  
 Authenticate at: <http://www.cyberdriveillinois.com>

**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.

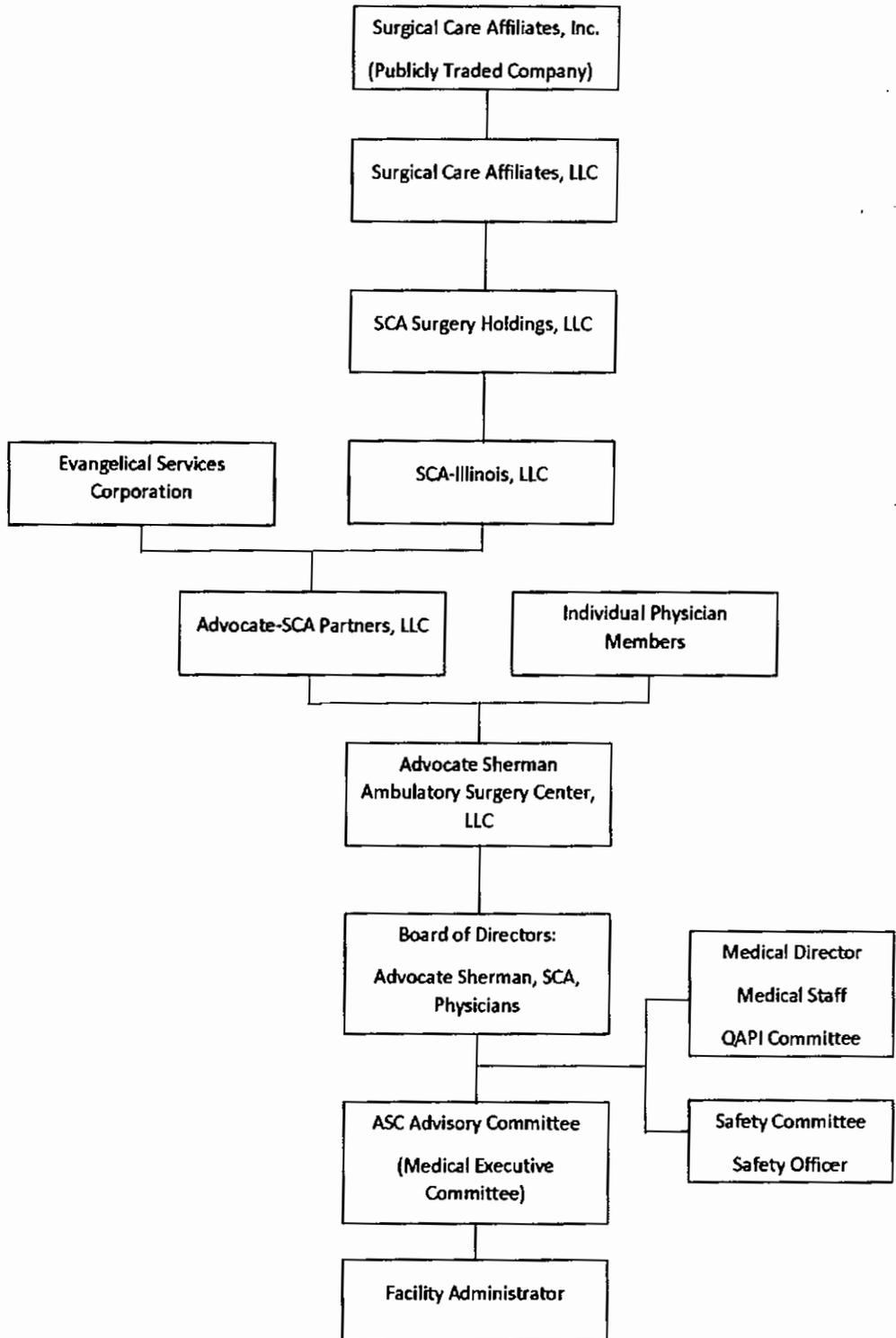
Attachment 4, Exhibit 1, is an organization chart that shows all of the relevant Advocate organizations including Advocate Health Care Network, Evangelical Services Corporation, and Advocate Sherman Hospital.

Attachment 4, Exhibit 2 is an organization chart that shows the continuation from Evangelical Services Corporation to Advocate Sherman Ambulatory Surgery Center, LLC. It also shows the organizational structure of Surgical Care Affiliates and its continuation to Advocate Sherman Ambulatory Surgery Center, LLC.

Advocate-SCA Partners, LLC will own 51% of the Advocate Sherman Ambulatory Surgery Center, LLC. The thirteen physician members will own 49%. SCA and Evangelical Services Corporation anticipate the total capital contribution required from each physician will be equal to an amount between Twenty Thousand Dollars (\$20,000) and One Hundred Fifty Thousand Dollars (\$150,000) depending on each physician's desired post-formation ownership percentage.



## Advocate Sherman Ambulatory Surgery Center Organizational Chart



**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.

See Attachment 5, Exhibits 1 & 2.

Note: The designation of the new address for the proposed ASTC is 1445 N Randall Road, which will be located on large campus of Advocate Sherman Hospital identified as 1425 N Randall Rd. When the attached letter was drafted, the new address for the proposed ASTC had not been assigned.



1425 N. Randall Road || Elgin, IL 60123 || T 847.742.9800 || advocatehealth.com

September 1, 2016

Ms. Courtney Avery  
Administrator  
Health Facilities and Services Review Board  
525 W. Jefferson Street, Second Floor  
Springfield, IL 62761

RE: Advocate Sherman Ambulatory Surgery Center

Dear Ms. Avery:

This attestation letter is submitted to indicate that the location of the proposed Advocate Sherman Ambulatory Surgery Center, at 1425 North Randall Road, Elgin, IL which is on the campus of Advocate Sherman Hospital, is not in a flood plain. See attachment #5, Exhibit 2, a FEMA map that indicates where the property is location. The location is outlined in red.

We trust this attestation complies with the State Agency Proof of Ownership requirement indicated in the Permit application – July 2013 edition.

Respectfully,

Linda Deering, RN, MSN  
President  
Advocate Sherman Medical Center

Attachment (1)

A faith-based health system serving individuals, families and communities  
Recipient of the Magnet award for excellence in nursing services by the American Nurses Credentialing Center





**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.

Attachment 6, Exhibit 1, is a letter requesting from the Illinois Historic Preservation Agency documentation that no historic, architectural, or archaeological sites exist within the Project area. Because the hospital was built on that site within the last five years, it is expected that no issues with historic resources exists.

When the letter is received, it will be submitted to the Health Facilities and Services Review Board.



3075 Highland Parkway, Suite 600 || Downers Grove, Illinois 60515 || T 630.572.9393 || [advocatehealth.com](http://advocatehealth.com)

August 18, 2016

Cultural Resource Manager  
% Ms. Anne E. Haaker  
Illinois Historic Preservation Agency  
Preservation Services Division  
#1 Old State Capital Plaza  
Springfield, IL 67201

Dear Ms. Haaker:

I am writing to request a determination letter concerning the applicability of the Preservation Act on an ambulatory surgery treatment center (ASTC) to be located on the campus of Advocate Sherman Hospital in Elgin, IL 60123-2300. The project requires a permit from the Illinois Health Facilities and Services Review Board. Further, a Historic Preservation determination letter must be in the certificate of need application.

The applicant for the permit is Advocate Sherman Hospital. The property that is the subject of this request is located at 1425 North Randall Road, Elgin, IL 60123-2300 and is part of the Advocate Sherman Hospital campus (see the red box outlined area on attached aerial map of the hospital campus). This Project will establish a modern, state-of-the-art ASTC to meet the community needs for access to high quality, cost-efficient, easily accessible outpatient surgical care.

It is our goal to file the Certificate-of-Need application no later than September 16, 2016. If you have a need for more information, I can be reached at 309-268-5896 or by e-mail at [janet.hood@advocatehealth.com](mailto:janet.hood@advocatehealth.com). Thank you for your attention to this request.

Sincerely,

A handwritten signature in cursive script that reads "Janet M. Hood".

Janet M. Hood  
Coordinator, Operations & Planning  
Advocate BroMenn Medical Center || Advocate Eureka Hospital  
P. O. Box 2850  
Bloomington, IL 61702-2850

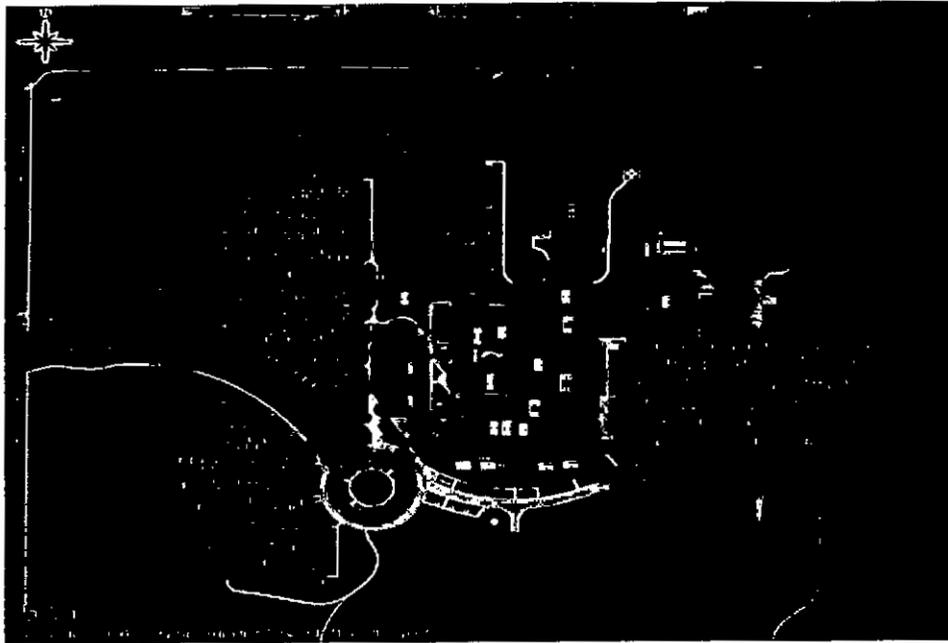
Attachment (1)

Please fax the determination letter to me at 309.888.0961 or via email at [Janet.Hood@advocatehealth.com](mailto:Janet.Hood@advocatehealth.com). Thank you.

A faith-based health system serving individuals, families and communities

**Advocate Sherman Hospital  
1425 North Randall Road, Elgin, IL 60123-2300**

**Parcel Number: 03-32-300-012**



**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.

<b>PROJECT COSTS AND SOURCES OF FUNDS</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NON CLINICAL</b>	<b>TOTAL</b>
Preplanning Costs	\$ 63,433	\$ 22,067	\$ 85,500
Site Survey and Soil Investigation	\$ 7,048	\$ 2,452	\$ 9,500
Site Preparation	\$ 259,667	\$ 90,333	\$ 350,000
Off Site Work	\$ -	\$ -	\$ -
New Construction Contracts	\$ 4,865,730	\$ 1,692,694	\$ 6,558,424
Modernization Contracts	\$ -	\$ -	\$ -
Contingencies	\$ 450,072	\$ 156,587	\$ 606,659
Architectural/Engineering Fees	\$ 418,535	\$ 145,600	\$ 564,135
Consulting and Other Fees	\$ 234,609	\$ 80,860	\$ 315,469
Movable or Other Equipment (not in construction contracts)	\$ 2,762,951	\$ 710,367	\$ 3,473,317
Bond Issuance Expense (Loan fees project related)	\$ 27,859	\$ 9,691	\$ 37,550
Net Interest Expense During Construction (project related)	\$ 248,538	\$ 86,462	\$ 335,000
Fair Market Value, Leased Space, Equipment	\$ -	\$ -	\$ -
Other Costs To Be Capitalized	\$ 284,371	\$ 98,927	\$ 383,298
Acquisition of Building or Other Property (excluding land)	\$ -	\$ -	\$ -
<b>TOTAL USES OF FUNDS</b>	<b>\$ 9,622,812</b>	<b>\$ 3,096,040</b>	<b>\$ 12,718,852</b>
<b>SOURCE OF FUNDS</b>			
Cash and Securities	\$ 2,405,703	\$ 774,010	\$ 3,179,713
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$ 7,217,109	\$ 2,322,030	\$ 9,539,139
Leases (fair market value)			
Governmental Appropriations			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 9,622,812</b>	<b>\$ 3,096,040</b>	<b>\$ 12,718,852</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Itemization of Costs**

<b>Preplanning Costs</b>		
CON Prep – Architectural and PM services	\$	10,500
Legal & CON application fee	\$	75,000
Total	\$	85,500
<b>Site Survey and Soil Investigation</b>		
Total	\$	9,500
<b>Site Preparation</b>		
Site preparation	\$	320,000
Other Site related costs (Landscaping)	\$	30,000
Total	\$	350,000
<b>New Construction Contracts</b>		
Interior	\$	3,827,550
Shell & core	\$	2,730,874
Total	\$	6,558,424
<b>Contingencies</b>		
Total	\$	606,658
<b>Architectural and Engineering Fees</b>		
Architectural and Engineering	\$	502,271
Civil, Landscape, other	\$	61,864
Total	\$	564,135
<b>Consulting and Other Fees</b>		
Commissioning Services	\$	42,103
Materials/Construction phase testing per code	\$	39,351
Equipment Planning	\$	46,000
Program management	\$	161,439
Miscellaneous	\$	26,577
Total	\$	315,469
<b>Moveable or Other Equipment</b>		
Medical equip	\$	3,267,618
IT system	\$	205,699
Total	\$	3,473,317
<b>Bond Issuance (Loan Fees)</b>		
Total	\$	37,550
<b>Net Interest Expense</b>		
Total	\$	335,000
<b>Other Costs to be Capitalized</b>		
Total	\$	383,298

<b>Medical Equipment List (List is not exhaustive)</b>	
<b>Description</b>	<b>Qty</b>
Instruments, Surgical	as listed
Video System	3
X-Ray Unit, C-Arm, Mobile	2
Navigation System, Surgical, Image Guided	1
Integration System, Surgical, Video	3
Phacoemulsifier, Ophthalmic	2
Light, Surgical, Single, Ceiling, w/Monitor Arm & Boom	3
Instruments, Ortho	as listed
Table, Surgical, Major	3
Microscope, Operating, Ophthalmic, Floor Standing	2
Sterilizer, Steam (Electric), Recessed, 1-Door	2
Instruments, Powered	as listed
Anesthesia Machine, General	3
Light, Surgical, Single, Ceiling, w/Monitor Arm	3
Microscope, Operating, General	1
Washer / Disinfector, Electric	1
Stretcher, Procedure / Recovery	as listed
Sterilizer, Hydrogen Peroxide, Mobile	1
Waste Disposal, Surgical Fluid Collection	3
Microscope, ENT, Floor Standing	1
Monitor, Video, 26 - 32 inch, Medical Grade	6
Ablation System, Radio-Frequency	1
Ultrasound, Imaging, Multipurpose, Portable	1
Tourniquet System, General	2
Table, Imaging, Rad/ Fluoro, C-arm	1
Laryngoscope Set, Video	1
Waste Disposal, Surgical Fluid Disposal	1
Stretcher, Procedure, EYE/ ENT	2
Table, Overbed, General	15
Pump, Infusion, Syringe	3
Laryngoscope	8
Washer / Disinfector, Allowance	1
Apron, Lead	12
Table, Work, Central Supply	1
Regulator, Suction, Continuous	20
Other, surgical misc.	as listed

## Project Cost Factors

The cost of construction and contingencies is higher than the Code suggests. That is due to several reasons. Foremost, it is being built to provide the flexibility for five different surgical specialties to perform surgeries in any of the operating rooms. The associated clinical space must also be built to provide the support that varies with the needs of cases for general surgery, orthopedics, ophthalmology, urology and otolaryngology.

Second, this facility is designed for long-term durability providing greater cost effectiveness in later years.

Third, the building must be constructed right next to an active hospital which is more demanding than building in a "green field" site. The building process will need to work around the hospital traffic, and be sensitive to issues of sound. This may mean starting later in the day and quitting earlier

As a part of Advocate's population health strategy, the Advocate Sherman Ambulatory Surgery Center will focus on providing a lower cost setting for patients to receive the same high-quality care they have become accustomed to receiving from Advocate hospitals. Because the objective is to provide access in this setting to as many patients and physicians as possible, the ASTC will be investing in equipment to serve a wide variety of patient and physician needs.

Though this increases the initial capital investment required, it will allow the ASTC to deliver efficient, high quality, and more affordable care to patients seeking care from five different physician specialties. This is not easily available to patients and physicians within the Advocate network in and around Advocate Sherman Hospital.

**Project Status and Completion Schedules**

<b>For facilities in which prior permits have been issued please provide the permit numbers.</b>	
Indicate the stage of the project's architectural drawings:	
<input type="checkbox"/> None or not applicable	<input type="checkbox"/> Preliminary
<input checked="" type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>March 31, 2019</u>	
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed. <input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies <input checked="" type="checkbox"/> Project obligation will occur after permit issuance.	
APPEND DOCUMENTATION AS <u>ATTACHMENT-8</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

There is no documentation required for this section as the Project obligation has not occurred.

**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.**

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							
MR							
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.

Cost Space Requirements

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>							
Surgery & Recovery	\$5,607,258	0	6,489	6,489	0	0	0
Clinical Support	\$4,015,554	0	4,647	4,647	0	0	0
Total Clinical	\$9,622,812		11,136	11,136			
<b>NON REVIEWABLE</b>							
Non-clinical	\$3,096,040	0	3,874	3,874	0	0	0
<b>TOTAL</b>	<b>\$12,718,852</b>	<b>0</b>	<b>15,010</b>	<b>15,010</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 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.

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

Attachment 11, Exhibit 1 is the listing of all the hospital facilities owned by Advocate.

Exhibit 2 contains the list of all the Illinois ambulatory surgery treatment centers managed by Surgical Care Affiliates. The licensing and certification is shown for all.

Exhibit 3 is the current state hospital license for Advocate Sherman Hospital.

Exhibit 4 is the most recent DNV accreditation certificate for Advocate Sherman Hospital.

#### 2. Certified Listing of Any Adverse Action against Any Facility Owned or Operated by the Applicant

By the signatures on the Certification pages, the applicants attest there have been no adverse actions against any facility owned and/or operated by Advocate Health Care Network or Surgical Care Affiliates as demonstrated by compliance with the CMS Conditions of Participation with Medicare and Medicaid, during the three years prior to the filing of this application.

**3. Authorization Permitting IHFPB and DPH to Access Necessary Documentation**

By the signatures on the Certification pages, the applicants hereby authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access information in order to verify any documentation or information submitted in response to the requirements of this subsection, or to obtain any documentation or information which the State Board or Department of Public Health find pertinent to this subsection.

**4. Exception for Filing Multiple Certificates of Need in One Year**

Not applicable. This is the first certificate of need filed by Advocate or by Surgical Care Affiliates in 2016.

**Advocate Facilities**

<b>Facility</b>	<b>Location</b>	<b>License No.</b>	<b>DNV Accreditation No.</b>
Advocate Sherman Hospital	1425 N. Randall Rd Elgin, IL	0005884	165481-2014-AHC-USA-NIAHO

Additional hospitals owned and operated as a part of the Advocate system:

<b>Facility</b>	<b>Location</b>	<b>License No.</b>	<b>DNV Accreditation No.</b>
Advocate BroMenn Medical Center	1304 Franklin Ave. Normal, IL	0005645	189504-2015-AHC-USA-NIAHO
Advocate Christ Medical Center	4440 W. 95 <sup>th</sup> St. Oak Lawn, IL	0000315	197946-2016-AHC-USA-NIAHO
Advocate Condell Medical Center	801 S. Milwaukee Ave. Libertyville, IL	0005579	147414-2013-AHC-USA-NIAHO
Advocate Eureka Hospital	101 S. Major Eureka, IL	0005652	141309-2015-AHC-USA-NIAHO
Advocate Good Samaritan Hospital	3815 Highland Ave. Downers Grove, IL	0003384	176404-2015 AHC-USA-NIAHO
Advocate Good Shepherd Hospital	450 W. Highway, #22 Barrington, IL	0003475	176396-2015-AHC-USA-NIAHO
Advocate Illinois Masonic Medical Center	836 W. Wellington Chicago, IL	0005165	192082-2015-AHC-USA-NIAHO
Advocate Lutheran General Hospital	1775 Dempster Park Ridge, IL	004796	178979-2015-AHC-USA-NIAHO
Advocate South Suburban Hospital	17800 S. Kedzie Ave Hazel Crest, IL	0004697	190161-2015-AHC-USA-NIAHO
Advocate Trinity Hospital	2320 E. 93 <sup>rd</sup> St. Chicago, IL	0004176	193041-2015-AHC-USA-NIAHO

### Surgical Care Affiliates Facilities in Illinois

Facility	Location	License No.	Joint Commission Accreditation No.	Other Accreditation No.
Hawthorn Surgery Center	240 Center Dr. Vernon Hills, IL 60061	7003188	452470	n/a
Loyola Ambulatory Surgery Center	One South 224 Summit Ave. #201 Oak Brook Terrace, IL 60181	2138771	452472	n/a
Amsurg Surgery Center	998 129th Infantry Dr. Joliet, IL 60435	7003160	452473	n/a
Northwest Surgicare	1100 W. Central Road, Lower Basement L4 Arlington Heights, IL 60005	7000920	n/a	AAAHC #1007
Belleville Surgical Center	28 North 64 <sup>th</sup> St. Belleville, IL 62223	7001175	n/a	AAAHC #74
Physician's Surgical Center	311 West Lincoln St., Suite #300 Belleville, IL 62220	7003191	n/a	AAAHC #74
Center for Minimally Invasive Surgery	19110 Darwin Dr. Mokena, IL 60448	7003291	n/a	AAAHC #24142
Advocate Condell Ambulatory Surgery Center	825 S. Milwaukee Ave. Libertyville, IL 60048	Facility will open Q1 2017	Facility will open Q1 2017	Facility will open Q1 2017
Winchester Endoscopy	1870 W. Winchester Rd., #146 Libertyville, IL 60048	7003202	n/a	AAAHC #113063
Naperville Surgical Centre	1263 Rickert Dr. Naperville, IL 60540	7003205	61274	n/a

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

HF110631

**Illinois Department of PUBLIC HEALTH**



**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

**Nirav D. Shah, M.D., J.D.**  
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE 5/31/2017	CATEGORY General Hospital	LD NUMBER 0005884
Effective: 06/01/2016		

Advocate Sherman Hospital  
1425 North Randall Road  
Elgin, IL 60123

Exp. Date 5/31/2017  
Lic Number 0005884

Date Printed 4/7/2016

Advocate Sherman Hospital  
1425 North Randall Road  
Elgin, IL 60123

FEE RECEIPT NO.

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

DNV·GL

# CERTIFICATE OF ACCREDITATION

Certificate No.:  
165481-2014-AHC-USA-NIAHO

Initial date:  
10/14/2014

Valid until:  
10/14/2017

This is to certify that:

## Advocate Sherman Hospital

1425 N. Randall Road, Elgin, IL 60123

has been found to comply with the requirements of the:

### NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to DNV GL Healthcare USA, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. 5482).

This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

For the Accreditation Body:  
DNV GL - Healthcare  
Katy, TX



Patrick Norine  
Chief Executive Officer



Lack of material fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.  
DNV GL - Healthcare, 688 Tuckers Center Drive, Suite 800, Millard, OR, 97126. Tel: 515-947-5288

www.dnvgl.com

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

READ THE REVIEW CRITERION and provide the following required information

**PURPOSE OF PROJECT**

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [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.**

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

The purpose of the proposed Project is to meet the community needs for access to high quality, cost-efficient outpatient surgical care. The applicants propose to establish a modern, state-of-the-art ambulatory surgery treatment center (ASTC) on the campus of Advocate Sherman Hospital (Sherman). The fifteen physicians who anticipate performing outpatient surgery at the proposed ASTC are all on the staff at Sherman. Referrals to the ASTC will be from the base of patients that are currently receiving outpatient surgical procedures at Sherman. The physicians and Sherman are proposing a facility that will allow procedures that are appropriate for an ASTC to be performed in a setting that has been demonstrated to be less costly, more efficient, and more convenient for patients and their families.

Physicians are being encouraged by insurers to familiarize themselves with ambulatory surgery centers in their area and obtain privileges to perform procedures in those centers if they do not already have them. Insurers are now expecting that certain procedures be performed in an ASTC rather than a hospital. Since nearly all the physicians listed in this application are not on the staff of an ASTC, they cannot meet many of their patients' insurance requirements. An example of messages sent to physicians is shown in a mailing from an insurance company in Attachment 12, Exhibit 4, indicating "These procedures will require prior authorization if performed in an outpatient hospital setting. No prior authorization is required if they are performed in an ambulatory surgery center."

The proposed Advocate Sherman ASTC will provide surgeons and their patients with an ASTC option in a familiar and convenient environment. Sherman and its physicians serve Medicaid patients. The availability of an ASTC will help to mitigate the financial cost to serve these patients, particularly important as Advocate moves to full risk contracts to serve Medicaid patients. As patient deductibles and copays have increased over recent years, the proposed Project will meet the need for patients to have lower out-of-pocket costs and payors to reduce their costs.

Research by Elizabeth Munnich and Stephen Parenta, published in Health Affairs Vol. 33, Issue 5, May 2014, concludes that ASTCs “deliver better care at lower cost than hospitals for appropriate patients.” On average, the study found patients spend 25.5% less time in ASTCs than hospitals, mostly due to improved processes in pre-op and recovery. Even higher risk patients were found to have significantly fewer readmissions when treated in an ASTC versus a hospital (2.5% fewer). The findings indicate that the highest risk Medicare patients were less likely than other high-risk Medicare patients to visit an emergency department or be admitted to a hospital following an outpatient surgery when they were treated in an ASTC, even among similar patients.

Additional research outlines the benefits of an ASTC: provide high-quality surgical care, excellent outcomes and high levels of patient satisfaction at a lower cost than hospital-based outpatient departments for appropriate patients. Surgical procedures performed at an ASTC are charged at lower rates and result in lower out-of-pocket expenses for patients.

Patient satisfaction is increased due to easier access to parking, shorter wait times and an expedited process to get in and out of the operating rooms. In a survey by Press Ganey, a noted healthcare consulting company, they found an average 92% patient satisfaction for care and service at Ambulatory Surgery Centers. (Press Ganey Associates, “Outpatient Pulse Report,” 2008.)

Surgeons are more efficient due to faster turnover of rooms and designated surgical times without delay from urgent and trauma cases pushing these patients to a later time.

The Project is designed with a configuration for optimal patient flow, quality equipment equal to the hospital, appropriate storage for large equipment, waiting space for families and consultation rooms for patients and families to meet with physicians in privacy.

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

The applicants expect the service area of the proposed ambulatory surgery treatment center to replicate that of Advocate Sherman Hospital. Advocate Sherman Hospital is a major provider of health care to the residents of Kane County, serving the residents of Elgin and Kane County since 1888. The hospital has continued to adapt to changing health care needs, identifying the need to provide the continuum of outpatient services to families that live in the hospital’s defined service area. A map of Health Service Area 8 is included as Attachment 12, Exhibit 1 and the Sherman service area is included as Attachment 12, Exhibit 2. Patient origin data is included in Attachment 12, Exhibit 3.

The population in Sherman’s service area is expected to continue gradual growth as outlined below:

	<b>2010</b>	<b>2016</b>	<b>Projected 2021</b>
<b>Primary Service Area</b>	288,736	298,064	304,895
<b>Secondary Service Area</b>	118,020	120,951	123,126
<b>Total Service Area</b>	406,756	419,015	423,021

Source: Claritas-Neilson

Thoughtful expansion of health care services has occurred as the population has grown. However, the most significant impact has been seen in the increasing demand for quality health care options at a cost effective price. The history of ambulatory surgical treatment centers has been fueled by the desire for alternatives to the traditional hospital-based services.

In Section 1110.1540 the Geographic Service Area for Ambulatory Surgery Treatment Centers is defined as the communities that are within 45 minutes driving time. A listing of the zip codes and the communities they represent is provided in Attachment 27, Exhibit 1. Each referring physician's historic volume of patients from the 45-minute driving radius is shown with the commitment letters in Appendix A.

**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.]**

As a Level II Trauma Center serving a wide region of geography, Advocate Sherman Hospital's scheduled outpatient procedures are not always performed as anticipated due to emergency or trauma patients taking higher priority for surgical time. With only one surgical department on campus for both inpatients and outpatients, efficiency and throughput are not as desirable as in a sole ambulatory setting.

While Advocate Health Care continues to strengthen its population health strategy, it is important to identify opportunities to meet the demands and expectations of the population in the service area. With increasing out-of-pocket expenses, high deductible plans, and increasing co-payments, patients are becoming more cost sensitive which is impacting patients' willingness to get procedures done promptly.

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

- Illinois Department of Public Health Hospital Licensing Code
- Illinois Health Facilities and Services Review Board (HFSRB) Administrative Rules
- Illinois Hospital Association
- Letter from UnitedHealthcare re Site of Service
- State of Illinois Trauma Center Feasibility Study, 1/2/15, from the IL Department of Public Health
- Daniel R. Levinson, Inspector General of the Department of Health and Human Services, Study of Ambulatory Surgical Centers (ASC). April 2014.
- Health Affairs Vol. 33, Issue 5, May, 2014
- IHA COMPdata
- AIA/FGI Guidelines for Design and Construction of Health Care Facilities
- Advocate Sherman Hospital surgical data
- Claritas and the US Census Bureau
- HFSRB Hospital Profiles
- HFSRB Inventories and Data
- Health care literature regarding current trends re patient needs
- Advocate Sherman Hospital Public Relations archives
- Kane County and Elgin building codes

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

The primary purpose the Project addresses is to provide the **“right care, at the right time, in the right place”**. One step to doing this is to provide ambulatory surgical service options, on a dependable schedule, to appropriate patients in Advocate Sherman Hospital's service area. The proposed Project is to provide these patients with a cost efficient, high-quality ASTC setting that offers a broad list of surgical specialties. The advantages an ASTC provides combines improved patient access, increased patient satisfaction, higher physician and staff efficiency, and decreased costs for surgical care.

An on-campus ambulatory surgery center allows patients to continue to seek care on the Sherman campus by the same surgeons who serve Sherman patients. More importantly, it allows patients to seek this care in a lower cost setting. Patient deductibles continue to increase, and an on-campus ASC gives patients a lower cost option that is currently not available to them. Furthermore, Advocate continues to take on full-risk contracts – including commercial, Medicaid, and Medicare – which means that the system will need to explore additional ways to provide lower cost care for all the patients Advocate is privileged to serve. Since insurers now have expectations that an ASTC will be used for many outpatient surgeries, the proposed Project will address that need.

Advocate Health Care is transforming many services to meet community needs. The array of services is expanding to provide alternatives to traditional inpatient care. This Project is another step to address unnecessary hospitalizations and manage care for improved outcomes.

One of the applicants, SCA-Illinois, brings experience from its parent, Surgical Care Affiliates, Inc. (SCA) which, as of December 2015, manages 185 facilities across 34 states. SCA-Illinois will lead the development of the ASTC program to streamline patient care flow. With that guidance, the Project will be designed to optimize access through efficiency and flexibility. The design and functional layout of the center will address throughput and ease of use, improving patient and physician satisfaction. SCA-Illinois offers strong surveillance and quality controls, as well as administrative and consulting services. The knowledge gained from SCA's national experience will help to ensure that the proposed ASTC excels in the quality of care it provides.

The Accountable Care Act has prompted a major shift in health care delivery. Advocate Health Care embraced that change and developed an accountable care organization (ACO) that is recognized at the national level as a model of delivery and ranked as the largest in the nation. Known as AdvocateCare, the commercial plan was developed in conjunction with Blue Cross Blue Shield. Advocate now offers a Medicare ACO model. Advocate has also partnered with payers to address the growing cost of health insurance by creating Blue Care Direct, which offers patients a low-cost option to patients shopping for health insurance on the state insurance exchange.

Advocate Health Care's Population Health Initiative will continue to require all its health care entities to develop cost-effective, high-quality delivery models. This proposed Project will follow the trend for ambulatory surgery centers to have an economic partnership between physicians, a hospital and an experienced ambulatory surgical operator with mutual goals to serve the population's health status and well-being.

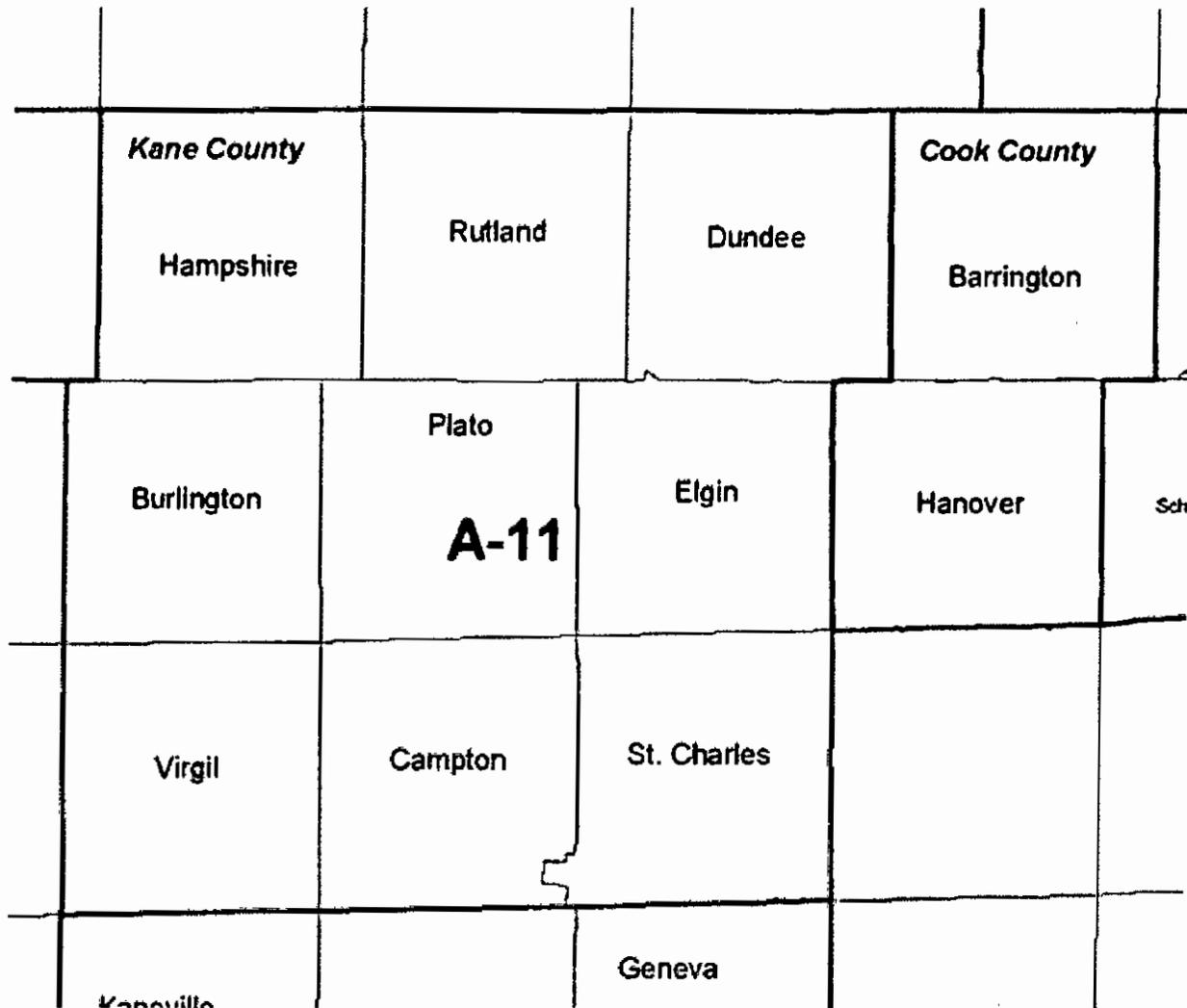
The proposed new ASTC will develop and implement a charity care policy to mirror the charity care policy of Advocate Sherman Hospital. This includes seeing Medicare, Medicaid and charity care patients. It is noted that the ASTC will not have emergency or urgent care so the volume of charity care may vary from the experience at Sherman.

After the establishment of the proposed Project, the physicians who will practice in the ASTC will also continue to perform at Sherman those inpatient and ambulatory procedures that are more appropriately performed in the hospital setting. Those include patients who present in the Emergency Department or compromised patients with multiple conditions needing a more complex range of services.

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

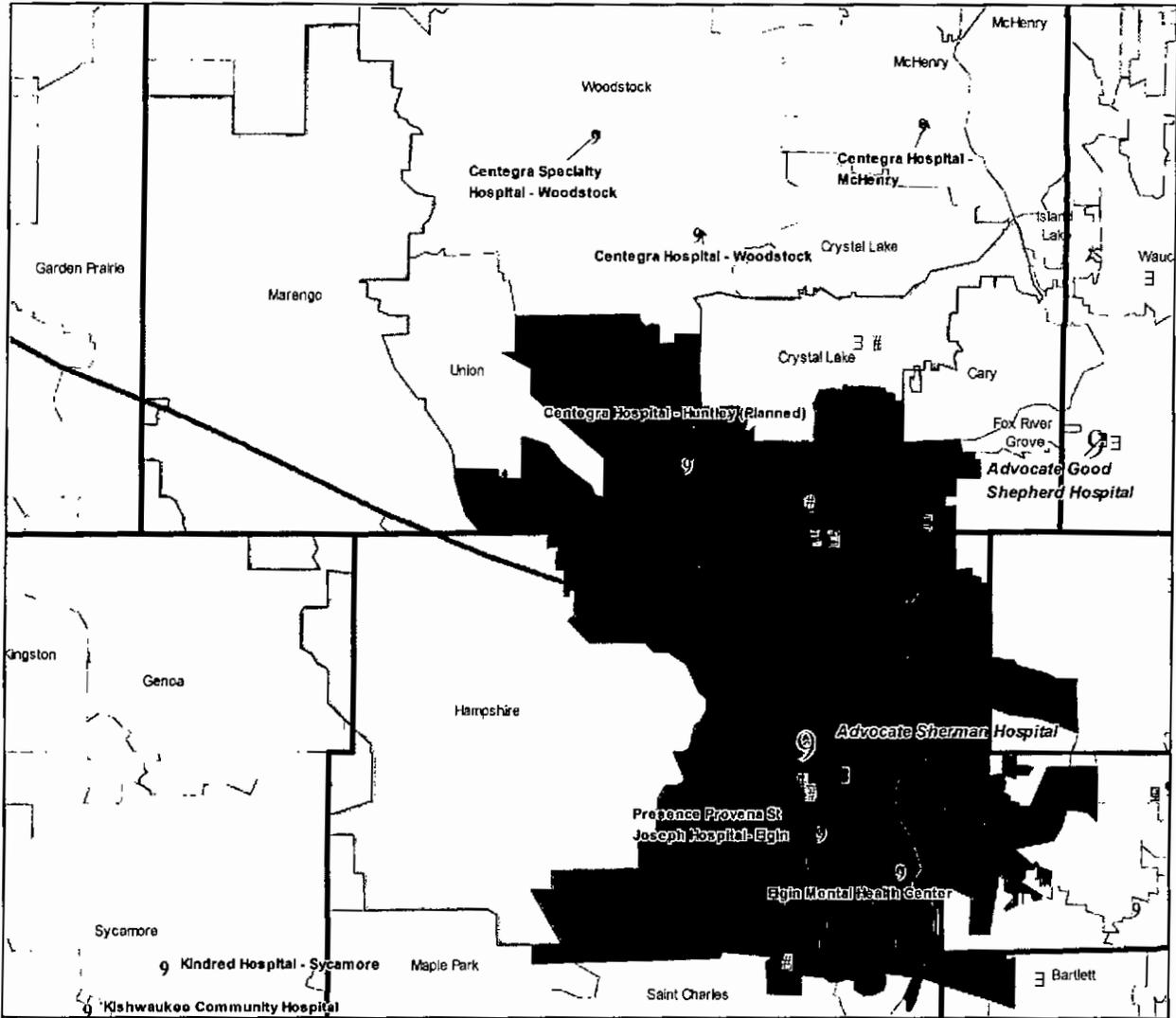
- The first goal is to erect the shell and core of the Project by April 1, 2017
- The next goal is to frame the interior rooms by September 1, 2017
- The third goal is to complete the interior build-out by April 1, 2018
- Various city and state inspections are expected to be completed by December 1, 2018
- Occupancy of the new facility will be completed by March 31, 2019

**IHFSRB Planning Area A-11**



Source: IHFSRB

### Advocate Sherman Hospital — Service Area Map



Source: Hospital records

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

**Advocate Sherman Hospital**  
**Patient Origin Report - 01/01/2015 - 12/31/2015**  
**(Excludes Normal Newborns)**

Source: EPSi

Zip Code	City Name	PO Name	Patient Volume	% of Total Patient Volume
<b>PRIMARY SERVICE AREA</b>				
60123	Elgin	Elgin	3,139	15.7%
60120	Elgin	Elgin	2,553	12.7%
60110	Carpentersville	Carpentersville	2,217	11.1%
60142	Huntley	Huntley	2,209	11.0%
60102	Algonquin	Algonquin	1,200	6.0%
60118	Dundee	Dundee	1,053	5.3%
60156	Lake in the Hills	Lake in the Hills	1,060	5.3%
60124	Elgin	Elgin	923	4.6%
60177	South Elgin	South Elgin	793	4.0%
60136	Gilberts	Gilberts	357	1.8%
60121	Elgin	Elgin	37	0.2%
<b>Primary Service Area Total</b>			<b>15,541</b>	<b>77.6%</b>
<b>SECONDARY SERVICE AREA</b>				
60140	Hampshire	Hampshire	803	4.0%
60014	Crystal Lake	Crystal Lake	641	3.2%
60152	Marengo	Marengo	259	1.3%
60103	Bartlett	Bartlett	196	1.0%
60109	Burlington	Burlington	25	0.1%
60039	Crystal Lake	Crystal Lake	4	0.0%
<b>Secondary Service Area Total</b>			<b>1,928</b>	<b>9.6%</b>
<b>OUTSIDE OF SERVICE AREA (OTHER)</b>				
<b>Other Total</b>			<b>2,568</b>	<b>12.8%</b>
<b>Patient Volume Total</b>			<b>20,037</b>	<b>100.0%</b>

Source: CompData

The information in this table/chart/report is based on inpatient admissions by zip code. Its use in this report should not be understood as a representation concerning a relevant geographic area of competition or concerning the actual extent of competition between or among providers in any given zip code or area.



## Site of Service for Outpatient Surgical Procedures Frequently Asked Questions

### Overview

In an effort to minimize out-of-pocket costs for our members and to improve cost efficiencies for the overall health care system, UnitedHealthcare is implementing prior authorization guidelines that aim to encourage more cost-effective sites of service for certain outpatient surgical procedures, when medically appropriate. These procedures will require prior authorization if performed in an outpatient hospital setting. No prior authorization will be required if they are performed at an ambulatory surgery center. Coverage determinations will consider availability of a participating network facility, specialty requirements, physician privileges and whether a patient has an individual need for access to more intensive services.

The prior authorization requirement applies to UnitedHealthcare commercial and Health Exchange membership and becomes effective Oct. 1, 2015 for most states. Three states have different implementation dates:

- Nov. 1, 2015 for Colorado
- Dec. 1, 2015 for Iowa and Illinois

Effective dates refer to date of service and are determined by the member's state of residence.

These guidelines apply to the following codes and procedures:

Procedures & Services	Codes for UnitedHealthcare Commercial Plans			
Abdominal Paracentesis	49083			
Carpal Tunnel Surgery	64721			
Cataract Surgery	86821	86882	86984	
Hernia Repair	49585	49587	49650	49651
	49652	49653	49654	49655
Liver Biopsy	47000			
Tonsillectomy & Adenectomy	42821 42826			
Upper & Lower Gastrointestinal Endoscopy	43235	43239	43248	45378
	45380	45384	45385	

Insurance coverage provided by or through UnitedHealthcare Insurance Company, All Savers Insurance Company, Golden Rule Insurance Company, UnitedHealthcare Life Insurance Company or its affiliates. Health plan coverage provided by Neighborhood Health Partnership, Inc., Optimum Choice, Inc., Oxford Health Plans (NJ), Inc., Oxford Health Plans (CT), Inc., Oxford Health Insurance, Inc., UnitedHealthcare of Arizona, Inc., UHC of California DBA UnitedHealthcare of California, UnitedHealthcare of Colorado, Inc., UnitedHealthcare of New York, Inc., UnitedHealthcare of Oklahoma, Inc., UnitedHealthcare of Oregon, Inc., UnitedHealthcare of Pennsylvania, Inc., UnitedHealthcare Plan of the River Valley, Inc., UnitedHealthcare of Texas, Inc., UnitedHealthcare Benefits of Texas, Inc., UnitedHealthcare of Utah, Inc. and UnitedHealthcare of Washington, Inc. or other affiliates. Administrative services provided by United HealthCare Services, Inc. OptumRx, OptumHealth Care Solutions, Inc. or its affiliates. Behavioral health products are provided by U.S. Behavioral Health Plan, California (USBHPC), United Behavioral Health (UBH) or its affiliates.

Doc#: PCA17109\_20150530

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

READ THE REVIEW CRITERION and provide the following required information:

<b>ALTERNATIVES</b>	
1)	Identify <b>ALL</b> of the alternatives to the proposed project:  Alternative options <b>must</b> 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. <b>FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.</b>
3)	The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.
<b>APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>	

The following alternatives were considered when this Project was in planning:

### 1. Status Quo:

Continuing to do nothing about the increasing demand for outpatient surgery does not recognize the patient and physician satisfaction issues due to co-location of scheduled surgery outpatients with higher acuity inpatients and unscheduled emergency surgery patients. Sherman has a very high volume of emergency room patients with over 60,000 annual visits, many of whom need emergency surgery, obstructing streamlined care for scheduled outpatients. These same issues also affect physician satisfaction. The current situation which co-mingles inpatient and outpatient cases increases the outpatient surgery cost per case.

As Managed Care and Medicare bundled payment programs are growing, payment models are shifting. The current situation does not provide an option to offer surgery at a freestanding site, increasingly expected by payors and patients to limit costs.

### 2. Utilize available space in a Medical Office Building (MOB) adjacent to Sherman Hospital:

Available space on the fifth floor of an adjacent MOB was considered as a location for the ATSC. This option is considered disadvantageous due to the location on an upper floor of an already constructed building. Construction in the MOB would cause significant disruption to the tenants in the rest of the building. This location affects access, requiring additional costs to add an elevator and upgrade the entry into the MOB. Accommodating the ASTC floor plan into the existing, long narrow footprint of the MOB also increases cost, decreases design efficiency, and poses challenges for streamlined operating efficiencies.

**Cost: \$13,000,000**

**3. Modernize the existing hospital surgery suite to add a dedicated area for outpatient procedures:**

The need for separate, dedicated operating rooms in the hospital to address the need for enhanced, streamlined outpatient processing was evaluated. Due to the location of the current surgical suite, developing a separate outpatient surgical suite would require significant relocation of other departments or an addition to the hospital. That option proved to be quite costly. While that alternative would provide separate ORs for outpatients, the ease of access and the opportunity to enhance patient and physician satisfaction compared to a freestanding facility would be limited. This alternative was rejected due to increased capital costs, inefficiencies in care delivery and patient and physician dissatisfaction.

**Cost: \$17,100,000**

**4. Utilize other healthcare resources to serve the population:**

As a component of one of the largest accountable care organization in the nation and a leader in population health, Advocate Sherman physicians and their patients need to look for the highest quality, cost appropriate setting for their outpatient procedures. Utilizing other facilities would leave the hospital and the physicians without the ability to manage quality and cost. Without this option on the Advocate Sherman campus, patients would be forced to leave the area for this type of care and not maintain their current physician relationship.

**Cost: Unable to estimate the cost impact on patients and physicians**

**5. Build a dedicated ambulatory surgery treatment center at another location.**

This option provides many advantages of the proposed option (as described below). Any distance between the ASTC and the hospital poses several disadvantages not incurred with an on-campus location. A site remote from the hospital reduces physician access to their inpatients and other hospital departments. Distance to the hospital for support services and preadmission testing also pose challenges in access, creates potential duplication of resources, and lowers efficiencies.

**Cost. Same development cost as recommended option, with increased operating costs**

6. **Build a dedicated ambulatory surgery treatment center on the Advocate Sherman campus as a joint venture among physicians, hospital and a national ASTC management company.** The proposed project is superior to the alternatives listed above. Key reasons are:
- A. Capital cost is lower to build an ambulatory surgery treatment center than expanding the hospital surgery suite, due to the high cost of renovating within a hospital setting while maintaining services.
  - B. This option allows for a lower cost of care at the same high quality. As one of the largest Accountable Care Organizations (ACO) in the nation, Advocate understands and is committed to offering options to provide the right care, at the right time in the right place for our patients. Advocate has implemented many innovative models of care to limit costs, while maintaining quality, such as case management/transitions of care, retail options, clinics and registries to manage patients with chronic disease, and services to allow patients to safely remain in their home.
  - C. The option of an ambulatory surgery treatment center on campus provides patients and physicians with the most efficient model of care. Location on the hospital campus allows for the use of hospital ancillary and support services to meet the needs of the ASTC patients.
  - D. Patient access and satisfaction will be enhanced in this ambulatory setting, providing easy parking, streamlined processing, and focus on the needs of the outpatient.
  - E. Patients are already familiar with the location of the Sherman Hospital campus and the fact that the Center is on a hospital campus, will provide patients additional confidence as opposed to if it was off campus.
  - F. Physician satisfaction will be enhanced in this ambulatory setting, with streamlined processes and higher frequency of on-time starts, without trauma and emergency patients.
  - G. Financial benefit will be provided for both patients and payers due to the lower cost for these outpatient surgical procedures. This option has become increasingly important with higher out of pocket costs for patients. More payors are setting expectations and incentives to perform several types of outpatient surgeries in a non-hospital setting.
  - H. Patients will have access to a high quality, appropriate setting while maintaining current health care relationships in their service area. By developing this ASTC in partnership with Advocate Health Care, the applicants will provide the efficiencies that are part of the Accountable Care Organization by lowering health care cost, enhancing the quality of care and improving health care outcomes. The proposed Project is supported by the integration of systems that focus on managing population-based health status for patients living in the service area.
  - I. Collaboration with the hospital, physicians and the partnership with Surgical Care Affiliates, brings expertise in this model of ambulatory care and will provide an integrated delivery system for surgical care.

**Cost: \$12,718,852**

	Description	Patient Access	Quality	Cost	Financial Benefit, Short Range	Financial Benefit, Long Range	Conclusion
1	Status Quo	Lack of access to a streamlined, lower cost option.	Quality of surgery will remain the same as current. Patient service and satisfaction will be less than in the recommended approach	\$0	While this avoids the cost of construction of an ASTC, the result is higher cost operations and procedures for patients and their payers. This option does not meet the need of patients, physicians and payors for a low cost alternative setting, to provide the "right care, at the right time, in the right setting"	Higher cost operations and procedures for patients and their payers. Limits patient access to lower cost option.	Rejected
2	Medical Office Building adjacent to Sherman Hospital	Would be somewhat improved for outpatients but not as good as newly constructed, facility with easy access an appropriate design	Quality of surgery will remain the same as current	\$13,000,000	Inefficient use of space and design creates operational inefficiencies	Inefficient use of space and design creates operational inefficiencies	Rejected
3	Modernize existing hospital surgery suite to add a dedicated area for outpatient procedures	Would be somewhat improved for outpatients but not as good as a stand-alone ASTC	Quality of surgery will remain the same as current	\$17,100,000	None. Would be disruptive to the hospital operation to build-an addition This option does not meet the need of patients, physicians and payors for a low cost alternative setting, to provide the "right care, at the right time, in the right setting"	None, due to the higher cost. Limits patient access to lower cost option	Rejected
4	Utilize other healthcare resources to serve the population	Would not provide access to Advocate ancillaries that could be achieved on the hospital campus.	The quality of care could be appropriate, with careful management of services	Unable to estimate	The option to acquire has not been offered so it is difficult to comment on the financial benefit	The physical separation of an acquired ASTC lowers efficiencies and any financial benefit over time.	Rejected

5	Build a dedicated ambulatory surgery treatment center at another location	Patient access to hospital ancillary support / testing services would be limited	Quality of surgery should remain the same, however, nearby access to hospital services would no longer be available	\$13,000,000 + increased operating costs.	Financial benefit to patients and providers, with lower cost procedures while maintaining quality	This supports the population health model by using appropriate outpatient services.	Rejected
6	Utilize a joint venture between physicians, a hospital and a national ambulatory surgery management company. to build a dedicated ambulatory surgery treatment center on the Advocate Sherman campus	Patients would have easy access to a facility designed for outpatients, with reduced wait times, quick turnaround, high quality services and appropriate cost	Would continue to provide overall high quality health care services.	\$12,718,852	Financial benefit to patients and providers, with lower cost procedures while maintaining quality. This option also meets the need of physicians to use an ASTC and avoid payor penalties for performing certain procedures in a non ASTC setting".	The up-front expenditure will strengthen the long term use of the hospital by patients who prefer Advocate Sherman. This supports the population health model by using appropriate outpatient services.	Accepted

**Quality of Care**

The research done over the past 20+ years has documented the high quality of care that is realized in a carefully managed ambulatory surgery treatment center. Surgical Care Affiliates (SCA), one of the applicants, will oversee the quality assessment. This company operates 185 surgical facilities in 34 states across the nation. Their skill in measuring and improving quality is paramount to their operation. In the future, outcome data that demonstrates the quality of care related to this Project can be found in multiple reports, including patient satisfaction results, physician satisfaction results, infection control, and medication errors statistics. Advocate Sherman and physician leadership will monitor all these reports.

**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.

Document that the amount of physical space for the proposed Project is necessary and not excessive.

The clinical area consists of three operating rooms, eight recovery stations and four step down stations, six pre-operative bays, clean and soiled processing rooms, sterile storage, two nursing stations, locker rooms, patient toilets, two nourishment stations, a wheelchair bay, clinical engineering support, and wide internal corridors. The non-clinical areas include a vestibule, waiting area, reception and intake, business office, vending room, public toilets, medical records, administrative office, nursing office, conference room, data equipment room, bulk storage, house-keeping closets, mechanical and pump rooms, equipment storage, all served by internal corridors.

The size of the operating rooms and recovery area as shown in the table below demonstrates the proposed Project has met the State standards for clinical space.

SIZE OF PROJECT				
Department/Service	Proposed DGSF	State Standard	Difference	Met Standard
ASTC Operating Rooms and Recovery	6,489 dgsf/3 ORs = 2,163/OR	1,660-2,200 dgsf/treatment room	-37 per OR	Yes

**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.

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.

Fifteen physicians have stated that they anticipate referring 3,624 hours of outpatient surgery to the proposed ASTC, prior to factoring in growth projections, which are sufficient to justify the three surgical operating rooms. See Attachment #15, Exhibit 1.

$$3,624 \text{ hours} \div 1,500 \text{ hours per OR} = 2.42 \text{ ORs, rounded to 3 ORs.}$$

Growth assumptions for this new facility were based on the previous years' experience for all of Sherman's outpatient surgical hours. When the outpatient surgical hours for the past four years is projected, the expected utilization for outpatient surgery will continue to increase by 5.7% per year.

ALL OP Surgery at Sherman	2012	2013	2014	2015	2012-2015	Annual Growth Projected
Hours	12,278	13,408	14,058	14,517	18.2%	5.7%

\*Based on Compound Annual Growth Rate formula

Projecting this increase in demand of 5.7% per year for the outpatient procedures referred to the ASTC, indicates that the facility will be at 101% capacity by 2020, when it has been in operation for two years. Because of this forecast of volume, the ASTC is requesting 3 ORs.

CAGR Projected Utilization of ASTC					
Annual Change Projected	Submit CON 2016	Obtain Permit 2017	Project Underway 2018	Completed, Year one 2019	Year two 2020
5.7%	3,624	3,832	4,052	4,285	4,531

	HISTORICAL UTILIZATION Surgical Hours.	PROJECTED UTILIZATION in Hours	STATE STANDARD	% Utilization	MET STANDARD ?
YEAR 1	3,624 hours	4,285	4,500	95%	
YEAR 2		4,531	4,500	101%	Yes

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**Anticipated Physician Referrals to ASTC**

Surgeon	Specialty	OP 2015 cases	OP cases referred to ASTC	Surgery hours of referred cases
Leo Farbota	General	192	135	178
Rachel Baer	General	197	153	202
Chirag Dholakia	General	194	140	185
Nicholas Kunio	General	129	90	119
Raul Aron	General	366	330	435
Jeffrey Kazaglis	Ortho	189	157	288
Scott Mox	Ortho	143	116	212
Jongwook Ham	ENT	158	130	259
Jane Dillon	ENT	118	96	191
Aijaz Alvi	ENT	85	70	139
James Griffin	Uro	450	425	527
Ramesh Khanna	Uro	322	254	315
Evelyn Ackermann	OPT	297	252	300
Belal Bakir	OPT	209	178	211
Michael Seigle	OPT	62	53	63
Total		3,111	2,579	3,624

	Average hrs per case at Sherman	Cases	Hrs
Urology	1.24	679	842
Otolaryngology	1.99	296	589
Orthopedics	1.83	273	499
General Surgery	1.32	848	1,120
Ophthalmology	1.19	483	575
Total		2,579	3,624

**ASSURANCES:**

- 1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

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

See Attachment 17, Exhibit 1, for the assurance letter.

**SCA**  
Surgical Care Affiliates\*

August 30, 2016

Ms. Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street, Second Floor  
Springfield, IL 62671

Re: Advocate Sherman Ambulatory Surgery Center

Dear Ms. Olson,

This letter is to provide the Illinois Health Facilities and Services Review Board the assurance required with the Certificate of Need application for an ambulatory surgery treatment center.

Based on the information available at this time, it is my understanding that by the second year of operations after project completion, Advocate Sherman Ambulatory Surgery Center reasonably expects to achieve and maintain the utilization standards for ambulatory surgery treatment centers, as specified in 77 Ill. Administrative Code 1100.640.

Sincerely,



Drew Bell  
Director, Operations  
Surgical Care Affiliates



*Angelina K. Vazquez*  
8/30/16

510 Lake Cook Road, Suite 400 | Deerfield, IL 60015 | 800.768.0094 | www.scasurgery.com

## SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

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

## H. Non-Hospital Based Ambulatory Surgery

This section is applicable to all projects proposing to establish or modernize a non-hospital based ambulatory surgical treatment center or to the addition of surgical specialties.

## 1. Criterion 1110.1540(a), Scope of Services Provided

Read the criterion and complete the following:

a. Indicate which of the following types of surgery are being proposed:

<input type="checkbox"/> Cardiovascular	<input type="checkbox"/> Obstetrics/Gynecology	<input type="checkbox"/> Pain Management
<input type="checkbox"/> Dermatology	<input checked="" type="checkbox"/> Ophthalmology	<input type="checkbox"/> Podiatry
<input type="checkbox"/> Gastroenterology	<input type="checkbox"/> Oral/Maxillofacial	<input type="checkbox"/> Thoracic
<input checked="" type="checkbox"/> General/Other	<input checked="" type="checkbox"/> Orthopedic	<input checked="" type="checkbox"/> Otolaryngology
<input type="checkbox"/> Neurology	<input type="checkbox"/> Plastic	<input checked="" type="checkbox"/> Urology

b. Indicate if the project will result in a  limited or  a multi-specialty ASTC.

**Note: The format of the information supplied follows the new Code as Amended at 38 Ill. Reg. 8861, effective April 15, 2014.**

~~2. Criterion 1110.1540(b), Target Population~~

~~Read the criterion and provide the following:~~

- ~~a. On a map (8 1/2" x 11"), outline the intended geographic services area (GSA). Not required in April 15, 2014 update of the Code.~~
- ~~b. Indicate the population within the GSA and how this number was obtained.~~
- ~~c. Provide the travel time in all directions from the proposed location to the GSA borders and indicate how this travel time was determined.~~

~~3. Criterion 1110.1540(c), Projected Patient Volume~~

~~Read the criterion and provide signed letters from physicians that contain the following:~~

- ~~a. The number of referrals anticipated annually for each specialty.~~
- ~~b. For the past 12 months, the name and address of health care facilities to which patients were referred, including the number of patients referred for each surgical specialty by facility.~~
- ~~c. A statement that the projected patient volume will come from within the proposed GSA.~~

d. A statement that the information in the referral letter is true and correct to the best of his or her belief.

**4. Criterion 1110.1540(d), Treatment Room Need Assessment**

Read the criterion and provide:

- a. The number of procedure rooms proposed.
- b. The estimated time per procedure including clean-up and set-up time and the methodology used in arriving at this figure.

**5. Criterion 1110.1540(e), Impact on Other Facilities**

Read the criterion and provide:

- a. A copy of the letter sent to area surgical facilities regarding the proposed project's impact on their workload. NOTE: This letter must contain: a description of the project including its size, cost, and projected workload; the location of the proposed project; and a request that the facility administrator indicate what the impact of the proposed project will be on the existing facility.
- b. A list of the facilities contacted. NOTE: Facilities must be contacted by a service that provides documentation of receipt such as the US Postal Service, FedEx or UPS. The documentation must be included in the application for permit.

**6. Criterion 1110.1540(f), Establishment of New Facilities**

Read the criterion and provide:

- a. A list of services that the proposed facility will provide that are not currently available in the GSA; or
- b. Documentation that the existing facilities in the GSA have restrictive admission policies; or
- c. For co-operative ventures,
  - a. Patient origin data that documents the existing hospital is providing outpatient surgery services to the target population of the GSA, and
  - b. The hospital's surgical utilization data for the latest 12 months, and
  - c. Certification that the existing hospital will not increase its operating room capacity until such a time as the proposed project's operating rooms are operating at or above the target utilization rate for a period of twelve full months; and
  - d. Certification that the proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

**7. Criterion 1110.1540(g), Charge Commitment**

Read the criterion and provide:

- a. A complete list of the procedures to be performed at the proposed facility with the proposed charge shown for each procedure.
- b. A letter from the owner and operator of the proposed facility committing to maintain the above charges for the first two years of operation.

**8. Criterion 1110.1540(h), Change in Scope of Service**

Read the criterion and, if applicable, document that existing programs do not currently provide the service proposed or are not accessible to the general population of the geographic area in which the facility is located.

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(a)(5)(A) & (B) Introduction, Identification of ASTC Service and # of Surgical Treatment Rooms**

The proposed Project is for the establishment of a new non-hospital based ambulatory surgical treatment center (ASTC). The ASTC will be constructed on the campus of the Advocate Sherman Hospital, in an open site at 1445 North Randall Rd., Elgin, IL 60123-2300.

The Project is a cooperative venture operated by Advocate Sherman Hospital, Surgical Care Affiliates, and thirteen physician members on the Sherman medical staff. The patient base will come solely from Advocate Sherman which has sufficient historical workload to justify its 16 ORs.

In order to support the Project, Advocate Sherman is committing to reduce its ORs at the time the proposed ASTC opens to 13, until such time as the proposed ASTC achieves 4,500 surgery hours over 12 consecutive months.

Five surgical services are proposed: Orthopedics, General Surgery, Urology, Ophthalmology and Otolaryngology. The ASTC will have three surgical treatment rooms that will be shared by all the specialties.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(b)(1) through (4) Background of the Applicant**

The information requirements contained in this Section are applicable to all projects except projects that are solely for discontinuation. An applicant shall document the *qualifications, background, character and financial resources to adequately provide a proper service for the community* and also demonstrate that the project promotes the *orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or service.* [20 ILCS 3960/2]

All details are found in Attachment #11.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(c)(2)(A) & (B) Service to Geographic Service Area****Service to Geographic Service Area Residents**

The applicant shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.

- A) The applicant shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within 45 minutes multi-directional travel time (under normal driving conditions) of the project's site.
- B) The applicant shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last six months immediately prior to admission.

A review was conducted of all zip codes that are within a 45 minute drive time of the Project to comprise the ASTC Geographic Service Area (GSA). This geographic area includes a population of 2.35 million in 181 zip code areas. Attachment 27, Exhibit 1 provides the list of zip codes and town names.

Fifteen physicians have committed to bring their appropriate outpatients to the proposed Project from their current patients, those that they presently take to advocate Sherman Hospital.

The patient zip codes for their current outpatient surgical cases at Advocate Sherman Hospital are provided in Appendix A with the commitment letters. Each physician's zip code distribution of patients is shown which demonstrates that in all cases, more than 50% of the patients are from within the Geographic Service Area.

**List of Zip Codes That Comprise the Geographic Service Area  
Defined as Within 45 Minutes Multidirectional Travel Time**

**(zip,state,county,city,timezone,distance from Sherman(km))**

60004,IL,COOK,ARLINGTON HEIGHTS,6,29  
60005,IL,COOK,ARLINGTON HEIGHTS,6,29  
60006,IL,COOK,ARLINGTON HEIGHTS,6,29  
60007,IL,COOK,ELK GROVE VILLAGE,6,29  
60008,IL,COOK,ROLLING MEADOWS,6,25  
60009,IL,COOK,ELK GROVE VILLAGE,6,31  
60010,IL,LAKE,BARRINGTON,6,17  
60011,IL,LAKE,BARRINGTON,6,18  
60012,IL,MCHENRY,CRYSTAL LAKE,6,23  
60013,IL,MCHENRY,CARY,6,19  
60014,IL,MCHENRY,CRYSTAL LAKE,6,18  
60015,IL,LAKE,DEERFIELD,6,39  
60016,IL,COOK,DES PLAINES,6,37  
60017,IL,COOK,DES PLAINES,6,37  
60018,IL,COOK,DES PLAINES,6,37  
60019,IL,COOK,DES PLAINES,6,37  
60020,IL,LAKE,FOX LAKE,6,37  
60021,IL,MCHENRY,FOX RIVER GROVE,6,16  
60025,IL,COOK,GLENVIEW,6,42  
60026,IL,COOK,GLENVIEW,6,41  
60030,IL,LAKE,GRAYSLAKE,6,37  
60033,IL,MCHENRY,HARVARD,6,43  
60034,IL,MCHENRY,HEBRON,6,43  
60038,IL,COOK,PALATINE,6,25  
60039,IL,MCHENRY,CRYSTAL LAKE,6,19  
60041,IL,LAKE,INGLESIDE,6,36  
60042,IL,LAKE,ISLAND LAKE,6,25  
60044,IL,LAKE,LAKE BLUFF,6,45  
60045,IL,LAKE,LAKE FOREST,6,42  
60046,IL,LAKE,LAKE VILLA,6,43  
60047,IL,LAKE,LAKE ZURICH,6,28  
60048,IL,LAKE,LIBERTYVILLE,6,39  
60050,IL,MCHENRY,MCHENRY,6,32  
60051,IL,MCHENRY,MCHENRY,6,29  
60053,IL,COOK,MORTON GROVE,6,45  
60055,IL,COOK,PALATINE,6,25  
60056,IL,COOK,MOUNT PROSPECT,6,34  
60060,IL,LAKE,MUNDELEIN,6,31

60061,IL,LAKE,VERNON HILLS,6,35  
60062,IL,COOK,NORTHBROOK,6,41  
60065,IL,COOK,NORTHBROOK,6,42  
60067,IL,COOK,PALATINE,6,22  
60068,IL,COOK,PARK RIDGE,6,41  
60069,IL,LAKE,LINCOLNSHIRE,6,36  
60070,IL,COOK,PROSPECT HEIGHTS,6,34  
60071,IL,MCHENRY,RICHMOND,6,42  
60072,IL,MCHENRY,RINGWOOD,6,38  
60073,IL,LAKE,ROUND LAKE,6,35  
60074,IL,COOK,PALATINE,6,24  
60078,IL,COOK,PALATINE,6,25  
60081,IL,MCHENRY,SPRING GROVE,6,43  
60082,IL,COOK,TECHNY,6,45  
60084,IL,LAKE,WAUCONDA,6,28  
60089,IL,LAKE,BUFFALO GROVE,6,33  
60090,IL,COOK,WHEELING,6,34  
60094,IL,COOK,PALATINE,6,25  
60095,IL,COOK,PALATINE,6,26  
60097,IL,MCHENRY,WONDER LAKE,6,35  
60098,IL,MCHENRY,WOODSTOCK,6,30  
60101,IL,DUPAGE,ADDISON,6,31  
60102,IL,MCHENRY,ALGONQUIN,6,9  
60103,IL,DUPAGE,BARTLETT,6,15  
60104,IL,COOK,BELLWOOD,6,43  
60105,IL,DUPAGE,BENSENVILLE,6,35  
60106,IL,DUPAGE,BENSENVILLE,6,34  
60107,IL,COOK,STREAMWOOD,6,14  
60108,IL,DUPAGE,BLOOMINGDALE,6,24  
60109,IL,KANE,BURLINGTON,6,18  
60110,IL,KANE,CARPENTERSVILLE,6,6  
60111,IL,DEKALB,CLARE,6,42  
60112,IL,DEKALB,CORTLAND,6,34  
60115,IL,DEKALB,DEKALB,6,38  
60116,IL,DUPAGE,CAROL STREAM,6,24  
60117,IL,DUPAGE,BLOOMINGDALE,6,25  
60118,IL,KANE,DUNDEE,6,5  
60119,IL,KANE,ELBURN,6,26  
60120,IL,KANE,ELGIN,6,10  
60121,IL,KANE,ELGIN,6,6  
60122,IL,DUPAGE,CAROL STREAM,6,6  
60123,IL,KANE,ELGIN,6,5  
60124,IL,KANE,ELGIN,6,7

60126,IL,DUPAGE,ELMHURST,6,38  
60128,IL,DUPAGE,CAROL STREAM,6,24  
60131,IL,COOK,FRANKLIN PARK,6,40  
60132,IL,DUPAGE,CAROL STREAM,6,24  
60133,IL,COOK,HANOVER PARK,6,19  
60134,IL,KANE,GENEVA,6,22  
60135,IL,DEKALB,GENOA,6,29  
60136,IL,KANE,GILBERTS,6,6  
60137,IL,DUPAGE,GLEN ELLYN,6,33  
60138,IL,DUPAGE,GLEN ELLYN,6,31  
60139,IL,DUPAGE,GLENDALE HEIGHTS,6,27  
60140,IL,KANE,HAMPSHIRE,6,14  
60142,IL,MCHENRY,HUNTLEY,6,15  
60143,IL,DUPAGE,ITASCA,6,28  
60144,IL,KANE,KANEVILLE,6,31  
60145,IL,DEKALB,KINGSTON,6,36  
60147,IL,KANE,LAFOX,6,22  
60148,IL,DUPAGE,LOMBARD,6,34  
60151,IL,KANE,MAPLE PARK,6,26  
60152,IL,MCHENRY,MARENGO,6,30  
60154,IL,COOK,WESTCHESTER,6,44  
60156,IL,MCHENRY,LAKE IN THE HILLS,6,13  
60157,IL,DUPAGE,MEDINAH,6,25  
60159,IL,COOK,SCHAUMBURG,6,21  
60160,IL,COOK,MELROSE PARK,6,43  
60161,IL,COOK,MELROSE PARK,6,44  
60162,IL,COOK,HILLSIDE,6,43  
60163,IL,COOK,BERKELEY,6,41  
60164,IL,COOK,MELROSE PARK,6,40  
60165,IL,COOK,STONE PARK,6,42  
60168,IL,COOK,SCHAUMBURG,6,21  
60169,IL,COOK,HOFFMAN ESTATES,6,18  
60171,IL,COOK,RIVER GROVE,6,44  
60172,IL,DUPAGE,ROSELLE,6,22  
60173,IL,COOK,SCHAUMBURG,6,24  
60174,IL,KANE,SAINT CHARLES,6,16  
60175,IL,KANE,SAINT CHARLES,6,16  
60176,IL,COOK,SCHILLER PARK,6,40  
60177,IL,KANE,SOUTH ELGIN,6,9  
60178,IL,DEKALB,SYCAMORE,6,32  
60179,IL,COOK,HOFFMAN ESTATES,6,21  
60180,IL,MCHENRY,UNION,6,22  
60181,IL,DUPAGE,VILLA PARK,6,37

60183,IL,KANE,WASCO,6,16  
60184,IL,DUPAGE,WAYNE,6,15  
60185,IL,DUPAGE,WEST CHICAGO,6,22  
60186,IL,DUPAGE,WEST CHICAGO,6,24  
60187,IL,DUPAGE,WHEATON,6,30  
60188,IL,DUPAGE,CAROL STREAM,6,24  
60189,IL,DUPAGE,WHEATON,6,30  
60190,IL,DUPAGE,WINFIELD,6,27  
60191,IL,DUPAGE,WOOD DALE,6,31  
60192,IL,COOK,HOFFMAN ESTATES,6,14  
60193,IL,COOK,SCHAUMBURG,6,21  
60194,IL,COOK,SCHAUMBURG,6,19  
60195,IL,COOK,SCHAUMBURG,6,19  
60196,IL,COOK,SCHAUMBURG,6,23  
60197,IL,DUPAGE,CAROL STREAM,6,24  
60199,IL,DUPAGE,CAROL STREAM,6,26  
60399,IL,DUPAGE,WOOD DALE,6,35  
60502,IL,DUPAGE,AURORA,6,32  
60503,IL,WILL,AURORA,6,40  
60504,IL,DUPAGE,AURORA,6,37  
60505,IL,KANE,AURORA,6,34  
60506,IL,KANE,AURORA,6,34  
60507,IL,KANE,AURORA,6,35  
60510,IL,KANE,BATAVIA,6,26  
60511,IL,KANE,BIG ROCK,6,39  
60512,IL,KENDALL,BRISTOL,6,43  
60514,IL,DUPAGE,CLARENDON HILLS,6,44  
60515,IL,DUPAGE,DOWNERS GROVE,6,38  
60516,IL,DUPAGE,DOWNERS GROVE,6,44  
60517,IL,DUPAGE,WOODRIDGE,6,45  
60519,IL,DUPAGE,EOLA,6,34  
60520,IL,DEKALB,HINCKLEY,6,43  
60522,IL,DUPAGE,HINSDALE,6,45  
60523,IL,DUPAGE,OAK BROOK,6,41  
60532,IL,DUPAGE,LISLE,6,38  
60538,IL,KENDALL,MONTGOMERY,6,40  
60539,IL,KANE,MOOSEHEART,6,27  
60540,IL,DUPAGE,NAPERVILLE,6,38  
60542,IL,KANE,NORTH AURORA,6,30  
60554,IL,KANE,SUGAR GROVE,6,35  
60555,IL,DUPAGE,WARRENVILLE,6,30  
60559,IL,DUPAGE,WESTMONT,6,43  
60563,IL,DUPAGE,NAPERVILLE,6,33

60564,IL,WILL,NAPERVILLE,6,43  
60565,IL,DUPAGE,NAPERVILLE,6,43  
60566,IL,DUPAGE,NAPERVILLE,6,36  
60567,IL,DUPAGE,NAPERVILLE,6,36  
60568,IL,KANE,AURORA,6,35  
60572,IL,DUPAGE,AURORA,6,36  
60598,IL,DUPAGE,AURORA,6,36  
60599,IL,DUPAGE,FOX VALLEY,6,34  
60631,IL,COOK,CHICAGO,6,43  
60656,IL,COOK,CHICAGO,6,44  
60666,IL,COOK,CHICAGO,6,37  
60706,IL,COOK,HARWOOD HEIGHTS,6,44  
60714,IL,COOK,NILES,6,43  
61038,IL,BOONE,GARDEN PRAIRIE,6,40

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(d)(1)§ (2) or (3) Service Demand**

The applicant shall provide physician referral letters that attest to the physician's total number of treatments (for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application. The documentation of physician referrals shall include the following information:

- A) patient origin by zip code of residence;
- B) name and specialty of referring physician;
- C) name and location of the recipient hospital or ASTC; and
- D) number of referrals to other facilities for each proposed ASTC service for each of the latest two years.

**2) Projected Service Demand**

The applicant shall provide the following documentation:

- A) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application;
- B) Documentation demonstrating that the projected patient volume, as evidenced by the physician referral letters, is from within the GSA defined under subsection (c)(2);
- C) An estimated number of treatments the physician will refer annually to the applicant facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of projected referrals used to justify the proposed establishment cannot exceed the historical percentage of applicant market share within a 24-month period after project completion;
- D) Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume;
- E) Each physician referral letter shall contain the notarized signature, the typed or printed name, the office address, and the specialty of the physician; and
- F) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

Letters from fifteen referring physicians are found in the Appendix A of this application. They demonstrate the physicians' anticipated volume of ASTC cases based on the volume of cases they have performed at Advocate Sherman Hospital. The cases represent 3,624 hours of operating room time. The time was based on the experience of each specialty in 2015 at Advocate Sherman Hospital.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services**

**(f)(1) & (2) Treatment Room Need Assessment**

- 1) The applicant shall document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.
- 2) For each ASTC service, the applicant shall provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).

Fifteen physicians have stated that they anticipate referring 3,624 hours of outpatient surgery to the proposed ASTC without any growth projections, which are sufficient to justify the three surgical operating rooms. See Attachment #27, Exhibit 2.

$$3,624 \text{ hours} \div 1,500 \text{ hours per OR} = 2.42 \text{ ORs, rounded to 3 ORs.}$$

Additional growth assumptions for this new facility were based on the previous years for all of Sherman's outpatient surgical hours. The outpatient surgical hours for the past four years projects the expected utilization for outpatient surgery will continue to increase by 5.7% per year.

ALL OP Surgery at Sherman	2012	2013	2014	2015	2012-2015	Annual Growth Projected
Hours	12,278	13,408	14,058	14,517	18.2%	5.7%

\*Based on Compound Annual Growth Rate formula

Projecting this increase in demand of 5.7% per year for the outpatient procedures referred to the ASTC, indicates that the facility will be at 101% capacity by 2020, when it has been in operation for two years. Because of this forecast of volume, the ASTC is requesting 3 ORs.

CAGR Projected Utilization of ASTC					
Annual Change Projected	Submit CON 2016	Obtain Permit 2017	Project Underway 2018	Completed, Year one 2019	Year two 2020
5.7%	3,624	3,832	4,052	4,285	4,531

	HISTORICAL UTILIZATION Surgical Hours.	PROJECTED UTILIZATION in Hours	STATE STANDARD	% Utilization	MET STANDARD ?
YEAR 1	3,624 hours	4,285	4,500	95%	
YEAR 2		4,531	4,500	101%	Yes

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**Physician Historic Cases at Advocate Sherman Hospital as the Basis for Projecting Referrals to ASTC**

Surgeon	Specialty	OP 2015 cases	OP cases referred to ASTC	Surgery hours of referred cases
Leo Farbota	General	192	135	178
Rachel Baer	General	197	153	202
Chirag Dholakia	General	194	140	185
Nicholas Kunio	General	129	90	119
Raul Aron	General	366	330	435
Jeffrey Kazaglis	Ortho	189	157	288
Scott Mox	Ortho	143	116	212
Jongwook Ham	ENT	158	130	259
Jane Dillon	ENT	118	96	191
Aijaz Alvi	ENT	85	70	139
James Griffin	Uro	450	425	527
Ramesh Khanna	Uro	322	254	315
Evelyn Ackermann	OPT	297	252	300
Belal Bakir	OPT	209	178	211
Michael Seigle	OPT	62	53	63
Total		3,111	2,579	3,624

	Average hrs per case at Sherman	Cases	Hrs
Urology	1.24	679	842
Otolaryngology	1.99	296	589
Orthopedics	1.83	273	499
General Surgery	1.32	848	1120
Ophthalmology	1.19	483	575
Total		2,579	3,624

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(g) Service Accessibility****Service Accessibility**

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least one of the following conditions exists in the GSA:

- 1) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- 2) The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;
- 3) The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;
- 4) The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:

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The proposed Project is a joint venture between Advocate Sherman Hospital, Surgical Care Affiliates, and thirteen physician members. Co-applicants include Advocate Sherman Ambulatory Surgery Center, Advocate Sherman Hospital; Advocate Health Care Network, as the sole corporate member of Advocate Sherman Hospital; Evangelical Services Corporation; Surgical Care Affiliates, Inc.; Surgical Care Affiliates, LLC, SCA Surgery Holdings, LLC, SCA-Illinois, LLC; and Advocate-SCA Partners, LLC.

Advocate Sherman Hospital is currently providing outpatient and inpatient services to the population of the subject GSA. The list of zip codes of patients admitted to Advocate Sherman Hospital was compared to the list of zip codes in the 45 minute drive time radius. It revealed that 87% of the patients came from just 17 of the 181 zip codes in the GSA.

- B) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;**

Advocate Sherman Hospital has sufficient historical workload to justify the current 16 ORs in the hospital. By their signatures, Advocate Sherman Hospital agrees:

- To reduce the number of ORs in service at the time of the opening of the proposed Project to 13, and
- Advocate Sherman Hospital agrees not to increase its surgical treatment room capacity until the proposed ASTC has been at or above 4,500 surgery hours for 12 consecutive months.

See the letter attesting to the charges at the proposed Project and the hospital Exhibit #5.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(h)(1) through (3) Unnecessary Duplication/Maldistribution**

**1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(A):**

**A) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and**

**B) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.**

**Population**

The total population of the 45 minute drive time Geographic Service Area (GSA) is 2,350,000.

**Other ASTC**

A data search of the ASTCs within the 45-minute drive time of the proposed site identified there are 28 facilities located within the defined area.

Only 9 of the ASTCs in the GSA provide the same services as in the proposed ASTC. Others provide some but not all the proposed five services. Several are single specialty such as eye, or endoscopy. Their utilization is shown in Attachment 27, Exhibit 3

There are also 19 hospitals in the geographic service area that provide surgical services. See attachment 27, Exhibit 4 for details on their OR utilization.

**2) The applicant shall document that the project will not result in maldistribution of services.**

**3) The applicant shall document that, within 24 months after project completion, the proposed project:**

**A) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and**

**B) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.**

All patients that will be referred to this ASTC will replicate Sherman's current patient origin. The ASTC is not expected to draw patients from any other facility. Therefore, this should not diminish the patient case volume at any other ASTC or hospital besides Advocate Sherman Hospital, and therefore not result in any maldistribution.

	Surgey Centers in Geographic Service Area	Address	City	Specialties Reported	Time in minutes	Time adj. *1.15	ORs reported for 2014	Hours reported for 2014	# ORs Justified
1	Algonquin Road Surgery Center LLC	2550 W Algonquin Rd	Lake In The Hills	Multi	12	13.8	3	2,765	1.84
2	Ashton Center for Day Surgery	1800 McDonough Rd	Hoffman Estates	Multi	12	13.8	4	2,105	1.40
3	Hoffman Estates Surgery Center LLC	1555 Barrington Rd	Hoffman Estates	Multi	16	18.4	3	3,322	2.21
4	Valley Ambulatory Surgery Center	2210 Dean St	St. Charles	Multi	16	18.4	7	5,143	3.43
5	Tri-Cities Surgery Center LLC3	345 Dehor Dr	Geneva	Multi	20	23.0	3	1,443	0.96
6	Fox Valley Orthopaedic Institute	2525 Kaneville Rd	Geneva	Multi	21	24.2	4	4,155	2.77
7	Illinois Hand & Upper Extremity Center	515 West Algonquin Road	Arlington Heights	Limited	22	25.3	1	954	0.64
8	Barrington Pain And Spine Institute LLC	600 Hart Rd	Barrington	Limited	23	26.5	2	484	0.32
9	Northwest Surgicare	1100 W Central Rd	Arlington Heights	Multi	24	27.6	4	3,001	2.00
10	Northwest Community Day Surgery	675 W Kirchhoff Rd	Arlington Heights	Multi	25	28.8	10	9,420	6.28
11	Acden Center For Day Surgery LLC	1580 W Lake St	Addison	Multi	27	31.1	4	959	0.64
12	Advantage Health Care, Ltd.	203 E. Irving Park Road	Wood Dale	Limited	30	34.5	2	1,496	1.00
13	Apollo Surgical Center	2750 South River Road	Des Plaines	Limited	30	34.5	2	63	0.04
14	Dreyer Ambulatory Surgery Center	1221 N Highland Ave	Aurora	Multi	33	38.0	4	2,920	1.95
15	Regenerative Surgery Center	1455 Golf Road	Des Plaines	Multi	33	38.0	3	1,133	0.76
16	Dupage Eye Surgery Center	2015 N Main St	Wheaton	Limited	34	39.1	3	2,273	1.52
17	Golf Surgical Center, LLC	8901 Golf Road	Des Plaines	Multi	35	40.3	5	4,248	2.83
18	Loyola Ambulatory Surgical Center At Oakbrook	1 S 224 Summit Ave	Oakbrook Terrace	Multi	37	42.6	3	2,897	1.93
19	Elmhurst Medical & Surgical Center P.C.	340 West Butterfield Rd, Suite	Elmhurst	Limited	37	42.6	1	128	0.09
20	Midwest Center For Day Surgery	3811 Highland Ave	Downers Grove	Multi	38	43.7	5	3,215	2.14
21	Cadence Ambulatory Surgery Center LLC4	27650 Ferry Rd	Warrenville	Limited	38	43.7	4	4,811	3.21
22	Midland Surgical Center	2120 Midlands Ct.	Sycamore	Multi	38	43.7	3	2,264	1.51
23	The Oak Brook Surgical Centre	2425 W. 22nd Street, Ste. 10	Oak Brook	Multi	38	43.7	5	2,930	1.95
24	Children's Outpatient Services at Westchester	2301 Enterprise Drive	Westchester	Multi	38	43.7	3	2,992	1.99
25	Illinois Sports Medicine & Orthopaedic Surgery Center	9000 Waukegan Road, Suite	Morton Grove	Multi	38	43.7	4	2,943	1.96
26	Hinsdale Surgical Center	908 N. Elm Street, Suite 401	Hinsdale	Multi	39	44.9	4	4,761	3.17
27	Elmhurst Outpatient Surgery Center, LLC	1200 S. York Road, Suite 140	Elmhurst	Multi	39	44.9	4	1,665	1.11
28	Eye Surgery Center of Hinsdale, LLC	950 North York Road, Ste 20	Hinsdale	Limited	39	44.9	2	2,500	1.67

Source: IDPH ASTC Profiles 2014

Hospitals in Geographic Service Area	Address	City	HSA	HPA	Time in Minutes	Time Adj *1.15	ORs reported for 2014	Hours reported for 2014	# ORs Justified
1 Advocate Sherman Hospital	1425 Randall Road	Elgin	8	A-11	0	0	16	23,180	15.5
2 Presence Saint Joseph Hospital	77 North Airline Street	Elgin	8	A-11	6	6.9	10	6,258	4.2
3 St. Alexius Medical Center	1555 N. Barrington Road	Barrington Estates	7	A-07	16	18.4	11	17,037	11.4
4 Dohr Community Hospital	300 Randall Road	Geneva	8	A-12	20	23	9	11,048	7.4
5 Alexian Brothers Medical Center	800 Eksterfield Road	Elk Grove Village	7	A-07	23	26.45	15	21,185	14.1
6 Centegra Hospital - Woodstock	3701 Doty Road	Woodstock	8	A-10	25	28.75	5	7,963	5.3
7 Northwest Community Hospital	800 West Central Road	Arlington Heights	7	A-07	25	28.75	14	21,879	14.6
8 Advocate - Good Shepherd Hospital	450 West Highway #22	Barrington	8	A-09	29	33.35	11	19,706	13.1
9 Centegra Hospital - McHenry	4201 Medical Center Drive	McHenry	8	A-10	30	34.5	10	14,116	9.4
10 Adventist GlenOak Hospital	701 Winthrop Avenue	Glen Dale Heights	7	A-05	32	36.8	5	3,281	2.2
11 Advocate Lutheran General Hospital	1775 Dempster Street	Park Ridge	7	A-07	32	36.8	24	43,242	28.8
12 Central DuPage Hospital	25 North Winfield Road	Winfield	7	A-05	32	36.8	26	40,453	27.0
Swedish-American Medical Center -									
13 Belvidere	1625 South State Street	Belvidere	1	B-01	31	35.65	2	548	0.4
14 Presence Holy Family Hospital	100 North River Road	Des Plaines	7	A-07	33	37.95	5	2,406	1.6
	1325 North Highland Avenue	Aurora	8	A-12	33	37.95	12	7,125	4.8
15 Presence Mercy Medical Center	3815 Highland Avenue	Downers Grove	7	A-05	38	43.7	15	22,453	15.0
16 Advocate Good Samaritan Hospital	701 West North Avenue	Melrose Park	7	A-06	38	43.7	9	9,399	6.3
17 Catholic Memorial Hospital	155 East Brush Hill Road	Elmhurst	7	A-05	39	44.85	15	27,604	18.4
18 Elmhurst Memorial Hospital	One Kish Hospital Drive	DeKalb	1	B-04	39	44.85	7	6,181	4.1
19 Kishwaukee Hospital									

Source: IDPH Hospital Profiles 2014

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**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(i)(1) Staffing**

Staffing the proposed ASTC will be addressed through various means. Advocate Sherman Hospital has a long history of staffing its hospital surgery department. The Advocate system uses a web-based method of recruiting and maintains a list of possible candidates. This facilitates the hiring of qualified staff.

Surgical Care Affiliates (SCA) has many years of experience successfully staffing its other ASTCs. SCA operates 185 surgical facilities, including surgery centers, surgical hospitals, and hospital surgery departments, in 34 states. It employs approximately 5,000 teammates. SCA also utilizes web-based recruiting tools and has an applicant tracking software that allows it to maintain high end quality applicant tracking.

SCA anticipates hiring a lead administrator and director of nursing to begin the process of recruiting. This type of ASTC usually employs around 30 FTE's, clinical and non-clinical to run the facility. The ASTC is essentially day shift, and no Sundays, making it attractive to applicants.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(i)(2) Medical Director**

All physicians will be Board certified in their specialty. The ASTC will follow conditions for coverage established by the Centers for Medicare and Medicaid Services.

The Medical Director shall represent both the clinical and medical needs of the Facility. The Medical Director shall also represent the views of the Medical Staff and be responsible for communicating concerns, conclusions, recommendations and decisions of the Medical Staff to the Governing Body.

In addition, the Medical Director shall review and make recommendations on policies affecting the direct delivery of patient care and the purchase of equipment needed to maintain and improve upon the delivery of patient care at the Facility.

The Medical Staff has the right to a representative on the Governing Body and may elect representatives from each specialty to the Medical Executive Committee that advises the Governing Body. The Medical Staff Representative shall, together with the Medical Director, represent the views and concerns of the Medical Staff.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services**

**(j) Charge Commitment**



August 30, 2016

Ms. Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street, Second Floor  
Springfield, IL 62671

Re: Advocate Sherman Ambulatory Surgery Center

Dear Ms. Olson,

This is to certify that the proposed charges for Advocate Sherman Ambulatory Surgery Center will be less than the current Advocate Sherman Hospital charges for similar procedures. A listing of the ASTC's proposed charges and a comparison to those most frequently done at the hospital is included with this letter.

This also certifies that Advocate Sherman Ambulatory Surgery Center charges will remain unchanged for a period of two years.

Sincerely,

Drew Bull  
Director, Operations  
Surgical Care Affiliates

Kevin F. Fitch  
Vice President, Finance  
Advocate Sherman Hospital



*Angelina K Vazquez*  
8/30/16

*Cindy Capone 9/1/16*



### Comparison of Advocate Sherman Ambulatory Surgery Center fees, and Advocate Sherman Hospital fees

CPT	CPT Description	ASTC charge	Hospital charge
47562	LAPAROSCOPIC CHOLECYSTEC	\$ 15,385	\$ 25,438
49505	PRP I/HERN INIT REDUC >5	\$ 11,177	\$ 18,738
52648	LASER SURGERY OF PROSTAT	\$ 13,344	\$ 14,439
36561	INSERT TUNNELED CV CATH	\$ 9,614	\$ 14,697
47563	LAPARO CHOLECYSTECTOMY/G	\$ 15,385	\$ 25,460
49650	LAP ING HERNIA REPAIR IN	\$ 15,385	\$ 26,960
50590	FRAGMENTING OF KIDNEY ST	\$ 9,786	\$ 10,882
52224	CYSTOSCOPY AND TREATMENT	\$ 6,444	\$ 10,170
52005	CYSTOSCOPY URETER CATH	\$ 6,444	\$ 11,513
60240	REMOVAL OF THYROID	\$ 15,385	\$ 28,482
29827	ARTHROSCOP ROTATOR CUFF	\$ 19,021	\$ 24,080
55700	BIOPSY OF PROSTATE	\$ 6,444	\$ 12,636
31254	REVISION OF ETHMOID SINU	\$ 13,118	\$ 22,015
64721	CARPAL TUNNEL SURGERY	\$ 5,957	\$ 10,345
49585	RPR UMBIL HERN REDUC > 5	\$ 11,177	\$ 14,575
52332	CYSTOSCOPY AND TREATMENT	\$ 9,598	\$ 16,054
29881	KNEE ARTHROSCOPY/SURGERY	\$ 10,248	\$ 13,461
52281	CYSTOSCOPY AND TREATMENT	\$ 6,444	\$ 10,253
42820	REMOVE TONSILS AND ADENO	\$ 6,917	\$ 13,786
19120	REMOVAL OF BREAST LESION	\$ 9,360	\$ 14,404
49560	RPR VENTRAL HERN INIT RE	\$ 11,177	\$ 19,802
19125	EXCISION BREAST LESION	\$ 9,360	\$ 18,619
38500	BIOPSY/REMOVAL LYMPH NOD	\$ 9,360	\$ 19,816
60500	EXPLORE PARATHYROID GLAN	\$ 15,256	\$ 26,498
55250	REMOVAL OF SPERM DUCT(S)	\$ 6,444	\$ 7,157
31255	REMOVAL OF ETHMOID SINUS	\$ 13,118	\$ 26,283
42826	REMOVAL OF TONSILS	\$ 6,917	\$ 14,428
52352	CYSTOURETERO W/STONE REM	\$ 9,598	\$ 18,047
27570	FIXATION OF KNEE JOINT	\$ 4,691	\$ 7,549
52356	CYSTO/URETERO W/LITHOTRI	\$ 13,344	\$ 21,018
69436	CREATE EARDRUM OPENING	\$ 6,917	\$ 9,223
49561	RPR VENTRAL HERN INIT BL	\$ 11,177	\$ 17,898
26055	INCISE FINGER TENDON SHE	\$ 6,226	\$ 8,717
52235	CYSTOSCOPY AND TREATMENT	\$ 9,598	\$ 15,372
29824	SHOULDER ARTHROSCOPY/SUR	\$ 10,248	\$ 21,133
36590	REMOVAL TUNNELED CV CATH	\$ 3,690	\$ 5,679

11406	EXC TR-EXT B9+MARG >4.0	\$ 4,437	#N/A
29888	KNEE ARTHROSCOPY/SURGERY	\$ 19,819	\$ 25,868
49587	RPR UMBIL HERN BLOCK > 5	\$ 11,177	\$ 16,091
52310	CYSTOSCOPY AND TREATMENT	\$ 6,444	\$ 8,660
63030	LOW BACK DISK SURGERY	\$ 19,021	\$ 24,804
29880	KNEE ARTHROSCOPY/SURGERY	\$ 10,248	\$ 14,301
60220	PARTIAL REMOVAL OF THYRO	\$ 15,385	\$ 25,614
31276	SINUS ENDOSCOPY SURGICAL	\$ 13,118	\$ 29,040
38510	BIOPSY/REMOVAL LYMPH NOD	\$ 9,360	\$ 15,864
42830	REMOVAL OF ADENOIDS	\$ 11,188	\$ 12,360
55040	REMOVAL OF HYDROCELE	\$ 11,177	\$ 14,698
49525	REPAIR ING HERNIA SLIDIN	\$ 11,177	\$ 17,450
36819	AV FUSE UPPR ARM BASILIC	\$ 16,236	\$ 29,675
49324	LAP INSERT TUNNEL IP CAT	\$ 15,385	\$ 20,267
23430	REPAIR BICEPS TENDON	\$ 19,021	\$ 22,876
31267	ENDOSCOPY MAXILLARY SINU	\$ 13,118	\$ 18,745
42821	REMOVE TONSILS AND ADENO	\$ 6,917	\$ 14,835
46270	REMOVE ANAL FIST SUBQ	\$ 7,108	\$ 14,020
11771	REMOVE PILONIDAL CYST EX	\$ 4,437	#N/A
46922	EXCISION OF ANAL LESION(	\$ 7,108	\$ 13,336
52351	CYSTOURETERO OR PYELOS	\$ 9,598	\$ 18,063
54161	CIRCUM 28 DAYS OR OLDER	\$ 6,444	\$ 12,147
20680	REMOVAL OF SUPPORT IMPLA	\$ 6,050	\$ 13,524
23071	EXC SHOULDER LES SC 3 CM	\$ 6,050	\$ 13,806
25609	TREAT FX RADIAL 3+ FRAG	\$ 19,021	\$ 29,622
30465	REPAIR NASAL STENOSIS	\$ 15,256	\$ 20,427
31256	EXPLORATION MAXILLARY SI	\$ 8,521	\$ 17,172
44970	LAPAROSCOPY APPENDECTOMY	\$ 19,871	\$ 31,486
46255	REMOVE INT/EXT HEM 1 GRO	\$ 7,108	\$ 14,990
51715	ENDOSCOPIC INJECTION/IMP	\$ 9,598	\$ 10,786
11404	EXC TR-EXT B9+MARG 3.1-4	\$ 4,030	#N/A
11426	EXC H-F-NK-SP B9+MARG >4	\$ 6,050	#N/A
29879	KNEE ARTHROSCOPY/SURGERY	\$ 10,248	\$ 16,312
31535	LARYNGOSCOPY W/BIOPSY	\$ 8,521	\$ 16,774
42825	REMOVAL OF TONSILS	\$ 11,188	\$ 11,331
46260	REMOVE IN/EX HEM GROUPS	\$ 9,953	\$ 17,395
52214	CYSTOSCOPY AND TREATMENT	\$ 6,444	\$ 13,151
60260	REPEAT THYROID SURGERY	\$ 17,431	\$ 26,047
11424	EXC H-F-NK-SP B9+MARG 3.	\$ 6,050	#N/A
22903	EXC ABD LES SC 3 CM/>	\$ 6,050	\$ 11,300
23073	EXC SHOULDER TUM DEEP 5	\$ 6,050	\$ 13,806

25607	TREAT FX RAD EXTRA-ARTIC	\$ 19,021	\$ 23,236
29822	SHOULDER ARTHROSCOPY/SUR	\$ 10,248	\$ 17,968
31536	LARYNGOSCOPY W/BX OP S	\$ 8,521	\$ 15,514
36830	ARTERY-VEIN NONAUTOGRAFT	\$ 16,236	\$ 26,868
42415	EXCISE PAROTID GLAND/LES	\$ 15,256	\$ 29,486
46200	REMOVAL OF ANAL FISSURE	\$ 7,108	\$ 10,975
49565	RERPAIR VENTRL HERN RED	\$ 11,177	\$ 19,865
52240	CYSTOSCOPY AND TREATMENT	\$ 9,598	\$ 20,851
52276	CYSTOSCOPY AND TREATMENT	\$ 6,444	\$ 10,268
54840	REMOVE EPIDIDYMIS LESION	\$ 9,598	\$ 12,872

Average charge reduction (%) 38.2%

#N/A denotes cases of this CPT code that cannot be easily compared. When performed at the hospital, these cases usually entailed several charge codes.

**1110.1540 Non-Hospital Based Ambulatory Surgical Treatment Center Services****(k)(1) & (2) Assurances**

By their signatures, the applicants attest that a peer review program will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, a quality improvement plan will be initiated.

A letter is included in Attachment 17 that defines the expectation that the volume of cases will be sufficient to meet or exceed the utilization standards in the second year of operation. The volume of cases that the physicians anticipate referring to the ASTC, based on their historical utilization experience, will exceed the standards in the second year.

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:**

\$3,179,713	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;
N/A	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.
N/A	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
\$9,539,139	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.
N/A	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;
N/A	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
N/A	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$12,718,852	<b>TOTAL FUNDS AVAILABLE</b>	
<b>APPEND DOCUMENTATION AS ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>		



**Advocate Sherman ASC**





## Loan Proposal

September 7, 2016

RE: Advocate Sherman - ASC

Dear Drew,

The purpose of this letter is to provide in writing, the basic terms and conditions upon which Associated Bank may be willing to consider providing \$7,000,000 construction financing, \$3,000,000 equipment financing and a \$1,500,000 working capital line of credit.

**This letter is not a commitment, but is intended to serve as an outline providing the basis for further discussion.**

**FOR DISCUSSION PURPOSES ONLY**

**Property Description:** Surgical/Medical Office Space

**Purpose:** Finance Construction of Owner Occupied Building located in Elgin, Il.

**Borrower:** Advocate Sherman ASC or single purpose LLC guaranteed by Advocate Sherman ASC

**Construction Loan:**

**Loan Amount:** up to \$7,000,000 subject to 75% advance rate against appraised value upon completion. Construction loan to convert to a permanent mortgage on or about July, 2018.

**Interest Rate:** Floating Rate Available  
Rate Swap option available to a 5 or 7 year fixed rate  
Rates are subject to change until closing is scheduled

**Interest Rate Floor:** N/A

**Amortization:** 20 Years on permanent financing

**Term:** 5 to 7 Years

**Fees:** .50%. Borrowers are responsible to pay all out of pocket costs including legal, title, appraisal and environmental. All construction draws are to be managed by Associated Commercial Real Estate and funded through a Construction Escrow Account at a Title Company.

**Prepayment Penalty:** None with Floating Rate Option



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**Repayment:** Interest only payments during the construction loan period. Commencing on or about July, 2018 the permanent financing will commence and will be a 5 year term/ 20 year amortization with equal monthly principal payments plus interest

**Collateral:** 1<sup>st</sup> Mortgage Lien Position on real estate located in Elgin, Il. subject to 75% of the construction costs or appraised value, whichever is less. Assignment of leases and rents.

**Guarantee:** Guarantee of Advocate and SCA for a minimum of 2 years, step-downs and release terms to be negotiated

**Equipment Financing:**

**Purpose:** Equipment financing for Advocate Sherman ASC

**Borrowers:** Advocate Sherman ASC

**Loan Amount:** \$3,000,000 based on 75% of the equipment purchase price

**Interest Rate:** Floating and Fixed rates are available  
Rates are subject to change until closing is scheduled.

**Interest Rate Floor:** N/A

**Amortization:** 7 Years

**Term:** 7 Years

**Fees:** Borrowers are responsible to pay all out of pocket costs

**Prepayment Penalty:** Based on Rate and Term; however up to 20% of the outstanding loan balance can be paid annually at no penalty (applies to fixed rate option only)

**Repayment:** 84 equal monthly payments

**Collateral:** GBSA -- Advocate Sherman ASC

**Guarantee:** Guarantee of Advocate and SCA for a minimum of 2 years, step-downs and release terms to be negotiated





**Working Capital Line of Credit**

**Purpose:** Finance working capital requirements

**Loan Amount:** \$1,500,000

**Interest Rate:** Floating Rate

**Interest Rate Floor:** N/A

**Amortization:** N/A

**Term:** 364 Days

**Fees:** Borrowers are responsible to pay all out of pocket costs

**Prepayment Penalty:** None

**Repayment:** Monthly interest payment based on the outstanding balance. After year 2 the Working Capital Line of Credit must be rested for 30 consecutive days within the year

**Collateral:** GBSA – all business assets

**Guarantee:** Guarantee of Advocate and SCA for a minimum of 2 years, step-downs and release terms to be negotiated

**Reporting Requirements:**

1. Annual tax returns of Borrower, including all schedules and K1s, due within 15 days of applicable filing date.
2. Annual CPA reviewed Financial Statement of the Borrower.
3. Quarterly internally prepared financial statements within 60 days
4. Quarterly A/R Aging within 30 days
5. Annual CPA reviewed Financial statements of the Guarantors

**Other Requirements:**

- Standard covenants to be negotiated, and may include, but not limited to the following:
1. Appropriate insurance on the Business is required.
  2. Minimum Net Worth – To be negotiated.
  3. Minimum Fixed Charge Coverage – To be negotiated
  4. No change in joint venture ownership without prior bank consent
  5. Maintain a minimum acceptable level of malpractice insurance
  6. Distributions – Distributions shall not exceed net income for any respective fiscal year.
  7. Debt – No other debts or commitments other than to Associated Bank with the exception of equipment and technology leasing.





The above proposal is subject to a complete due diligence underwriting by Associated Bank, satisfactory loan documentation, and other loan closing requirements. This would include a satisfactory financial review of the Guarantors of the proposed project. All costs associated with any aspects of the financing, including but not limited to appraisal, environmental, travel, legal, title and inspecting architect fees, and a flood zone determination for the real estate, will be your responsibility, whether or not the loan, if approved, is actually closed.

Again, this is not a binding commitment, but a summary of indicative terms and conditions, which may be presented and subject to appropriate Associated Bank approvals. I look forward to your response to proceed with consideration of the financing described herein. Please call me if you have any questions or comments regarding this letter at (414) 278-1962.

Sincerely,

*Joel R. Anthony*  
Joel R. Anthony  
Vice President  
Private Client Services

\_\_\_\_\_  
Advocate Sherman - ASC

\_\_\_\_\_  
  
\_\_\_\_\_

CC: Dan Bishop  
Jenn Chock  
Sue Pickering  
Angela Kohl



September 6, 2016

Attn: Drew Bell  
Surgical Care Affiliates, LLC  
510 Lake Cook Road, Suite 400  
Deerfield, IL 60015

**RE: GROUND LEASE BETWEEN ADVOCATE SHERMAN HOSPITAL AND  
ADVOCATE SHERMAN AMBULATORY SURGERY CENTER, LLC FOR THAT  
CERTAIN 15,010 OF USABLE SQUARE FEET OF PROPERTY LOCATED ON THE  
CAMPUS OF ADVOCATE SHERMAN HOSPITAL, 1425 N. RANDALL ROAD, ELGIN  
IL, 60123 ("PREMISES")**

Dear Drew,

This letter of intent ("Letter of Intent") contains the basic economic terms and conditions under which Advocate Sherman Hospital ("ASH") will propose to enter into a Ground Lease by and between ASH, as Lessor and Advocate Sherman Ambulatory Surgery Center, LLC as Lessee ("Lessee") for the Premises, a depiction of which is attached hereto and made fully a part hereof. The purpose of the Ground Lease will be to construct an Ambulatory Surgery Center on the Premises.

The proposed transaction will require further negotiations and documentation including the preparation and approval of a definitive Ground Lease which would set forth the terms and conditions of the transaction in more detail ("Ground Lease"). I would like to confirm our understanding of the following basic conditions of our negotiations and ensure my understanding is consistent with yours, and that both parties are willing to proceed in mutual good faith to work toward a binding Ground Lease.

1. **Further Negotiations, Definitive Agreements.** As soon as reasonably practicable following ASH's receipt of a copy of this Letter of Intent countersigned by Lessee the parties shall commence negotiations with respect to the remaining terms of the proposed Ground Lease.
2. **Term of Negotiation.** The parties shall have a period of one hundred eighty (180) days after the date of execution hereof in which to enter into the transaction as anticipated hereby.
3. **Certificate of Need.** The project is contingent upon approval of a Certificate of Need from the Illinois Health Facilities and Services Review Board on or before March 31, 2017. In the event that Lessee does not obtain the approval of its CON application by March 31, 2017, Lessee may terminate the Ground Lease by providing ASH written notice of its intention to do so, and neither party shall have any further rights or obligations under this Letter of Intent.
4. **Confidentiality.** Lessee and ASH agree to treat confidentially and not to use for any purpose detrimental to any other party or to disclose to any other person or entity, other than such party's respective employees, attorneys, accountants and other agents and representatives who need to know such information for purposes of evaluating the contemplated potential transaction between Lessee and ASH any non-public information previously or hereafter provided (whether in written, machine-readable or oral form) by any other party, or any terms of

the transactions contemplated by this Letter of Intent (collectively, the "Confidential Information"), except as may otherwise be required by applicable law, subpoena, court or governmental order or the rules of any applicable securities exchange.

5. **Amendment to Description of Premises.** The legal description of the Premises contained in the Ground Lease shall be determined by the parties.

6. **Ground Rent.**

- a. **Payment.** Ground Rent shall be an annual net amount to be determined by an appraiser chosen by ASH with an annual escalation at 3%. Rent shall commence upon the earlier of i) 180 days after lease execution or ii) upon opening for business.
- b. **Term.** 40 years
- c. **Net Rent.** Rent shall be absolute net to ASH.
- d. **Common Areas.** There shall be certain common areas used by Lessee. (e.g. shared parking lot for 40 parking spaces, landscaping, etc.) which Lessee shall have the use of on a non-exclusive basis, the terms of which shall be set forth in the Ground Lease.
- e. **Operating Expenses and Real Estate Taxes.** Lessee shall be responsible for all operating expenses and real estate taxes for the Premises. ASH shall be responsible for managing all of the Common Areas and the parties shall negotiate any additional real estate taxes and operating expenses for the Common Areas into the Rent.

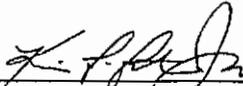
7. **Conditions Precedent to Lessee's Obligation to Enter Into the Definitive Ground Lease.**

- a. **Due Diligence.** This Letter of Intent shall be contingent and subject to Lessee conducting due diligence on the Premises.

8. **Effect of Letter of Intent.** The parties acknowledge and agree that, except for sections 4 of this Letter of Intent, this is a non-binding Letter of Intent, and that accordingly, no party shall have any liability to any other party if the parties fail to execute and deliver definitive written agreements with respect to the transaction contemplated herein (unless due to a breach of sections 4). Notwithstanding the foregoing, the parties agree that sections 4 of this Letter of Intent is intended to be legally binding upon the parties from and after the execution of this Letter of Intent by the parties, and the parties acknowledge and agree that the obligations of the parties contained in section 4 is supported by sufficient consideration and are valid, binding and enforceable. Each party shall be solely responsible for all fees and expenses incurred by it in going forward with the transactions described herein. This Letter of Intent and the obligations of the parties hereunder may be amended, modified or waived only by a writing signed by the parties.

If your understanding is consistent with mine, please sign in the space provided below on both originals and return one original to my attention at the address listed above. I look forward to hearing from you soon.

Sincerely,  
Advocate Sherman Hospital

By:   
Kevin Fitch, Vice President, Finance

AGREED:

Advocate Sherman Ambulatory Surgery Center, LLC

By:   
Drew Bell, President

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**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:

5. All of the projects capital expenditures are completely funded through internal sources
6. 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
7. 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.

# MOODY'S

## INVESTORS SERVICE

### New Issue: Moody's assigns Aa2 to Advocate Health Care Network's (IL) Ser. 2015 bonds; outlook stable

Global Credit Research - 28 Aug 2015

**\$1.6B pro forma rated debt outstanding**

ILLINOIS FINANCE AUTHORITY  
Hospitals & Health Service Providers  
IL

Moody's Rating	
ISSUE	RATING
Series 2015 Fixed Rate Revenue Bonds	Aa2
<b>Sale Amount</b>	\$100,000,000
<b>Expected Sale Date</b>	09/10/15
<b>Rating Description</b>	Revenue: Other

**Moody's Outlook** STA

NEW YORK, August 28, 2015 –Moody's Investors Service assigns a Aa2 rating to Advocate Health Care Network's (Advocate) proposed \$100 million of Series 2015 fixed rate revenue bonds to be issued by the Illinois Finance Authority. The bonds are scheduled to mature in 2045. At this time, we are affirming the Aa2, Aa2/VMIG 1, and Aa2/P-1 ratings on Advocate's outstanding bonds. The outlook remains stable.

#### SUMMARY RATING RATIONALE

The Aa2 long-term rating is based on Advocate's status as the largest health system in the greater Chicago area as well as statewide with good geographic diversity and well positioned individual hospitals, consistent and adequate operating margins, very good debt coverage, strong balance sheet, and a well-funded defined benefit pension plan. The system's challenges include a competitive and increasingly consolidating healthcare market and elevated capital spending through 2016.

The VMIG 1 short-term ratings on Advocate's variable rate annual put bonds and P-1 short-term rating on the system's Windows variable rate bonds, supported by internal liquidity, reflect adequate coverage provided by Advocate's daily assets (after applying discounts).

The Aa2/VMIG 1 ratings on Advocate's variable rate demand obligation (VRDO) bonds reflect standby bond purchase agreements (SBPA) provided by JPMorgan Chase, Wells Fargo, and Northern Trust Company.

#### OUTLOOK

The stable outlook is based on our expectation that Advocate will continue to maintain sound operating performance and a strong and leading market position and balance future capital spending and debt with cash flow and liquidity strength.

#### WHAT COULD MAKE THE RATING GO UP

- Greater geographic and cash flow diversity and significant enterprise growth
- Sustained significant improvement in operating margins

#### WHAT COULD MAKE THE RATING GO DOWN

- Sustained decline in operating margins

- Material weakening of liquidity ratios
- Unplanned material increase in debt leading to pronounced decline in debt coverage ratios
- Materially dilutive acquisition or merger

#### STRENGTHS

- Leading market position in greater Chicagoland
- Consistent adjusted operating cash flow margins in the 10%-11% range (11.2% in FY 2014)
- Strong Moody's-adjusted debt ratios with pro forma maximum annual debt service (MADS) coverage of over 9 times
- Strong and growing balance sheet with 375 days cash on hand at FYE 2014
- Manageable debt structure risks with 401% monthly liquidity-to-demand debt at FYE 2014
- Strong management evidenced by Advocate's historical ability to absorb operating challenges and generate sound operating margins; commitment to very good disclosure practices
- Pending merger with NorthShore University HealthSystem (Aa2) is credit positive for both organizations; the systems' aligned strategies and strong financial resources will position the combined organization to meet the challenges of a rapidly changing industry

#### CHALLENGES

- Most Advocate hospitals operate in increasingly competitive markets, with major consolidation and competitors expanding facilities and aligning with physicians
- Elevated capital spending expected through FY 2016
- Aggressive investment allocation with only 57% of unrestricted cash and investments liquid on a monthly basis

#### RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale section

#### DETAILED RATING RATIONALE

##### MARKET POSITION: LEADING POSITION IN COMPETITIVE MARKET

Advocate has pursued an effective strategy to develop an integrated and full service system that has resulted in the system achieving broad geographic coverage and the leading market position in the greater Chicago area. Advocate controls 11 inpatient acute care hospitals, an integrated children's hospital, a large home health care operation, and is clinically aligned with more than 5,000 physicians. Based on management data, Advocate maintains a leading market position in the greater Chicago area with nearly 18% share. Presence Health and Northwestern Medicine are essentially tied for the number two market position with just over 9% share each (which includes Northwestern's 2014 merger with Cadence Health).

The Chicago healthcare market has been consolidating in recent years, and includes multiple sizeable academic medical systems such as Rush University Medical Center and The University of Chicago Medical and very large multi-state systems such as Ascension Health Alliance, Trinity Health Credit Group, and Adventist Health System/Sunbelt. We expect Chicago area healthcare to continue to consolidate.

Earlier this year, Advocate announced its intent to merge with NorthShore University HealthSystem (Aa2), 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. Advocate expects the FTC to complete its review of the proposed merger this fall and management hopes to finalize the merger by the end of 2015.

Advocate partners with payors to transition to managing populations under value-based strategies, shifting from fee-for-service models. Advocate has a large contract with Blue Cross under this new model and participates in

the Medicare shared savings model. Combined, these arrangements represent over 500,000 lives and require the system to manage under these risk-based models. Compared with other healthcare systems, we believe Advocate is better positioned to manage risk given the system's physician alignment, information systems, historical experience with capitated contracts, and strong financial resources.

#### OPERATING PERFORMANCE, BALANCE SHEET, AND CAPITAL PLANS: STABLE MARGINS AND GOOD BALANCE SHEET STRENGTH

Advocate has sustained good operating margins for years, despite volume pressures that have plagued the industry, particularly in the Chicago area. Between FY 2010 and FY 2014, Advocate's operating cash flow margin ranged between 10.0% and 11.2% (Aa2 median is 10.6%). Results have been especially favorably in FY 2014 (11.2% operating cash flow margin) and through six months FY 2015 (11.6%, compared to 10.5% for the same period FY 2014).

The particularly good results in FY 2014 and Interim FY 2015 were due to Advocate's ongoing five-year \$600 million cost savings plan and good volume gains (including both inpatient admissions and observation stays). The volume growth is attributable to Medicaid expansion in Illinois and Advocate's focus on keeping volumes within the system, which is aided by good medical group volume gains that translates to hospital volumes.

Looking forward, Advocate will face top-line revenue pressure from multiple sources. Due to state fiscal challenges, the State of Illinois is contemplating multiple reimbursement cuts, including workers comp, base rates, and changes to the provider tax program. Consequently, management does not expect long-term operating margins to match performance in recent years. Nevertheless, management has a track-record of developing revenue opportunities and cost savings to exceed budget. We expect Advocate will continue to generate margins commensurate with Aa peers.

#### Liquidity

Advocate's absolute balance sheet ratios are favorable. Cash on hand measured a strong 375 days at FYE 2014 and 385 days at unaudited June 30, 2015 (Aa2 median is 323 days). Advocate's investment allocation is aggressive and relatively illiquid, however. Based on management data, at FYE 2014, only 57% of system unrestricted cash and investments could be liquidated on a monthly basis and were allocated among 28% cash and fixed income, 26% equities, and 46% alternatives (largely in hedge funds and private equity).

#### Capital spending

Advocate has more than \$2.5 billion of capital spending plans between FY 2015 and FY 2019. The planned spending is front-loaded, as the projected capital spending ratio is over 3 times in FY 2015 and over 2 times in FY 2016 before declining to just over 1 times by FY 2018 and FY 2019. We expect long-term capital spending plans will depend on the results of the planned merger with NorthShore. Highlighted current projects include construction of an inpatient tower at Advocate Christ Medical Center (expected to open in January 2016), a major modernization project at Advocate Good Shepherd Hospital (to open in 2018), and various ambulatory developments.

#### DEBT STRUCTURE AND LEGAL COVENANTS

Advocate's pro forma Moody's-adjusted debt coverage ratios are strong. Based on FY 2014 results and including the proposed Series 2015 fixed rate bonds, adjusted debt-to-cash flow is 2.0 times (Aa2 median is 2.5 times), MADS coverage is 9.4 times (Aa2 median is 7.3 times), and cash-to-direct debt is 283% (Aa2 median is 242%). Advocate's pro forma debt load is manageable with debt-to-total operating revenue of 33% (Aa2 median is 34%).

Beyond the Series 2015 bonds, Advocate does not have new money debt plans in the near term.

#### Debt Structure

Approximately 40% of Advocate's pro forma debt is in demand mode. Demand debt includes VRDOs supported by SBPAs, annual put debt and Windows bonds supported by self-liquidity, and variable rate private placement debt.

Advocate's variable rate bonds include those with mandatory tenders within the next 12 months. If these bonds are not remarketed, the system will use its own liquidity to pay the tenders, which supports the Aa2VMIG 1 ratings on these bonds. Given the modest size of these staggered obligations, infrequent and known tender dates, and Advocate's experienced treasury management, the system has flexibility to use its large investment portfolio

to fund any tenders on short notice if needed. Per Moody's self-liquidity adjustments, the system has over \$315 million of assets that can be liquidated on a daily basis and nearly \$890 million that can be liquidated within a week (unadjusted totals are \$324 million and \$2.3 billion, respectively). Additionally, the system has the Series 2011B bonds (\$70 million), which bear interest at the Windows interest rate mode. This structure allows flexibility in planning for an unremarketed tender since it requires a seven-month advance notice of a put. Assignment of the P-1 rating to the Windows mode bonds is based on Moody's market access approach to self-liquidity on longer-term variable rate instruments and reflects our estimation of Advocate's ability to timely pay mandatory tenders at the close of the "Mandatory Tender Window".

The Aa2/MIG 1 ratings on the Series 2008C-1, Series 2008C-2A, Series 2008C-2B, and Series 2008C-3A VRDO bonds reflect SBPAs provided by JPMorgan Chase, Wells Fargo, and Northern Trust. The SBPAs expire in staggered terms between August 2016 and August 2019. While, the JPMorgan SBPA supporting the Series 2008C-1 bonds expires in August 2016, management is in the process of renewing the credit facility.

#### Debt-Related Derivatives

Advocate has three floating-to-fixed rate swaps with a notional amount \$326 million associated with the Series 2008C bonds. Advocate pays a fixed rate of 3.6% and receives 61.7% of LIBOR plus 26 basis points. The swaps mature in 2038 and the counterparties are Wells Fargo and PNC. Based on management data, as of June 30, 2015, the net termination value of the swaps was a negative \$83.7 million to Advocate and no collateral was posted.

#### Pensions and OPEB

Advocate's debt equivalents are manageable. The system has a cash balance defined benefit pension plan, which was 96% funded compared to a projected benefit obligation of \$937 million at FYE 2014. The debt equivalent of operating leases was \$464 million at FYE 2014 (based on a six times lease expense multiplier method). Pro forma cash-to-comprehensive debt is 219% (Aa2 median is 191%).

#### GOVERNANCE AND MANAGEMENT

Advocate has demonstrated strong management capabilities evidenced by the system's historical ability to absorb operating challenges and continue to generate consistently sound operating margins, meet or exceed operating budgets, execute strategies effectively including integrating newly acquired hospitals, and commitment to very good disclosure practices.

The President of Advocate Physician Partners (APP), a joint venture, recently departed to become CEO of Chicago-based Presence Health. Advocate management expects APP will continue to execute its strategies. Otherwise, there are no retirements planned among senior staff in the next year. Management notes, however, that certain key executives are approaching retirement age. The board and management have developed a succession planning process to identify replacements for key staff.

#### KEY STATISTICS

Based on Advocate Health Care Network and Subsidiaries Consolidated Financial Statements

First number reflects audit year ended December 31, 2013

Second number reflects pro forma on audit year ended December 31, 2014

Pro forma includes \$100 million of Series 2015 fixed rate bonds and \$50 million of cash reimbursement for prior capital spending

Investment returns classified as non-operating and 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: 164,555; 166,930

- Observation stays: 47,683; 54,993

- Medicare % of gross revenues: 37%; 37%

- Medicaid % of gross revenues: 15%; 17%
- Total operating revenues (\$): \$4.89 billion; \$5.18 billion
- Revenue growth rate (%) (3 yr CAGR): 4.9%; 5.8%
- Operating margin (%): 5.2%; 5.4%
- Operating cash flow margin (%): 10.6%; 11.2%
- Debt to cash flow (x): 2.1 times; 2.0 times
- Days cash on hand: 361 days; 378 days
- Maximum annual debt service (MADS) (\$): \$102 million; \$97 million
- MADS coverage with reported investment income (x): 7.7 times; 8.9 times
- Moody's-adjusted MADS Coverage with normalized investment income (x): 8.1 times; 9.4 times
- Direct debt (\$): \$1.6 billion; \$1.7 billion
- Cash to direct debt (%): 273%; 283%
- Comprehensive debt: \$2.0 billion; \$2.2 billion
- Cash to comprehensive debt (%): 217%; 219%
- Monthly liquidity to demand debt (%): 500%; 401%

#### OBLIGOR PROFILE

Advocate is an integrated health system with 11 acute care hospitals, 10 of which are in the Chicago metro area (the 11th hospital is in Bloomington-Normal, IL). The system is integrated with more than 5,000 physicians. Advocate is the largest health system in Illinois and is the market share leader in the Chicago area.

#### LEGAL SECURITY

Obligated group includes the Advocate Health Care Network (system parent), Advocate Health and Hospitals Corporation (operates most of the system's hospitals), Advocate North Side Health Network, and Advocate Condell Medical Center. Security is a general, unsecured obligation of the obligated group. No additional indebtedness tests.

#### USE OF PROCEEDS

Proceeds from the Series 2015 fixed rate bonds will be used to support Advocate's capital spending, and include approximately \$50 million of cash reimbursement for prior capital spending

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in March 2012. An additional methodology used in the VMIG 1 rating was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2015. An additional methodology used in the P-1 rating was Rating Methodology for Municipal Bonds and Commercial Paper Supported by a Borrower's Self-Liquidity published in January 2012. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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**MOODY'S**  
INVESTORS SERVICE

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Preview Rating Letter

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# FitchRatings

70 West Madison Street  
Chicago, IL 60602T 312 368 3100 / 800 48 FITCH  
www.fitchratings.com

August 28, 2015

Mr. Dominic J. Nakls  
Chief Financial Officer  
Advocate Health Care Network  
3075 Highland Parkway  
Downers Grove, IL 60515

Dear Mr. Nakls:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed in the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

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## Preview Rating Letter

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We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Jeff Schaub  
Managing Director, Operations  
U.S. Public Finance / Global Infrastructure & Project  
Finance

JS/ew

Enc: Notice of Rating Action  
(Doc ID: 0)

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### Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Rating Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2015	Long Term	New Rating	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008A-1	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008A-2	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008A-3	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008C-1 (liquidity facility: JPMorgan Chase Bank, N.A.)	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008C-2A (liquidity facility: Wells Fargo Bank, N.A.)	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008C-2B (liquidity facility: JPMorgan Chase Bank, N.A.)	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008C-3A (liquidity facility: Northern Trust Company (The))	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008C-3B	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008C-3B	Short Term	Affirmed	F1+		28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2008D	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2010A	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2010B	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2010C	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2011A-1	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2011A-2	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2011B	Short Term	Affirmed	F1+		28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2011B	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2012	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	
Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2013	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015	

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Illinois Finance Authority (IL) (Advocate Health Care Network) rev bonds ser 2014	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015
Illinois Finance Authority (IL) (Advocate Health Care Network) rev rfdg bonds ser 2010D	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015
Illinois Health Facilities Authority (IL) (Advocate Health Care Network) rev bonds ser 2003A	Short Term	Affirmed	F1+		28-Aug-2015
Illinois Health Facilities Authority (IL) (Advocate Health Care Network) rev bonds ser 2003A	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015
Illinois Health Facilities Authority (IL) (Advocate Health Care Network) rev bonds ser 2003C	Short Term	Affirmed	F1+		28-Aug-2015
Illinois Health Facilities Authority (IL) (Advocate Health Care Network) rev bonds ser 2003C	Long Term	Affirmed	AA	RO:Sta	28-Aug-2015

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving



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130 East Randolph Street  
Suite 2900  
Chicago, IL 60601  
tel 312-233-7000  
reference no.: 1407789

August 27, 2015

Advocate Health Care Network  
3075 Highland Parkway, Suite 600  
Downers Grove, IL 60515  
Attention: Mr. Jim Doheny, Vice President of Finance, Corporate Controller

*Re: US\$100,000,000 Illinois Finance Authority, Illinois, Revenue Bonds, (Advocate Health Care Network), Series 2015, dated: September 10, 2015, due: November 01, 2045*

Dear Mr. Doheny:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA". Standard & Poor's views the outlook for this rating as positive. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on [standardandpoors.com](http://standardandpoors.com). Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: [pubfin\\_statelocalgovt@standardandpoors.com](mailto:pubfin_statelocalgovt@standardandpoors.com). If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

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Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street

PF Ratings U.S. (7/18/14)

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New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

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Sincerely yours,



Standard & Poor's Ratings Services

ep  
enclosures

cc: Mr. Marek Kowalewski  
Ms. Pamela A. Lenane

PF Ratings U.S. (7/18/14)



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- Material weakening of liquidity ratios
- Unplanned material increase in debt leading to pronounced decline in debt coverage ratios
- Materially dilutive acquisition or merger

#### STRENGTHS

- Leading market position in greater Chicagoland
- Consistent adjusted operating cash flow margins in the 10%-11% range (11.2% in FY 2014)
- Strong Moody's-adjusted debt ratios with pro forma maximum annual debt service (MADS) coverage of over 9 times
- Strong and growing balance sheet with 375 days cash on hand at FYE 2014
- Manageable debt structure risks with 401% monthly liquidity-to-demand debt at FYE 2014
- Strong management evidenced by Advocate's historical ability to absorb operating challenges and generate sound operating margins; commitment to very good disclosure practices
- Pending merger with NorthShore University HealthSystem (Aa2) is credit positive for both organizations; the systems' aligned strategies and strong financial resources will position the combined organization to meet the challenges of a rapidly changing industry

#### CHALLENGES

- Most Advocate hospitals operate in increasingly competitive markets, with major consolidation and competitors expanding facilities and aligning with physicians
- Elevated capital spending expected through FY 2016
- Aggressive investment allocation with only 57% of unrestricted cash and investments liquid on a monthly basis

#### RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale section

#### DETAILED RATING RATIONALE

##### MARKET POSITION: LEADING POSITION IN COMPETITIVE MARKET

Advocate has pursued an effective strategy to develop an integrated and full service system that has resulted in the system achieving broad geographic coverage and the leading market position in the greater Chicago area. Advocate controls 11 inpatient acute care hospitals, an integrated children's hospital, a large home health care operation, and is clinically aligned with more than 5,000 physicians. Based on management data, Advocate maintains a leading market position in the greater Chicago area with nearly 18% share. Presence Health and Northwestern Medicine are essentially tied for the number two market position with just over 9% share each (which includes Northwestern's 2014 merger with Cadence Health).

The Chicago healthcare market has been consolidating in recent years, and includes multiple sizeable academic medical systems such as Rush University Medical Center and The University of Chicago Medical and very large multi-state systems such as Ascension Health Alliance, Trinity Health Credit Group, and Adventist Health System/Sunbelt. We expect Chicago area healthcare to continue to consolidate.

Earlier this year, Advocate announced its intent to merge with NorthShore University HealthSystem (Aa2), 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. Advocate expects the FTC to complete its review of the proposed merger this fall and management hopes to finalize the merger by the end of 2015.

Advocate partners with payors to transition to managing populations under value-based strategies, shifting from fee-for-service models. Advocate has a large contract with Blue Cross under this new model and participates in



# Research

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## Summary:

### Illinois Finance Authority Advocate Health Care Network; System

#### Primary Credit Analyst:

Suzie R. Desai, Chicago (1) 312-233-7046; [suzie.desai@standardandpoors.com](mailto:suzie.desai@standardandpoors.com)

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Brian T. Williamson, Chicago (1) 312-233-7009; [brian.williamson@standardandpoors.com](mailto:brian.williamson@standardandpoors.com)

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Rationale

Outlook

Related Criteria And Research

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1445022 | 300642892

**Summary:**

# Illinois Finance Authority

## Advocate Health Care Network; System

### Credit Profile

US\$100.0 mill rev bnds (Advocate Health Care Network) ser 2015 dtd 09/10/2015 due 11/01/2045

Long Term Rating

AA/Positive

New

### Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to the Illinois Finance Authority's \$100 million series 2015 fixed-rate tax-exempt bonds issued for Advocate Health Care Network (AHCN). Standard & Poor's also affirmed its 'AA' long-term rating and, where applicable, its 'AA/A-1+' and 'AA/A-1' ratings on various other series of bonds issued by the authority on behalf of AHCN. The outlook is positive.

The proceeds from the series 2015 issuance will be used for various capital projects.

The 'A-1+' short-term component of the rating on the series 2003A, 2003C, and 2008C-3B mandatory tender bonds and 2011B windows bonds reflects our view of the credit strength inherent in the 'AA' long-term rating on AHCN's debt and the sufficiency of AHCN's unrestricted assets to provide liquidity support for the aforementioned bonds. Standard & Poor's Fund Ratings and Evaluations Group assesses the liquidity of AHCN's unrestricted investment portfolio to determine the adequacy and availability of these funds to guarantee the timely purchase of the bonds tendered in the event of a failed remarketing. We monitor the liquidity and sufficiency of AHCN's investment portfolio on a monthly basis.

The 'A-1+' short-term component of the rating on the issuer's series 2008C-2A and 2008C-3A bonds and the 'A-1' short-term component of the rating on the series 2008C-1 and 2008C-2B bonds reflect our view of the standby bond purchase agreements (SBPAs) in effect from various financial institutions. They further reflect our view of the likelihood of payment of tenders and our view of liquidity facilities that cover all of the bond series. (For more information, see the Financial Profile section.)

The positive outlook reflects our view of AHCN and NorthShore University Health System's (NSUHS) announcement of a definitive agreement to merge into a unified organization (Advocate NorthShore Health Partners, or ANHP). The outlook also reflects our belief that each health care system already demonstrates very strong enterprise and financial profiles, and that together they could improve further. We believe that this merger could also further position the system well for population health management, as ANHP's footprint would provide coverage for the six-county Chicago metropolitan area. The agreement awaits approval from the Federal Trade Commission, and management anticipates that the transaction will be permitted, leading to a possible close by year end. The two organizations have created initial merger implementation working groups across the two organizations, but are limited as to what they can do and discuss until they receive final FTC approval. Separately, AHCN has been spending significantly on capital

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*Summary: Illinois Finance Authority Advocate Health Care Network; System*

projects, but that spending should lessen over the next couple of years, and a higher rating would also depend partly on AHCN's ability to manage overall balance sheet strength through most of that spending.

The 'AA' long-term rating reflects our view of AHCN's strength as the Chicago area's largest health system (with total operating revenue of \$5.2 billion in 2014) as well as its good operating performance, strong and consistent coverage, and healthy unrestricted reserves with modest debt for the rating. In addition, AHCN's strong physician relationships and practice in managing care under capitated risk and through shared savings programs, including the Medicare accountable care organization demonstration project, are credit strengths in light of some of the anticipated changes related to health care reform. Management has increased capital spending and we will continue to monitor the impact of that spending on the balance sheet. However, given strong cash flow and the flexibility from the series 2015 proceeds, we anticipate no material changes to the balance sheet. As with other hospitals and systems, operating margins could compress, but we believe AHCN's focus on managing expenses and backfilling volumes that may be lost as a result of lower utilization (which is in turn linked to both better care management and fewer readmissions) will remain important to maintaining healthy cash flow and coverage.

The 'AA' long-term rating further reflects our view of AHCN's:

- Position as Chicagoland's largest and most successfully integrated health delivery system, with approximately 3,600 licensed beds and more than 6,300 physicians, 5,000 of whom are affiliated with Advocate Physician Partners, a joint venture between AHCN and clinically and financially aligned physicians with the purpose of providing cost-effective health care to patients in the communities AHCN serves;
- Good financial profile, with operating margins of 4% to 6% for the past several years and consistently strong pro forma maximum annual debt service (MADS) coverage of 7x or greater for the past several years;
- Robust balance sheet measures, as demonstrated by still light pro forma leverage of 23% and by solid unrestricted reserves of 379 days' cash on hand and unrestricted reserves to pro forma debt of 302% as of June 30, 2015 (although we anticipate some decline in unrestricted reserves as some sizable capital spending occurs this year and into next year); and
- AHCN's leading and stable market share through 2014 at 17.8%.

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

- Strong competition in the greater Chicago market -- other systems and large academic medical centers -- coupled with volume pressures related to both industry and economic issues as well as health care reform; and
- Heightened capital spending over the next year and a half as a few major projects will be completed.

Total long-term debt (including capital leases) at June 30, 2015 was \$1.6 billion and pro forma long-term debt was \$1.7 billion. Long-term debt (and related ratios) includes debt classified on the audited financial statements as a current liability subject to short-term remarketing agreements. AHCN's rated bonds are the general, unsecured joint, and several obligations of the obligated group, which consists of the parent, AHCN; Advocate Health and Hospitals Corp., which includes most of AHCN's acute care facilities; Advocate North Side Health Network, which includes Advocate Illinois Masonic Center; and Advocate Condell Medical Center. Advocate Sherman became part of the obligated group concurrently with the series 2014 issuance. The rating is based on our view of AHCN's group credit profile and the obligated group's "core" status in that the obligated group accounts for the vast majority of total operating income and assets. Accordingly, we rate the AHCN obligated group at the level of the group credit profile and we used AHCN's

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*Summary: Illinois Finance Authority Advocate Health Care Network; System*

consolidated financial results.

For more information see our full analysis published Aug. 31, 2015 on RatingsDirect.

## Outlook

The positive outlook reflects our view of AHCN's continued market leadership, extensive physician network, and solid financial profile coupled with a potentially improved presence if the FTC approves the NorthShore affiliation. AHCN has been spending a fair amount on capital expenditures, and we believe that AHCN could manage that while maintaining its balance sheet strength, but we will also monitor that over the next year. We could maintain our rating if the affiliation with NorthShore is delayed significantly or not finalized over the outlook period, if capital spending causes material challenges to AHCN's balance sheet, or if the overall financial profile weakens.

### Upside scenario

We could consider raising the rating if the affiliation concludes with a smooth transition and the overall financial profile of AHCN and the combined organization remain strong. If the affiliation does not occur, a higher rating would depend on AHCN's overall financial profile strength, in light of significant capital spending over the next year and relative to overall 'AA+' medians and without any diminution to AHCN's existing enterprise profile.

### Downside scenario

Given our view of AHCN's strong market position, consistent financial profile, and good financial flexibility, we are also unlikely to lower the rating during the next year or two.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- USPF Criteria: Commercial Paper, VRDO, And Self-Liquidity, July 3, 2007
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- USPF Criteria: Standby Bond Purchase Agreement Automatic Termination Events, April 11, 2008
- General Criteria: Methodology: Industry Risk, Nov. 20, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

### Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- U.S. Not-For-Profit Health Care Outlook Remains Negative Despite A Glimmer Of Relief, Dec. 17, 2014
- U.S. Not-For-Profit Health Care System Ratios: Operating Performance Weakened In 2013, Aug. 13, 2014
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- Standard & Poor's Assigns Industry Risk Assessments To 38 Nonfinancial Corporate Industries, Nov. 20, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Health Care Organizations See Integration And Greater Transparency As Prescriptions For Success, May 19, 2014

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*Summary: Illinois Finance Authority Advocate Health Care Network; System*

- The Growing And Evolving Role Of Provider-Sponsored Health Plans In U.S. Health Care, June 8, 2015

**Ratings Detail (As Of August 31, 2015)****Illinois Fin Auth, Illinois**

Advocate Hlth Care Network, Illinois

**series 2008A-1/A-2/A-3**

<i>Long Term Rating</i>	AA/Positive	Affirmed
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**series 2011B windows**

<i>Long Term Rating</i>	AA/A-1+/Positive	Affirmed
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**ser 2008C-2A**

<i>Long Term Rating</i>	AA/A-1+/Positive	Affirmed
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**ser 2008C-3B**

<i>Long Term Rating</i>	NR	Affirmed
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<i>Short Term Rating</i>	A-1+	Affirmed
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**Series 2008D, 2010A-D, 2011A, 2012, and 2013A**

<i>Long Term Rating</i>	AA/Positive	Affirmed
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**Series 2003A**

<i>Long Term Rating</i>	NR	Affirmed
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<i>Short Term Rating</i>	A-1+	Affirmed
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**Series 2003C**

<i>Long Term Rating</i>	NR	Affirmed
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<i>Short Term Rating</i>	A-1+	Affirmed
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**Series 2008C-1, 2008C-2B**

<i>Long Term Rating</i>	AA/A-1/Positive	Affirmed
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**Series 2008C-3A**

<i>Long Term Rating</i>	AA/A-1+/Positive	Affirmed
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AUGUST 31, 2015 6

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**IX. 1230.130 – Financial Viability**

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				2.29
Net Margin Percentage				10.6%
Percent Debt to Total Capitalization				66.8%
Projected Debt Service Coverage				3.25
Days Cash on Hand				66.4
Cushion Ratio				3.14

1. 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.**

Advocate Sherman Ambulatory Surgery Center			
Financial Viability Standards			
		Yr 1	Yr2
<b>1</b>	<b>Current Ratio</b>		
	Current Assets	2,225,000	2,400,000
	Current Liabilities	1,150,000	1,050,000
	Current Ratio	<b>1.93</b>	<b>2.29</b>
	Required	1.5 or more	1.5 or more
	Met?	Yes	Yes
<b>2</b>	<b>Net Margin Percentage</b>		
	Net Income	227,071	412,145
	Net Operating Revenues	2,624,197	3,870,488
	Net Margin Percentage	<b>8.7%</b>	<b>10.6%</b>
	Required	3.5% or more	3.5% or more
	Met?	Yes	Yes
<b>3</b>	<b>Long-Term Debt to Capitalization</b>		
	Long-Term Debt	9,240,193	8,239,014
	Long-Term Debt plus Net Assets	13,644,119	12,333,097
	Net Margin Percentage	<b>67.7%</b>	<b>66.8%</b>
	Required	80% or less	80% or less
	Met?	Yes	Yes
<b>4</b>	<b>Projected Debt Service Coverage</b>		
	Net Income	227,071	412,145
	Depreciation & Amortization	1,470,724	1,260,621
	Interest Expense	-	-
		<b>1,697,795</b>	<b>1,672,766</b>
	Expected Principal Payments	245,621	256,845
	Expected Interest Expense	268,435	257,211
	Projected Debt Service Coverage	<b>3.30</b>	<b>3.25</b>
	Required	1.75 or more	1.75 or more
	Met?	Yes	Yes

<b>5</b>	<b>Days Cash on Hand</b>		
	Cash	514,687	562,819
	Operating Expenses	4,342,619	4,354,515
	Depreciation Expense	1,470,724	1,260,621
	Days Cash on Hand	<b>65.4</b>	<b>66.4</b>
	Required	45 or more days	45 or more days
	Met?	Yes	Yes
<b>6</b>	<b>Cushion Ratio</b>		
	Cash	514,687	562,819
	Designated Funds	1,050,000	1,050,000
	Expected Principal Payments	245,621	256,845
	Expected Interest Expense	268,435	257,211
	Ratio	<b>3.04</b>	<b>3.14</b>
	Required	3.0 or more	3.0 or more
	Met?	Yes	Yes

**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**

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.

**F. Total Effect of the Project on Capital Costs**

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

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

A letter attesting to the conditions of financing follows as Attachment 39, Exhibit 1.



Surgical Care Affiliates\*

September 3, 2016

Ms. Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street, Second Floor  
Springfield, IL 62671

Re: Advocate Sherman Ambulatory Surgery Center

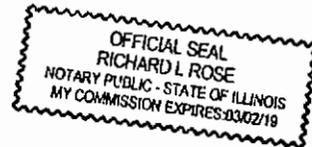
Dear Ms. Olson,

This letter is to attest to the fact that the total estimated project costs and related costs will be funded in total or in part by borrowing because 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 1.5 for the ASTC.

The conditions of debt financing are reasonable. 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.

Sincerely,

Drew Bell  
Director, Operations  
Surgical Care Affiliates



City/County of	COOK
State of	Illinois
I certify this to be complete, exact and true copy of the original document.	
Certified this	3rd day of September 2016
	<i>[Signature]</i> Notary Public
My commission expires	3/2/19

510 Lake Cook Road, Suite 400 | Deerfield, IL 60015 | 800.768.0094 | www.scasurgery.com

Cost & Gross Square Feet by Department or Service									
	A	B	C	D	E	F	G	H	
Dept. / Area	Cost/Sq Ft		Gross Sq Ft		Gross Sq Ft		Const. \$		Total Cost
	New	Mod	New	Circ	Mod	Circ.	A x C	B x E	G + H
<b>Reviewable</b>									
OR / Recovery	\$ 437		6,489	15%			\$ 2,835,285		\$ 2,835,285
All Other Clinical	\$ 437		4,647	15%			\$ 2,030,445		\$ 2,030,445
Contingency	\$ 40		11,136				\$ 450,071		\$ 450,071
Total Reviewable + Contingency	\$ 477		11,136				\$ 5,315,801		\$ 5,315,801
<b>Non Reviewable</b>									
Administration	\$ 437		1,048	15%			\$ 457,910		\$ 457,910
Visitor/Public	\$ 437		1,458	15%			\$ 637,056		\$ 637,056
Materials/Mechanical	\$ 437		1,020	15%			\$ 445,676		\$ 445,676
Circulation	\$ 437		348	100%			\$ 152,052		\$ 152,052
Non-clinical	\$ 437		3,874				\$ 1,692,694		\$ 1,692,694
Non Reviewable Contingency	\$ 40		3,874				\$ 156,587		\$ 156,587
Total Non Reviewable + Contingency	\$ 477		3,874				\$ 1,807,686		\$ 1,807,686
<b>Total</b>	\$ 477		15,010				\$ 6,558,469		\$ 6,558,469
<b>Contingency</b>	\$ 40		15,010				\$ 606,704		\$ 606,704
<b>Total + Contingency</b>	\$ 477		15,010				\$ 7,165,174		\$ 7,165,174

Projected Operating Costs		
	2020	Cost per EPD
Operating Cost	\$5,462,400	\$1,507

Impact of Project on Capital Costs		
	2020	Cost per EPD
Capital Costs	\$1,218,700	\$336

**XI. Safety Net Impact Statement**

**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 40.

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.

The proposed Project will not have a negative effect on the existing safety net services available to the community. It will have charity care policies and treat Medicare and Medicaid patients, similar to the cooperating venture hospital, Advocate Sherman Hospital. The statistics for Sherman are shown below.

Advocate Sherman Hospital Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year 2013	Year 2014	Year 2015
Inpatient	466	135	288
Outpatient	1,605	4,299	2,493
<b>Total</b>	<b>2,071</b>	<b>4,434</b>	<b>2,781</b>
Charity (cost In dollars)			
Inpatient	\$ 1,163,529	\$ 4,154,000	\$ 2,313,000
Outpatient	\$ 1,290,645	\$ 3,703,000	\$ 2,505,000
<b>Total</b>	<b>\$ 2,454,174</b>	<b>\$ 7,857,000</b>	<b>\$ 4,818,000</b>
MEDICAID			
Medicaid (# of patients)	Year 2013	Year 2014	Year 2015
Inpatient	2,253	2,302	2,075
Outpatient	49,991	49,770	43,658
<b>Total</b>	<b>52,244</b>	<b>52,072</b>	<b>45,733</b>
Medicaid (revenue)			
Inpatient	\$ 21,095,179	\$ 26,850,499	\$ 31,066,928
Outpatient	\$ 6,533,693	\$ 8,651,213	\$ 12,675,666
<b>Total</b>	<b>\$ 27,628,872</b>	<b>\$ 35,501,712</b>	<b>\$ 43,742,594</b>

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

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

The proposed new ASTC will follow the Charity Care practices of Advocate Sherman Hospital including seeing Medicare, Medicaid and Charity Care patients. (Note: The Hospital sees a higher volume of Charity cases as a result of the patients that present in the Emergency Department and Obstetrics.) The projected use is as follows:

Advocate Sherman ASC

Payer Sources	Payer Mix (%)
Private insurance/Managed Care	56.6%
Medicaid	8.1%
Medicare	31.2%
Charity	2.9%
Other	1.2%
TOTAL	100.0%

The anticipated Charity Care expense is as follows:

Charity Care	
Expected Year 2 Patient Revenue	\$ 5,638,800
Amount of Charity Care (charges)	\$ 147,173
Cost of Charity Care	\$ 125,097

# Appendix A

## PHYSICIAN REFERRAL LETTERS

## Physician Referral Letters

Referral letters from fifteen physicians are found in this Appendix of the application. They demonstrate the physicians' commitment to send surgical cases to the proposed ASTC from their volume they have done at Advocate Sherman Hospital. The cases total 2,654 surgeries, which represent 3,717 hours of operating room time including set-up and clean-up. The time was based on the experience of each specialty in 2015 at Advocate Sherman Hospital.

# OPHTHALMOLOGY ASSOCIATES

*Diseases and Surgery of the Eye*



1670 Capital Street Suite 100, Elgin, IL 60124  
(847) 888-2020

August 29, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Ophthalmology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 297 outpatient surgical procedures during this time. Of those, 96% were from within the geographic service area.

I expect to refer at least 252 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

Evelyn S. Ackermann, M.D.

Ophthalmology Associates  
1670 Capital Street Suite 100  
Elgin, IL 60124

Subscribed and sworn before me this 29 day of August, 2016

  
Notary Public

CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Evelyn S. Ackermann

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60007	VERNON HILLS	0.7%
60012	ITASCA	2.0%
60013	ROSELLE	1.3%
60014	LAFOX	5.1%
60042	KANEVILLE	0.3%
60047	ROUND LAKE	0.7%
60056	MOUNT PROSPECT	0.3%
60067	WINFIELD	1.3%
60074	WOODSTOCK	0.3%
60098	VILLA PARK	1.3%
60102	HOFFMAN ESTATES	4.0%
60103	WASCO	2.0%
60107	WAYNE	3.4%
60110	SOUTH ELGIN	4.7%
60118	DUNDEE	7.4%
60120	STREAMWOOD	6.1%
60123	ELGIN	19.5%
60124	ALGONQUIN	4.0%
60133	GENEVA	0.3%
60135	INGLESIDE	1.0%
60136	GILBERTS	0.7%
60140	BARTLETT	2.7%
60142	SAINT CHARLES	15.8%
60152	RINGWOOD	0.7%
60156	HAMPSHIRE	3.4%
60175	BARRINGTON	0.3%
60177	LAKE IN THE HILLS	3.7%
60180	GLENDALE HEIGHTS	1.0%
61008	BELVIDERE	1.7%
<b>Total in GSA</b>		<b>96.0%</b>

# OPHTHALMOLOGY ASSOCIATES

*Diseases and Surgery of the Eye*



1670 Capital Street Suite 100, Elgin, IL 60124  
(847) 888-2020

August 29, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Ophthalmology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 209 outpatient surgical procedures during this time. Of those, 98.6% were from within the geographic service area.

I expect to refer at least 178 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

Belal Bakir, M.D.

Ophthalmology Associates  
1670 Capital Street Suite 100  
Elgin, IL 60124

Subscribed and sworn before me this 29<sup>th</sup> day of August, 2016

Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Belal Bakir

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60010	HANOVER PARK	0.5%
60013	ROSELLE	0.5%
60014	LAFOX	1.0%
60020	DES PLAINES	1.0%
60098	VILLA PARK	1.4%
60102	HOFFMAN ESTATES	2.9%
60103	WASCO	1.4%
60107	WAYNE	0.5%
60110	SOUTH ELGIN	8.6%
60118	DUNDEE	5.7%
60120	STREAMWOOD	13.9%
60123	ELGIN	24.9%
60124	ALGONQUIN	11.0%
60136	GILBERTS	2.9%
60140	BARTLETT	4.8%
60142	SAINT CHARLES	7.2%
60151	PROSPECT HEIGHTS	0.5%
60152	RINGWOOD	1.0%
60156	HAMPSHIRE	3.3%
60174	BURLINGTON	0.5%
60177	LAKE IN THE HILLS	3.3%
60178	MONTGOMERY	1.0%
60193	BATAVIA	1.0%
<b>Total in GSA</b>		<b>98.6%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

60033	HARVARD	0.5%
62549	MOUNT ZION	1.0%
<b>Total outside GSA</b>		<b>1.4%</b>

# Advocate Medical Group

General Surgery, 745 Fletcher Drive, Suite 302 || Elgin, IL 60123 || T 847-695-6600 F 847-695-4279 || [amgdoctors.com](http://amgdoctors.com)

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in General Surgery. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 194 outpatient surgical procedures during this time. Of those, 99.4% were from within the geographic service area.

I expect to refer at least 140 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

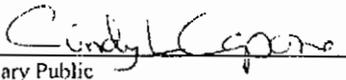
Sincerely,



Chirag Dholakia, M.D.

Advocate Medical Group  
745 Fletcher Drive, Suite 302  
Elgin, IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Chirag Dholakia

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60014	LAFOX	1.8%
60010	HANOVER PARK	0.6%
60012	ITASCA	0.6%
60014	LAFOX	1.8%
60097	WONDER LAKE	1.2%
60098	VILLA PARK	1.8%
60102	HOFFMAN ESTATES	6.1%
60107	WAYNE	1.8%
60110	SOUTH ELGIN	13.3%
60115	DEKALB	1.8%
60118	DUNDEE	6.7%
60120	STREAMWOOD	19.4%
60123	ELGIN	15.8%
60124	ALGONQUIN	6.1%
60135	INGLESIDE	1.2%
60136	GILBERTS	0.6%
60140	BARTLETT	6.1%
60142	SAINT CHARLES	3.6%
60145	KINGSTON	1.2%
60152	RINGWOOD	0.6%
60156	HAMPSHIRE	4.2%
60175	BARRINGTON	0.6%
60177	LAKE IN THE HILLS	1.2%
60194	BLOOMINGDALE	0.6%
60523	OAK BROOK	0.6%
<b>Total in GSA</b>		<b>99.4%</b>
60804	CICERO	3.6%
<b>Total outside GSA</b>		<b>0.6%</b>

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September 7, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Urology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 450 outpatient surgical procedures during this time. Of those, 98.3% were from within the geographic service area.

I expect to refer at least 425 patients to the proposed ASTC within twelve months after project completion. All from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

James H. Griffin, M.D.

Urology, Ltd.  
745 Fletcher Drive, Suite 301  
Elgin, IL 60123

Subscribed and sworn before me this 7<sup>th</sup> day of September, 2016

Notary Public



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CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. James H. Griffin

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60005	LINCOLNSHIRE	0.5%
60007	VERNON HILLS	0.2%
60010	HANOVER PARK	0.7%
60012	ITASCA	1.4%
60014	LAFOX	5.2%
60050	FRANKLIN PARK	0.5%
60051	CHICAGO	0.5%
60102	HOFFMAN ESTATES	4.5%
60103	WASCO	0.5%
60107	WAYNE	2.9%
60110	SOUTH ELGIN	4.3%
60112	CORTLAND	0.2%
60115	DEKALB	0.5%
60118	DUNDEE	6.4%
60120	STREAMWOOD	13.1%
60121	CAROL STREAM	0.7%
60123	ELGIN	14.3%
60124	ALGONQUIN	4.5%
60133	GENEVA	0.5%
60135	INGLESIDE	0.5%
60136	GILBERTS	1.2%
60140	BARTLETT	6.2%
60142	SAINT CHARLES	14.0%
60152	RINGWOOD	0.5%
60156	HAMPSHIRE	5.5%
60169	SCHAUMBURG	0.5%
60174	BURLINGTON	1.4%
60175	BARRINGTON	0.5%
60177	LAKE IN THE HILLS	6.0%
60193	BATAVIA	0.7%
<b>Total in GSA</b>		<b>98.3%</b>

183



*Proponent Ear Nose & Throat*

2350 Royal Blvd., Suite 500  
Elgin, IL 60123  
842.697.3800  
www.proponentent.com

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Otolaryngology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 118 outpatient surgical procedures during this time. Of those, 96.5% were from within the geographic service area.

I expect to refer at least 96 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

Jane T. Dillon, M.D.

Proponent Ear Nose & Throat  
2350 Royal Blvd., Suite 500  
Elgin, IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

  
Notary Public

CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Jane T. Dillon

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60013	ROSELLE	1.8%
60014	LAFOX	2.7%
60098	VILLA PARK	1.8%
60103	WASCO	1.8%
60110	SOUTH ELGIN	7.1%
60118	DUNDEE	5.3%
60120	STREAMWOOD	9.7%
60123	ELGIN	21.2%
60124	ALGONQUIN	6.2%
60133	GENEVA	0.9%
60136	GILBERTS	6.2%
60140	BARTLETT	5.3%
60142	SAINT CHARLES	4.4%
60152	RINGWOOD	3.5%
60153	MAYWOOD	0.9%
60156	HAMPSHIRE	6.2%
60169	SCHAUMBURG	1.8%
60175	BARRINGTON	0.9%
60177	LAKE IN THE HILLS	7.1%
60180	GLENDALE HEIGHTS	0.9%
60192	HUNTLEY	0.9%
<b>Total in GSA</b>		<b>96.5%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

60441	LOCKPORT	0.9%
60607	CHICAGO	1.8%
60482	WORTH	0.9%
<b>Total outside GSA</b>		<b>3.5%</b>



# Advocate Medical Group

General Surgery, 745 Fletcher Drive, Suite 302 || Elgin, IL 60123 || T 847-695-6600 F 847-695-4279 || [amgdoctors.com](http://amgdoctors.com)

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in General Surgery. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 129 outpatient surgical procedures during this time. Of those, 99.4% were from within the geographic service area.

I expect to refer at least 90 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

Nicholas Kunio, M.D.

Advocate Medical Group  
745 Fletcher Drive, Suite 302  
Elgin, IL 60123

Subscribed and sworn before me this 25 day of August, 2016

Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Nicholas Kunio

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60004	DES PLAINES	0.9%
60010	HANDOVER PARK	2.8%
60012	ITASCA	0.9%
60013	ROSELLE	0.9%
60047	ROUND LAKE	0.9%
60067	WINFIELD	0.9%
60098	VILLA PARK	0.9%
60102	HOFFMAN ESTATES	6.6%
60103	WASCO	3.8%
60107	WAYNE	2.8%
60110	SOUTH ELGIN	10.4%
60118	DUNDEE	1.9%
60120	STREAMWOOD	10.4%
60123	ELGIN	17.9%
60124	ALGONQUIN	8.5%
60136	GILBERTS	1.9%
60140	BARTLETT	2.8%
60142	SAINT CHARLES	9.4%
60156	HAMPSHIRE	5.7%
60174	BURLINGTON	0.9%
60177	LAKE IN THE HILLS	5.7%
60504	AURORA	2.8%
<b>Total in GSA</b>		<b>100.0%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

n/a	n/a	0.0%
<b>Total outside GSA</b>		<b>0.0%</b>

# Advocate Medical Group

General Surgery, 745 Fletcher Drive, Suite 302 || Elgin, IL 60123 || 1 847-695-6600 / 847-695-4279 || amgdoctors.com

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in General Surgery. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 197 outpatient surgical procedures during this time. Of those, 98.9% were from within the geographic service area.

I expect to refer at least 153 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

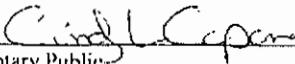
Sincerely,



Rachel P. Baer, M.D.

Advocate Medical Group  
745 Fletcher Drive, Suite 302  
Elgin, IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Rachel P. Baer

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60014	LAFOX	1.7%
60051	CHICAGO	0.6%
60098	VILLA PARK	1.1%
60102	HOFFMAN ESTATES	9.4%
60107	WAYNE	2.2%
60109	PALATINE	0.6%
60110	SOUTH ELGIN	8.9%
60118	DUNDEE	7.2%
60120	STREAMWOOD	5.6%
60123	ELGIN	18.9%
60124	ALGONQUIN	7.2%
60133	GENEVA	10.0%
60134	LAKE ZURICH	0.6%
60135	INGLESIDE	0.6%
60136	GILBERTS	3.3%
60140	BARTLETT	3.3%
60142	SAINT CHARLES	7.8%
60156	HAMPSHIRE	1.7%
60174	BURLINGTON	0.6%
60175	BARRINGTON	0.6%
60177	LAKE IN THE HILLS	5.0%
60188	ADDISON	0.6%
60193	BATAVIA	0.6%
60194	BLOOMINGDALE	0.6%
60542	LISLE	0.6%
<b>Total in GSA</b>		<b>98.9%</b>
60150	MALTA	1.7%
60439	LEMONT	0.6%
<b>Total outside GSA</b>		<b>1.1%</b>



Associates in Ear, Nose & Throat, Head and Neck Surgery, S.C.  
2050 Larkin Avenue  
Suite #102  
Elgin, IL 60123  
847.742.7458  
[www.sinusaid.com](http://www.sinusaid.com)

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Otolaryngology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 158 outpatient surgical procedures during this time. Of those, 98.7% were from within the geographic service area.

I expect to refer at least 130 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

Jongwook Ham, M.D.

Associates in Ear, Nose & Throat, Head and Neck Surgery, S.C.  
2050 Larkin Avenue  
Suite #102  
Elgin, IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

Cindy L. Capone  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Jongwook Ham

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60014	LAFOX	1.3%
60051	CHICAGO	0.7%
60098	VILLA PARK	1.3%
60102	HOFFMAN ESTATES	3.9%
60107	WAYNE	1.3%
60108	MCHENRY	0.7%
60110	SOUTH ELGIN	7.8%
60115	DEKALB	0.7%
60118	DUNDEE	4.6%
60120	STREAMWOOD	13.1%
60123	ELGIN	22.2%
60124	ALGONQUIN	6.5%
60135	INGLESIDE	2.6%
60136	GILBERTS	0.7%
60140	BARTLETT	7.2%
60142	SAINT CHARLES	6.5%
60156	HAMPSHIRE	5.2%
60177	LAKE IN THE HILLS	9.2%
60178	MONTGOMERY	1.3%
60193	BATAVIA	0.7%
60505	AURORA	0.7%
60542	LISLE	0.7%
<b>Total in GSA</b>		<b>98.7%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

53147	LAKE GENEVA	0.7%
60915	BRADLEY	0.7%
<b>Total outside GSA</b>		<b>1.3%</b>

# Advocate Medical Group

General Surgery, 745 Fletcher Drive, Suite 302 || Elgin, IL 60123 || T 847-695-6600 F 847-695-4279 || amgdoctors.com

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in General Surgery. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 192 outpatient surgical procedures during this time. Of those, 97.5% were from within the geographic service area.

I expect to refer at least 135 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

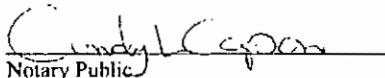
Sincerely,



Len M. Farbota, M.D.

Advocate Medical Group  
745 Fletcher Drive, Suite 302  
Elgin, IL 60123

Subscribed and sworn before me this 24<sup>th</sup> day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Leo M. Farbota

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60124	ALGONQUIN	3.8%
60502	AURORA	0.6%
60175	BARRINGTON	0.6%
60140	BARTLETT	6.3%
60174	BURLINGTON	1.3%
60115	DEKALB	0.6%
60118	DUNDEE	3.1%
60123	ELGIN	20.1%
60050	FRANKLIN PARK	0.6%
60133	GENEVA	1.3%
60136	GILBERTS	1.9%
60156	HAMPSHIRE	6.3%
60102	HOFFMAN ESTATES	4.4%
60135	INGLESIDE	0.6%
60014	LAFOX	2.5%
60177	LAKE IN THE HILLS	6.3%
60109	PALATINE	0.6%
60151	PROSPECT HEIGHTS	0.6%
60152	RINGWOOD	0.6%
60142	SAINT CHARLES	10.7%
60110	SOUTH ELGIN	5.7%
60120	STREAMWOOD	14.5%
60012	ITASCA	0.6%
60103	WASCO	1.9%
60172	WAUCONDA	0.6%
60107	WAYNE	0.6%
60051	CHICAGO	0.6%
<b>Total in GSA</b>		<b>97.5%</b>
60033	HARVARD	1.9%
74136	TULSA	0.6%
<b>Total outside GSA</b>		<b>2.5%</b>

# Advocate Medical Group

General Surgery, 745 Fletcher Drive, Suite 302 || Elgin, IL 60123 || T 847-695 6600 F 847-695 4279 || [amgdoctors.com](http://amgdoctors.com)

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in General Surgery. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 388 outpatient surgical procedures during this time. Of those, 97.7% were from within the geographic service area.

I expect to refer at least 330 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

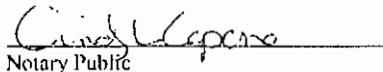
Sincerely,



Raul L. Aron, M.D.

Advocate Medical Group  
745 Fletcher Drive, Suite 302  
Elgin, IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Raul L. Aron

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60124	ALGONQUIN	9.5%
60008	AURORA	0.3%
60175	BARRINGTON	1.5%
60140	BARTLETT	4.1%
61008	BELVIDERE	1.0%
60089	BUFFALO GROVE	0.3%
60174	BURLINGTON	0.5%
60121	CAROL STREAM	0.3%
60115	DEKALB	0.3%
60118	DUNDEE	6.7%
60123	ELGIN	15.7%
60184	FOX RIVER GROVE	0.3%
60050	FRANKLIN PARK	0.5%
60133	GENEVA	0.5%
60136	GILBERTS	1.8%
60156	HAMPSHIRE	3.4%
60010	HANOVER PARK	0.5%
60102	HOFFMAN ESTATES	5.9%
60135	INGLESIDE	0.5%
60145	KINGSTON	0.3%
60146	KIRKLAND	0.5%
60014	LAFOX	2.3%
60177	LAKE IN THE HILLS	3.4%
60178	MONTGOMERY	0.3%
60109	PALATINE	0.3%
60152	RINGWOOD	0.8%
60013	ROSELLE	0.5%
60073	ROUND LAKE	0.3%
60142	SAINT CHARLES	4.9%
60169	SCHAUMBURG	0.3%
60110	SOUTH ELGIN	11.6%

60120	STREAMWOOD	14.2%
60098	VILLA PARK	1.5%
60103	WASCO	1.8%
60107	WAYNE	0.8%
60067	WINFIELD	0.3%
60074	WOODSTOCK	0.3%
	<b>Total in GSA</b>	<b>97.7%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

60462	ORLAND PARK	0.3%
60530	LEE	0.3%
60543	OSWEGO	0.5%
60638	CHICAGO	0.3%
60651	CHICAGO	0.3%
61012	CAPRON	0.3%
61065	POPLAR GROVE	0.3%
61104	ROCKFORD	0.3%
	<b>Total outside GSA</b>	<b>2.3%</b>

Ramesh R. Khanna, MD  
1425 N. McLean Blvd, Ste 900  
Elgin, IL 60123

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

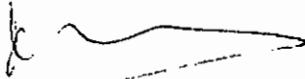
Dear Ms. Olson,

I am a physician specializing in Urology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 322 outpatient surgical procedures during this time. Of those, 98.0% were from within the geographic service area.

I expect to refer at least 254 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

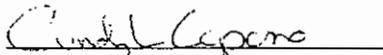
Sincerely,



Ramesh R. Khanna, M.D.

Ramesh R. Khanna, MD  
1425 N. McLean Blvd, Ste 900  
Elgin, IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Ramesh R. Khanna

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60013	ROSELLE	0.3%
60014	LAFOX	2.0%
60039	WEST CHICAGO	0.3%
60050	FRANKLIN PARK	1.0%
60067	WINFIELD	0.3%
60097	WONDER LAKE	0.3%
60098	VILLA PARK	0.7%
60102	HOFFMAN ESTATES	10.4%
60107	WAYNE	2.0%
60109	PALATINE	1.3%
60110	SOUTH ELGIN	11.7%
60118	DUNDEE	5.0%
60120	STREAMWOOD	12.8%
60123	ELGIN	22.8%
60124	ALGONQUIN	3.7%
60136	GILBERTS	0.7%
60140	BARTLETT	4.7%
60142	SAINT CHARLES	5.7%
60152	RINGWOOD	1.0%
60156	HAMPSHIRE	6.4%
60173	ARLINGTON HEIGHTS	0.3%
60175	BARRINGTON	0.3%
60177	LAKE IN THE HILLS	2.7%
60178	MONTGOMERY	0.3%
60184	FOX RIVER GROVE	0.3%
60188	ADDISON	0.3%
60554	SUGAR GROVE	0.3%
<b>Total in GSA</b>		<b>98.0%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

48706	BAY CITY	0.3%
-------	----------	------

**AOS ASSOCIATES IN  
ORTHOPAEDIC SURGERY**

1425 N. Randall Rd., Elgin, IL 60123

847.888.0750

www.bonedoctors.com

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Orthopedics. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 143 outpatient surgical procedures during this time. Of those, 97.8% were from within the geographic service area.

I expect to refer at least 116 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

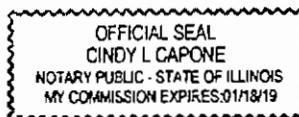


Scott W. Mox, M.D.

Associates in Orthopaedic Surgery  
1425 N. Randall Rd.  
Elgin, IL 60123

Subscribed and sworn before me this 25 day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Scott W. Mox

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60010	HANOVER PARK	0.7%
60014	LAFOX	2.2%
60098	VILLA PARK	0.7%
60102	HOFFMAN ESTATES	8.8%
60103	WASCO	2.2%
60107	WAYNE	0.7%
60108	MCHENRY	0.7%
60109	PALATINE	0.7%
60110	SOUTH ELGIN	4.4%
60118	DUNDEE	6.6%
60120	STREAMWOOD	11.8%
60123	ELGIN	16.2%
60124	ALGONQUIN	8.1%
60140	BARTLETT	8.8%
60142	SAINT CHARLES	6.6%
60145	KINGSTON	0.7%
60152	RINGWOOD	2.2%
60156	HAMPSHIRE	1.5%
60169	SCHAUMBURG	1.5%
60175	BARRINGTON	1.5%
60177	LAKE IN THE HILLS	6.6%
60178	MONTGOMERY	0.7%
60181	VILLA PARK	0.7%
60192	HUNTLEY	1.5%
60194	BLOOMINGDALE	0.7%
60563	NAPERVILLE	0.7%
Total in GSA		97.8%

Patients from outside the Geographic Service Area of the proposed ASTC

48188	CANTON	0.7%
61065	POPLAR GROVE	0.7%
62298	WATERLOO	0.7%
Total outside GSA		2.2%



Specialty Care Institute

ENT, Sinus & Hearing

1710 N. Randall Rd., Suite 210, Elgin IL 60123  
847.888.9000 / www.specialtycareinstitute.com

August 25, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Olson,

I am a physician specializing in Otolaryngology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 85 outpatient surgical procedures during this time. Of those, 97.6% were from within the geographic service area.

I expect to refer at least 70 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

Aijaz Alvi, M.D., FACS

Specialty Care Institute  
1710 N. Randall Rd., Suite 210  
Elgin IL 60123

Subscribed and sworn before me this 25<sup>th</sup> day of August, 2016

Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Aijaz Alvi

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60014	LAFOX	4.9%
60041	INGLESIDE	1.2%
60047	ROUND LAKE	2.4%
60050	FRANKLIN PARK	1.2%
60098	VILLA PARK	2.4%
60102	HOFFMAN ESTATES	9.8%
60103	WASCO	2.4%
60107	WAYNE	2.4%
60110	SOUTH ELGIN	2.4%
60112	CORTLAND	1.2%
60118	DUNDEE	1.2%
60120	STREAMWOOD	4.9%
60123	ELGIN	13.4%
60124	ALGONQUIN	13.4%
60133	GENEVA	1.2%
60135	INGLESIDE	1.2%
60140	BARTLETT	2.4%
60142	SAINT CHARLES	3.7%
60152	RINGWOOD	2.4%
60156	HAMPSHIRE	7.3%
60175	BARRINGTON	2.4%
60177	LAKE IN THE HILLS	7.3%
60178	MONTGOMERY	1.2%
60180	GLENDALE HEIGHTS	1.2%
60194	BLOOMINGDALE	1.2%
60195	ISLAND LAKE	1.2%
60538	MONTGOMERY	1.2%
Total in GSA		97.6%

Patients from outside the Geographic Service Area of the proposed ASTC

60565	NAPERVILLE	1.2%
61115	MACHESNEY PARK	1.2%
Total outside GSA		2.4%

OPHTHALMOLOGY ASSOCIATES  
*Diseases and Surgery of the Eye*

1670 Capital Street Suite 100, Elgin, IL 60124  
(847) 888-2020

August 29, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

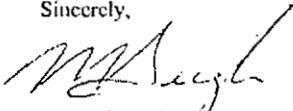
Dear Ms. Olson,

I am a physician specializing in Ophthalmology. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 62 outpatient surgical procedures during this time. Of those, 96.8% were from within the geographic service area.

I expect to refer at least 53 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

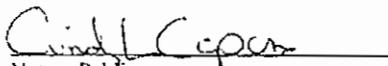
I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

  
Michael Lee Seigle, M.D.

Ophthalmology Associates  
1670 Capital Street Suite 100  
Elgin, IL 60124

Subscribed and sworn before me this 29<sup>th</sup> day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Michael Lee Seigle

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60010	HANOVER PARK	1.6%
60014	LAFOX	1.6%
60021	CRYSTAL LAKE	1.6%
60107	WAYNE	3.2%
60110	SOUTH ELGIN	6.5%
60118	DUNDEE	4.8%
60120	STREAMWOOD	6.5%
60123	ELGIN	16.1%
60124	ALGONQUIN	16.1%
60134	LAKE ZURICH	1.6%
60136	GILBERTS	3.2%
60140	BARTLETT	9.7%
60142	SAINT CHARLES	4.8%
60152	RINGWOOD	1.6%
60156	HAMPSHIRE	1.6%
60174	BURLINGTON	1.6%
60177	LAKE IN THE HILLS	8.1%
60178	MONTGOMERY	1.6%
60188	ADDISON	1.6%
60193	BATAVIA	1.6%
61008	BELVIDERE	1.6%
<b>Total in GSA</b>		<b>96.8%</b>

Patients from outside the Geographic Service Area of the proposed ASTC

60446	ROMEDEVILLE	1.6%
61065	POPLAR GROVE	1.6%
<b>Total outside GSA</b>		<b>3.2%</b>

**AOS ASSOCIATES IN  
ORTHOPAEDIC SURGERY**

1425 N. Randall Rd., Elgin, IL 60123

847.888.0750

www.boncdctors.com

August 30, 2016

Kathryn J. Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

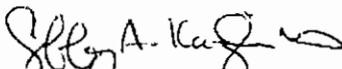
Dear Ms. Olson,

I am a physician specializing in Orthopedics. I am writing in support of the establishment of the proposed ambulatory surgery treatment center (ASTC) on Randall Road on the campus of Advocate Sherman Hospital in Elgin, IL. The table attached to this letter shows the outpatient surgical procedures I have performed in the recent 12 months at Advocate Sherman Hospital by the zip codes of origin of the patients. I performed 189 outpatient surgical procedures during this time. Of those, 97.3% were from within the geographic service area.

I expect to refer at least 157 patients to the proposed ASTC within twelve months after project completion, all from my volume of work currently referred to Advocate Sherman Hospital. I will continue to do procedures at other facilities where I have medical staff privileges, as referrals or managed care contracts dictate.

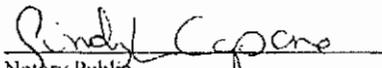
I certify these referrals have not been used to support another pending or approved certificate of need application. The information provided in this letter is true and correct to the best of my knowledge.

Sincerely,

  
Jeffrey A. Kazaglis, M.D.

Associates in Orthopaedic Surgery  
1425 N. Randall Rd.  
Elgin, IL 60123

Subscribed and sworn before me this 30 day of August, 2016

  
Notary Public



CON Application for proposed Ambulatory Surgery Treatment Center in Elgin, IL

Referring Physician: Dr. Jeffrey A. Kazaglis

Outpatient surgical patients seen at Advocate Sherman Hospital in recent 12 month period are show in the table below

Patients from within the Geographic Service Area of the proposed ASTC

Zip Code Origin of Patients	City Linked to Zip Code	Percent of OP Cases in reporting period
60010	HANOVER PARK	2.2%
60014	LAFOX	2.2%
60047	ROUND LAKE	0.5%
60050	FRANKLIN PARK	1.1%
60067	WINFIELD	0.5%
60068	PARK RIDGE	0.5%
60102	HOFFMAN ESTATES	4.9%
60103	WASCO	1.1%
60110	SOUTH ELGIN	9.2%
60118	DUNDEE	4.3%
60120	STREAMWOOD	12.4%
60123	ELGIN	18.9%
60124	ALGONQUIN	7.6%
60133	GENEVA	0.5%
60134	LAKE ZURICH	1.1%
60136	GILBERTS	3.8%
60140	BARTLETT	5.4%
60142	SAINT CHARLES	4.9%
60145	KINGSTON	0.5%
60152	RINGWOOD	0.5%
60156	HAMPSHIRE	3.8%
60174	BURLINGTON	0.5%
60175	BARRINGTON	1.1%
60177	LAKE IN THE HILLS	4.9%
60178	MONTGOMERY	0.5%
60180	GLENDALE HEIGHTS	0.5%
60185	MOOSEHEART	0.5%
60187	ELMHURST	0.5%
60194	BLOOMINGDALE	0.5%
60505	AURORA	1.1%
60510	EOLA	1.1%

Total in GSA

97.3%

Patients from outside the Geographic Service Area of the proposed ASTC

60025	GLENVIEW	0.5%
60002	ANTIOCH	0.5%
60033	HARVARD	0.5%
60551	SHERIDAN	0.5%
61114	ROCKFORD	0.5%
Total outside GSA		2.7%

# Appendix B

## Surgery Centers in Geographic Service Area

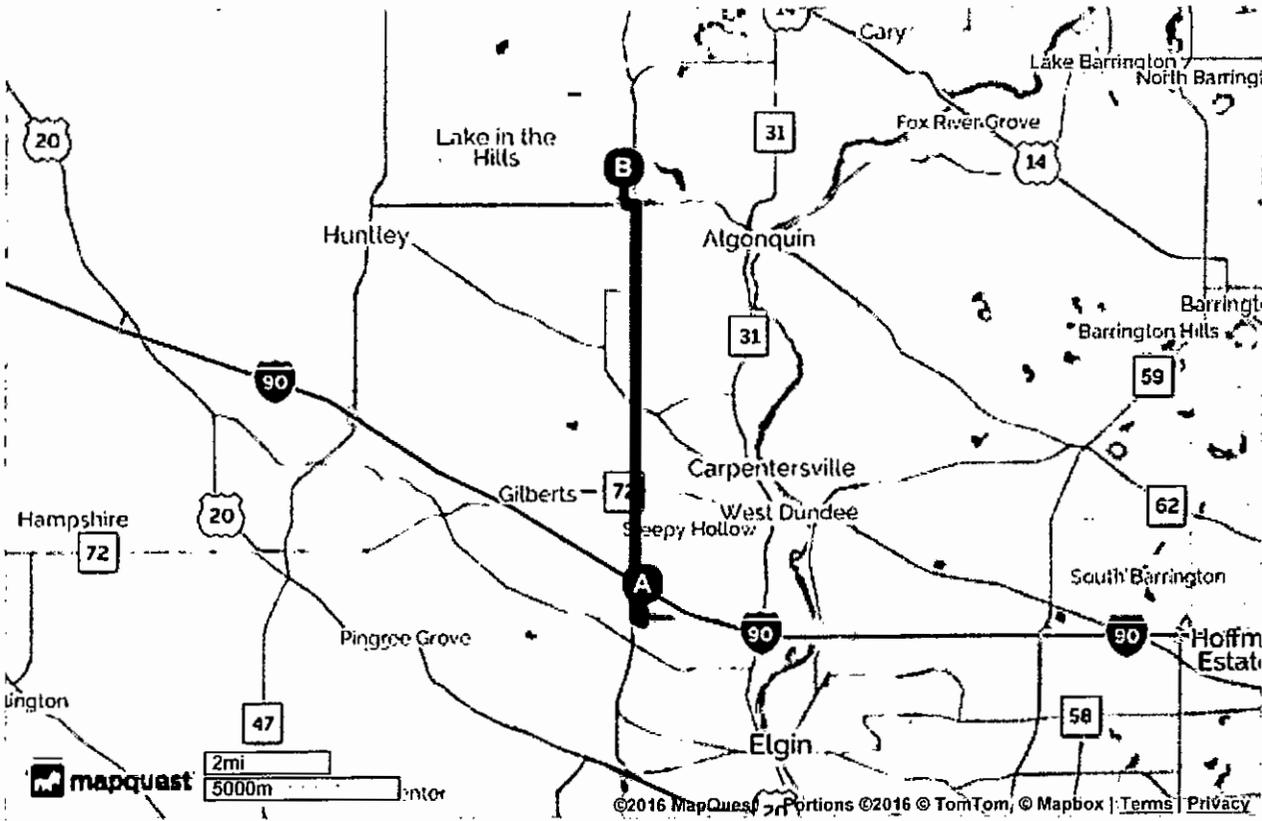
	Surgery Centers in Geographic Service Area	Address	City	Specialties Reported	Time in minutes	Time adj. *1.15	ORs reported for 2014	Hours reported for 2014	# ORs Justified
1	Algonquin Road Surgery Center LLC	2550 W Algonquin Rd	Lake In The Hills	Multi	12	13.8	3	2,765	1.84
2	Ashton Center for Day Surgery	1800 McDonough Rd	Hoffman Estates	Multi	12	13.8	4	2,105	1.40
3	Hoffman Estates Surgery Center LLC	1555 Barrington Rd	Hoffman Estates	Multi	16	18.4	3	3,322	2.21
4	Valley Ambulatory Surgery Center	2210 Dean St	St. Charles	Multi	16	18.4	7	5,143	3.43
5	Tri-Cities Surgery Center LLC3	345 Delnor Dr	Geneva	Multi	20	23.0	3	1,443	0.96
6	Fox Valley Orthopaedic Institute	2525 Kaneville Rd	Geneva	Multi	21	24.2	4	4,155	2.77
7	Illinois Hand & Upper Extremity Center	515 West Algonquin Road	Arlington Heights	Limited	22	25.3	1	954	0.64
8	Barrington Pain And Spine Institute LLC	600 Hart Rd	Barrington	Limited	23	26.5	2	484	0.32
9	Northwest Surgicare	1100 W Central Rd	Arlington Heights	Multi	24	27.6	4	3,001	2.00
10	Northwest Community Day Surgery	675 W Kirchhoff Rd	Arlington Heights	Multi	25	28.8	10	9,420	6.28
11	Aiden Center For Day Surgery LLC	1580 W Lake St	Addison	Multi	27	31.1	4	959	0.64
12	Advantage Health Care, Ltd.	203 E. Irving Park Road	Wood Dale	Limited	30	34.5	2	1,496	1.00
13	Apollo Surgical Center	2750 South River Road	Des Plaines	Limited	30	34.5	2	63	0.04
14	Dreyer Ambulatory Surgery Center	1221 N Highland Ave	Aurora	Multi	33	38.0	4	2,920	1.95
15	Regenerative Surgery Center	1455 Golf Road	Des Plaines	Multi	33	38.0	3	1,133	0.76
16	Dupage Eye Surgery Center	2015 N Main St	Wheaton	Limited	34	39.1	3	2,273	1.52
17	Golf Surgical Center, LLC	8901 Golf Road	Des Plaines	Multi	35	40.3	5	4,248	2.83
18	Loyola Ambulatory Surgical Center At Oakbrook	1 S 224 Summit Ave	Oakbrook Terrace	Multi	37	42.6	3	2,897	1.93
19	Elmhurst Medical & Surgical Center P.C.	340 West Butterfield Rd, Suite 110	Elmhurst	Limited	37	42.6	1	128	0.09
20	Midwest Center For Day Surgery	3811 Highland Ave	Downers Grove	Multi	38	43.7	5	3,215	2.14
21	Cadence Ambulatory Surgery Center LLC4	27650 Ferry Rd	Warrenville	Limited	38	43.7	4	4,811	3.21
22	Midland Surgical Center	2120 Midlands Ct.	Sycamore	Multi	38	43.7	3	2,264	1.51
23	The Oak Brook Surgical Centre	2425 W. 22nd Street, Ste. 101	Oak Brook	Multi	38	43.7	5	2,930	1.95
24	Children's Outpatient Services at Westchester	2301 Enterprise Drive	Westchester	Multi	38	43.7	3	2,992	1.99
25	Illinois Sports Medicine & Orthopedic Surgery Center	9000 Waukegan Road, Suite 110	Morton Grove	Multi	38	43.7	4	2,943	1.96
26	Hinsdale Surgical Center	908 N. Elm Street, Suite 401	Hinsdale	Multi	39	44.9	4	4,761	3.17
27	Elmhurst Outpatient Surgery Center, LLC	1200 S. York Road, Suite 140	Elmhurst	Multi	39	44.9	4	1,665	1.11
28	Eye Surgery Center of Hinsdale, LLC	950 North York Road, Ste 203	Hinsdale	Limited	39	44.9	2	2,500	1.67



Trip to:  
**2550 W Algonquin Rd**  
Lake In The Hills, IL 60156-3503  
7.62 miles / 12 minutes

Notes

Algonquin Road



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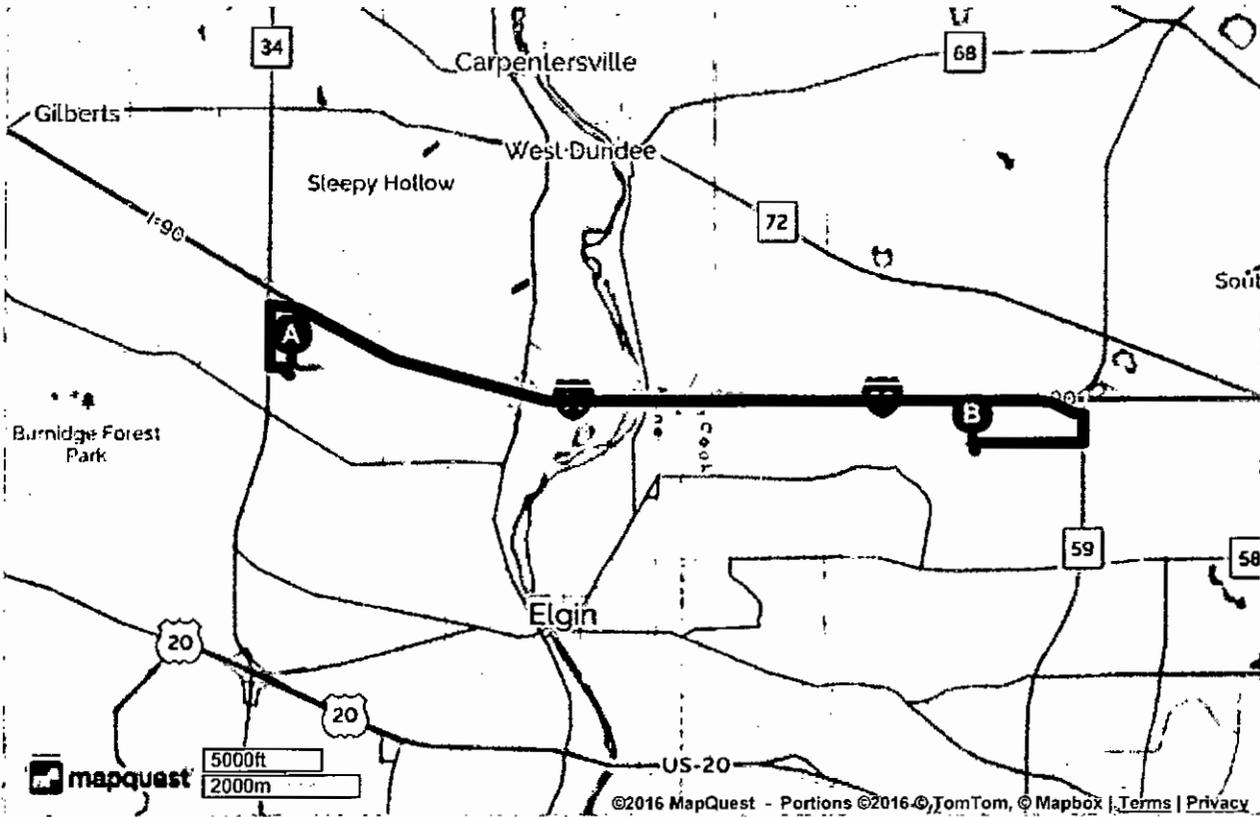
210



Trip to:  
**1800 McDonough Rd**  
Hoffman Estates, IL 60192-4520  
9.54 miles / 12 minutes

Notes

Ashton Center for Day Surgery



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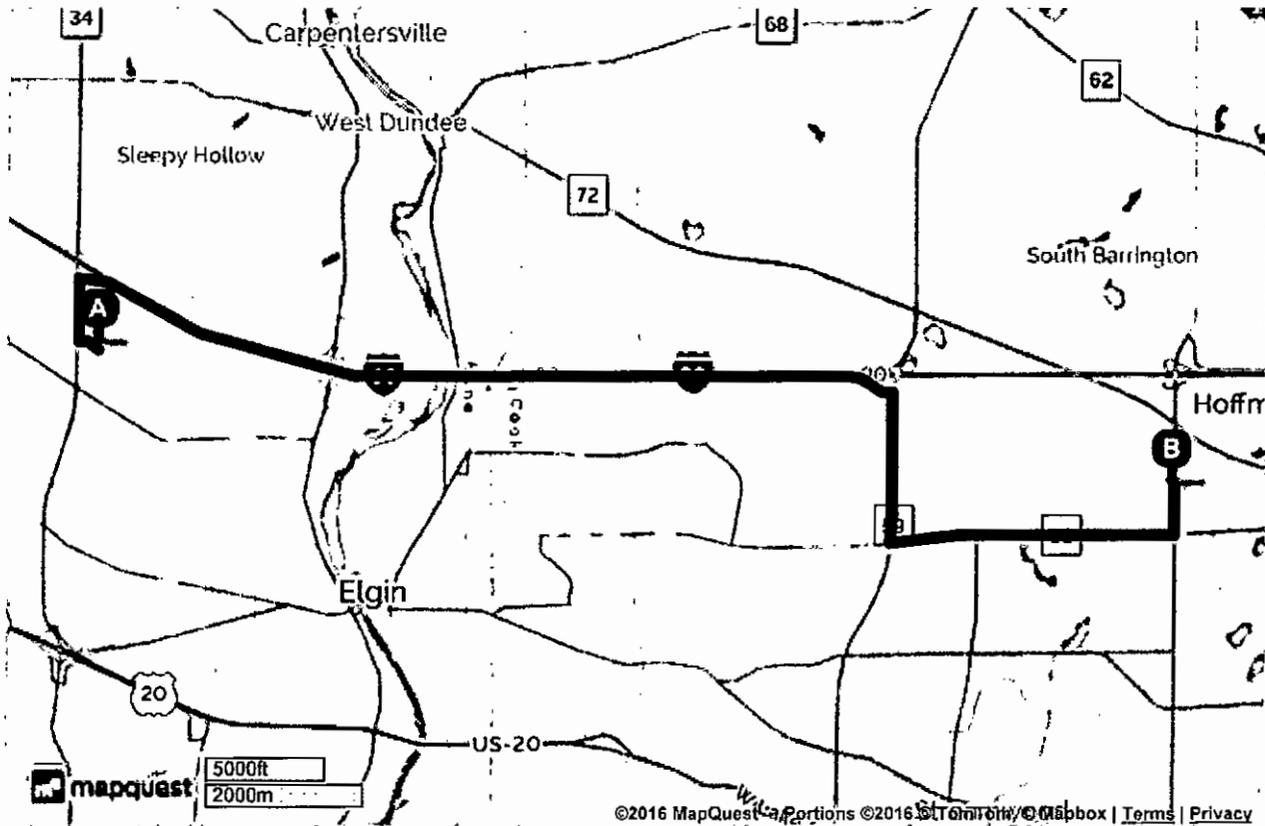
211



Trip to:  
**1555 Barrington Rd**  
Hoffman Estates, IL 60169-1018  
12.54 miles / 16 minutes

Notes

Hoffman Estate Surgery Center



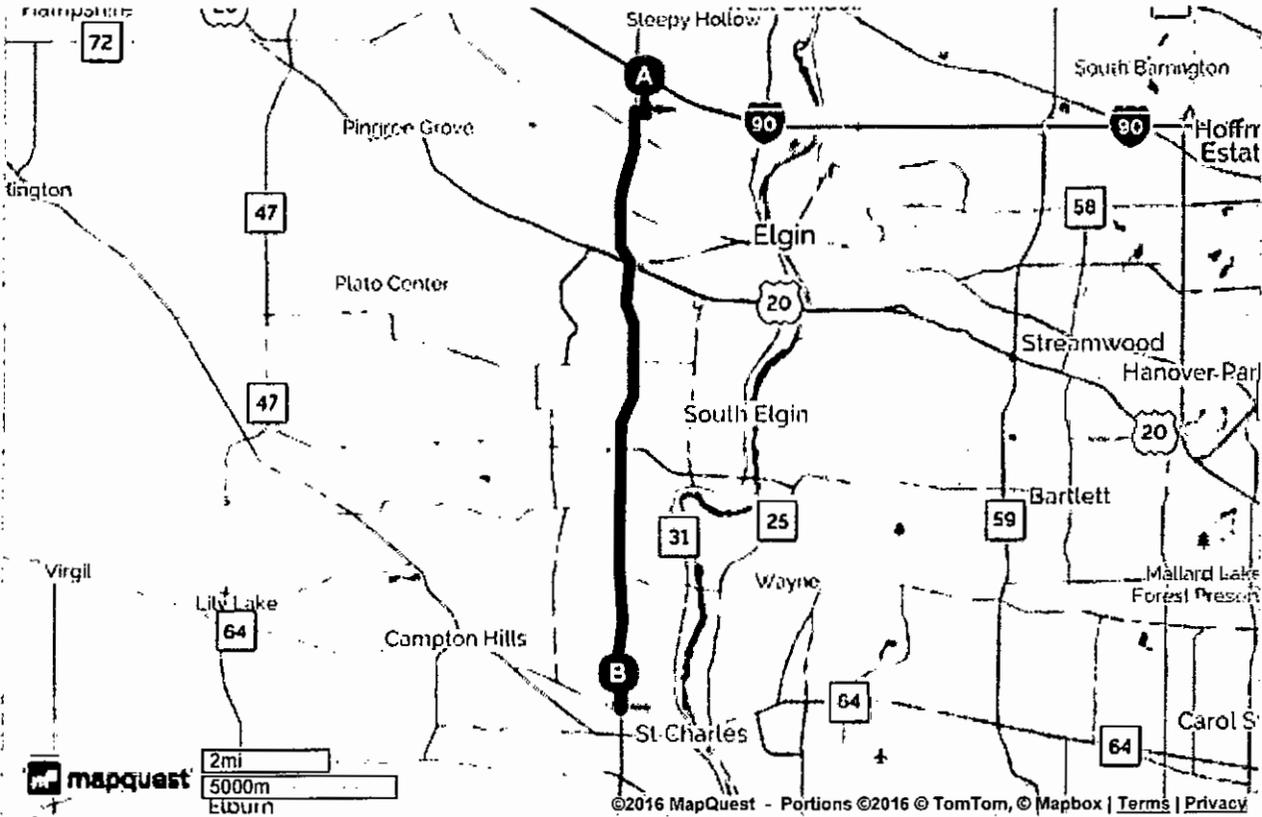
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212



Trip to:  
**2210 Dean St**  
Saint Charles, IL 60175-1032  
10.96 miles / 16 minutes

Notes  
Valley ASC



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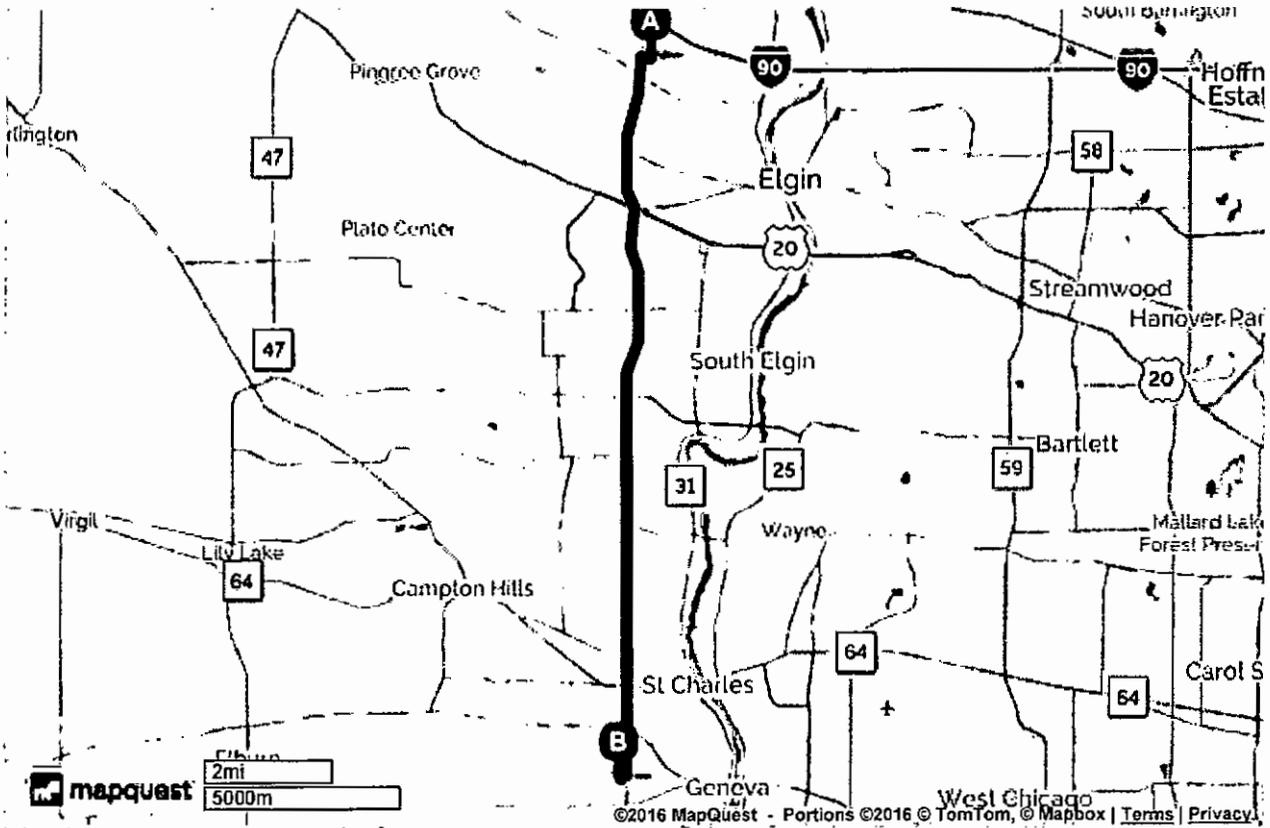
213



Trip to:  
**[200 - 298] Delnor Dr**  
Geneva, IL 60134  
13.07 miles / 20 minutes

Notes

Tri-Cities Surgery Center



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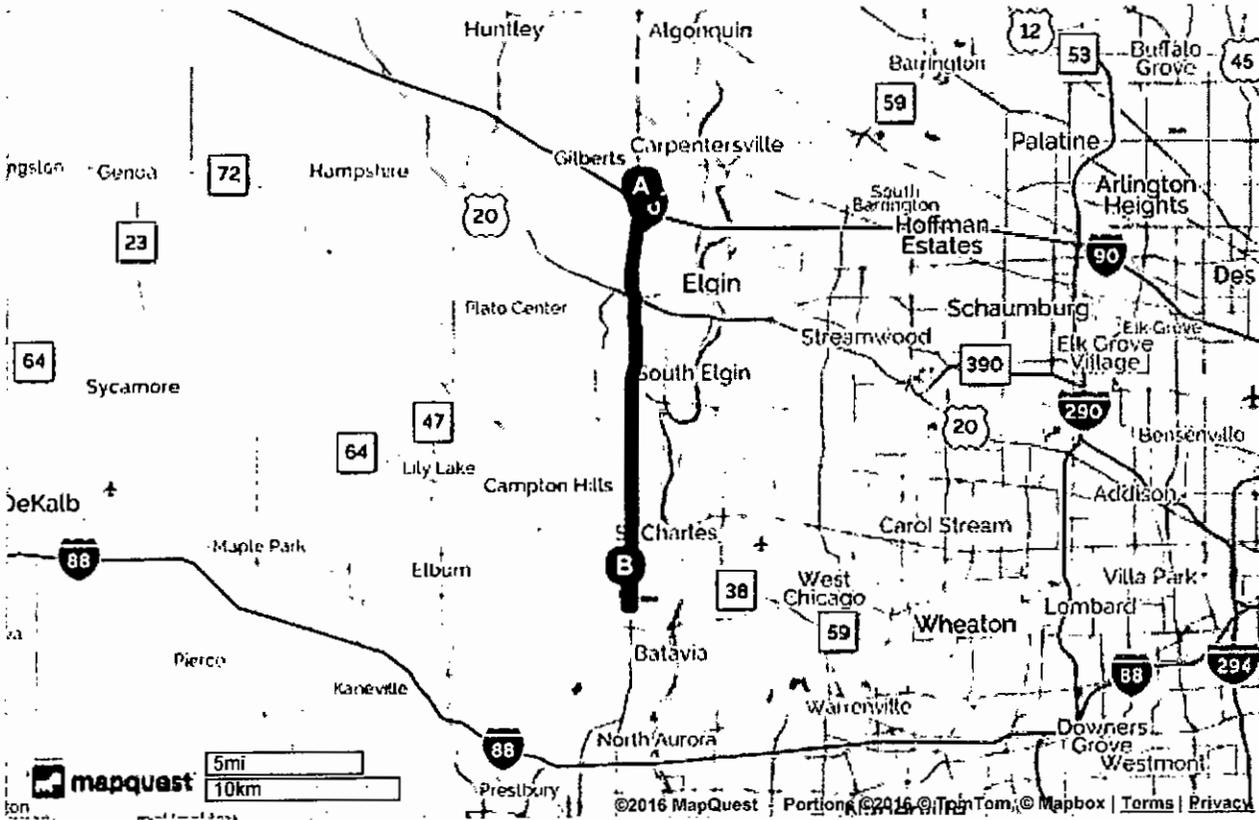
214



Trip to:  
**2525 Kaneville Rd**  
Geneva, IL 60134-2578  
14.19 miles / 21 minutes

Notes

Fox Valley Orthopaedic Institute



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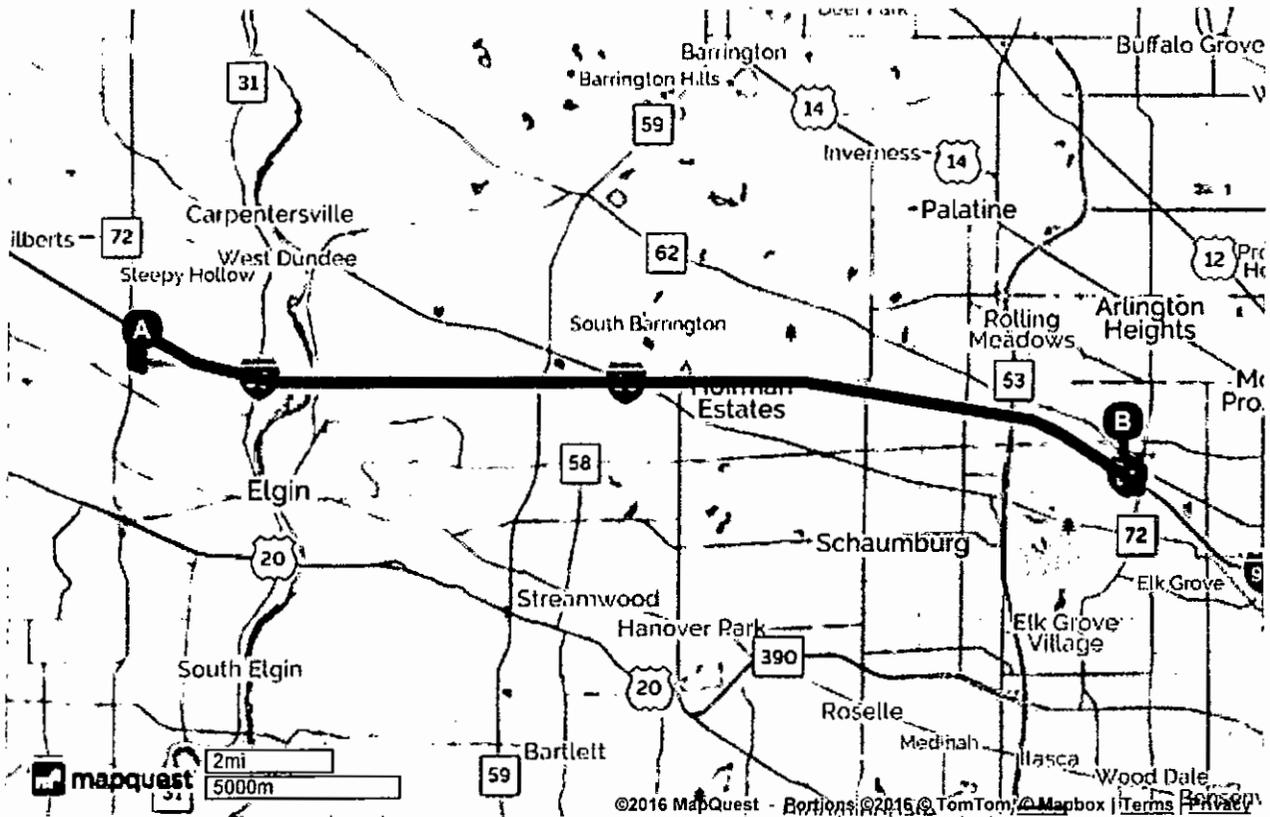
215



Trip to:  
**515 W Algonquin Rd**  
Arlington Heights, IL 60005-4411  
20.21 miles / 22 minutes

Notes

Illinois Hand & Upper Extremity Center



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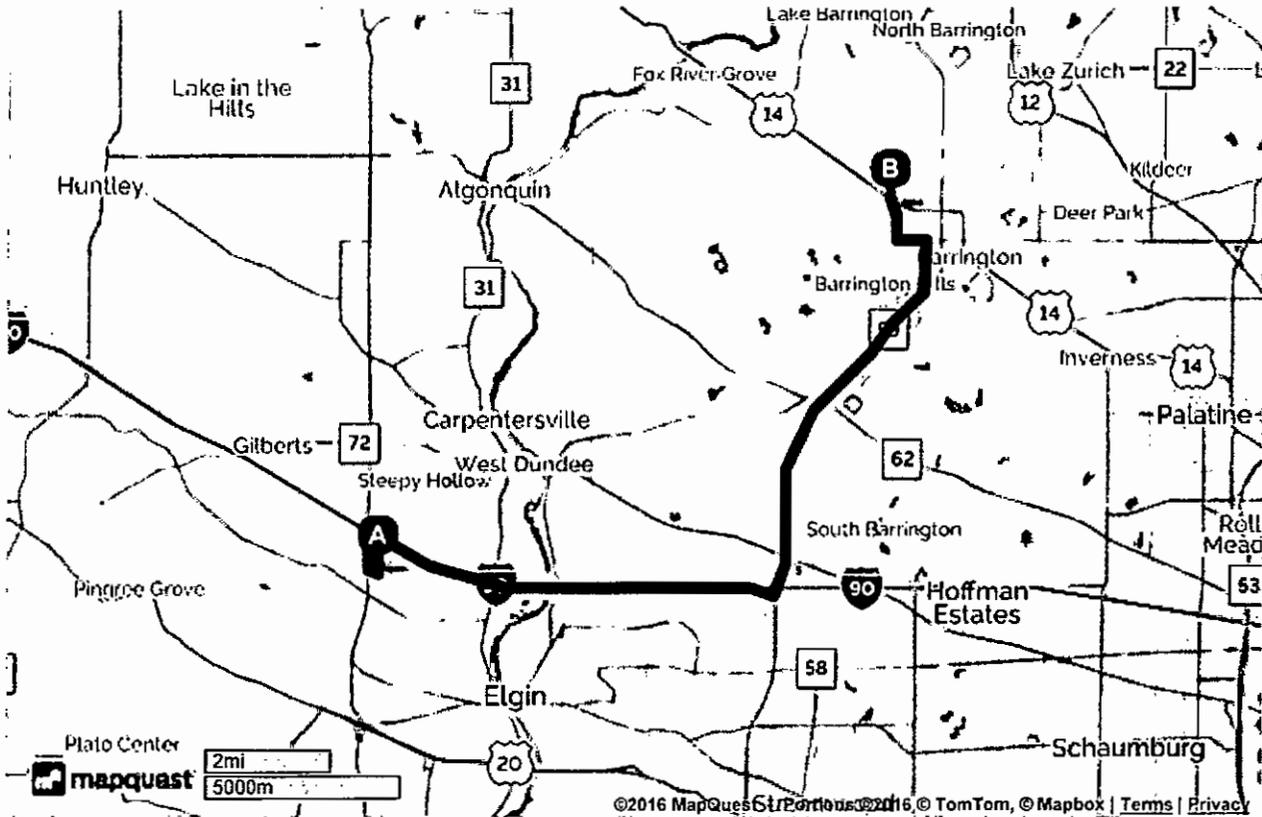
216



Trip to:  
**600 Hart Rd**  
Barrington, IL 60010-2603  
16.59 miles / 23 minutes

Notes

Barrington Pain and Spine



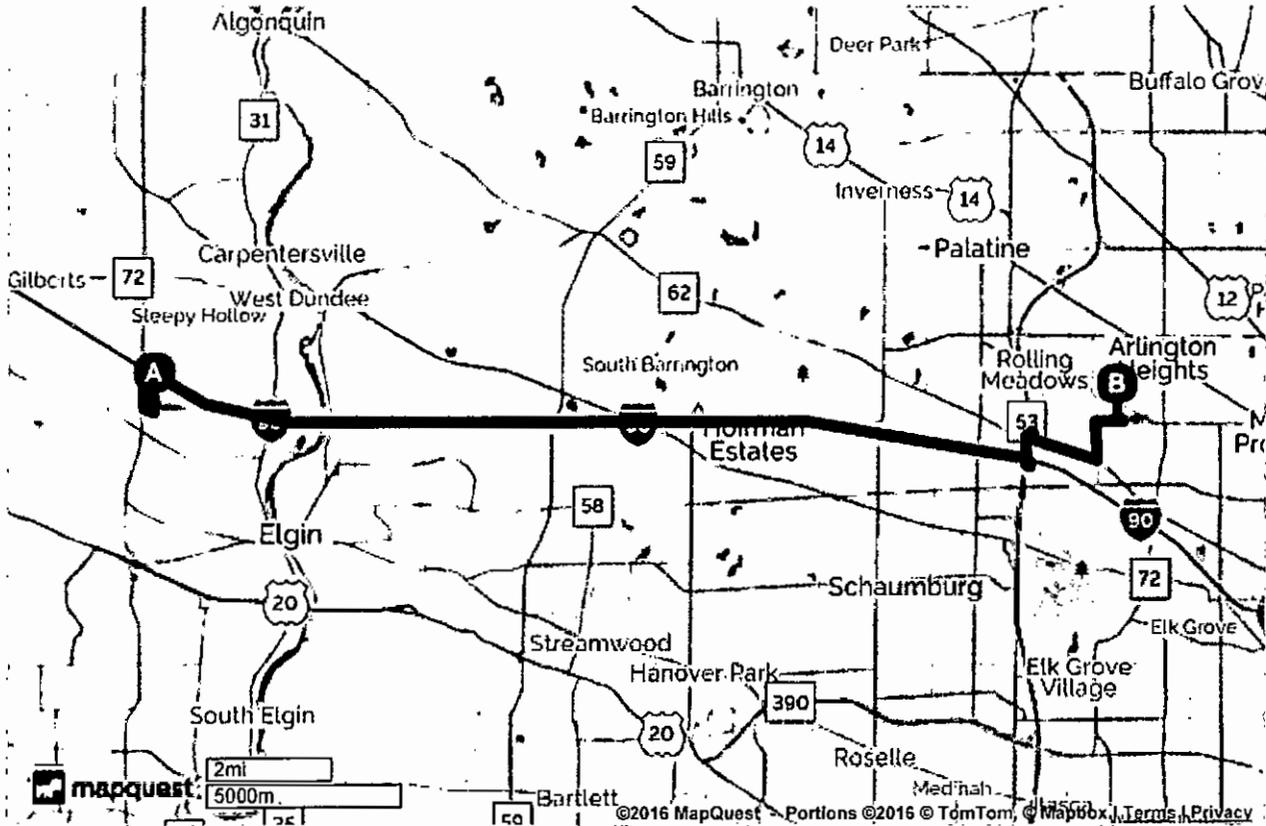
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217



Trip to:  
**1100 W Central Rd**  
Arlington Heights, IL 60005-2401  
20.40 miles / 24 minutes

Notes  
Northwest Surgicare



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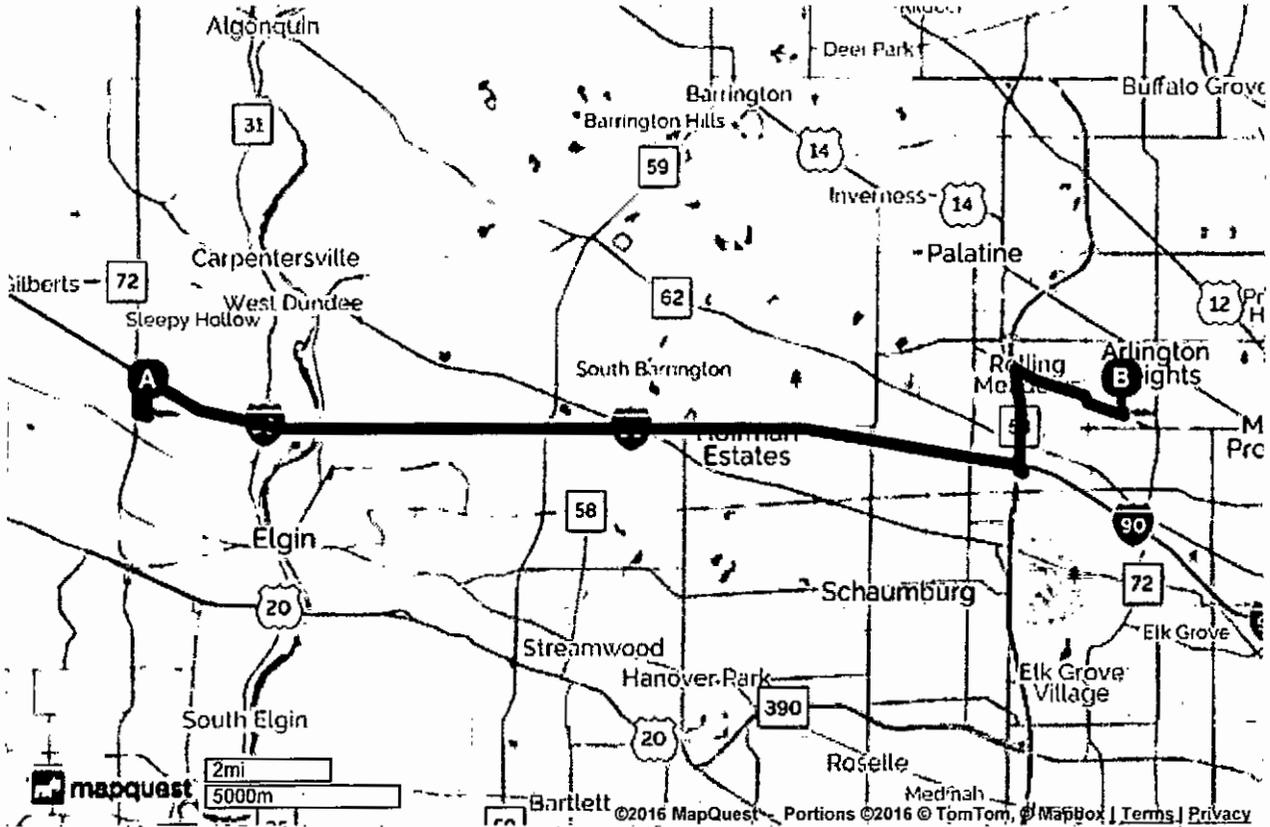
218



Trip to:  
**675 W Kirchhoff Rd**  
Arlington Heights, IL 60005-2371  
21.08 miles / 25 minutes

Notes

Northwest Community Day Surgery



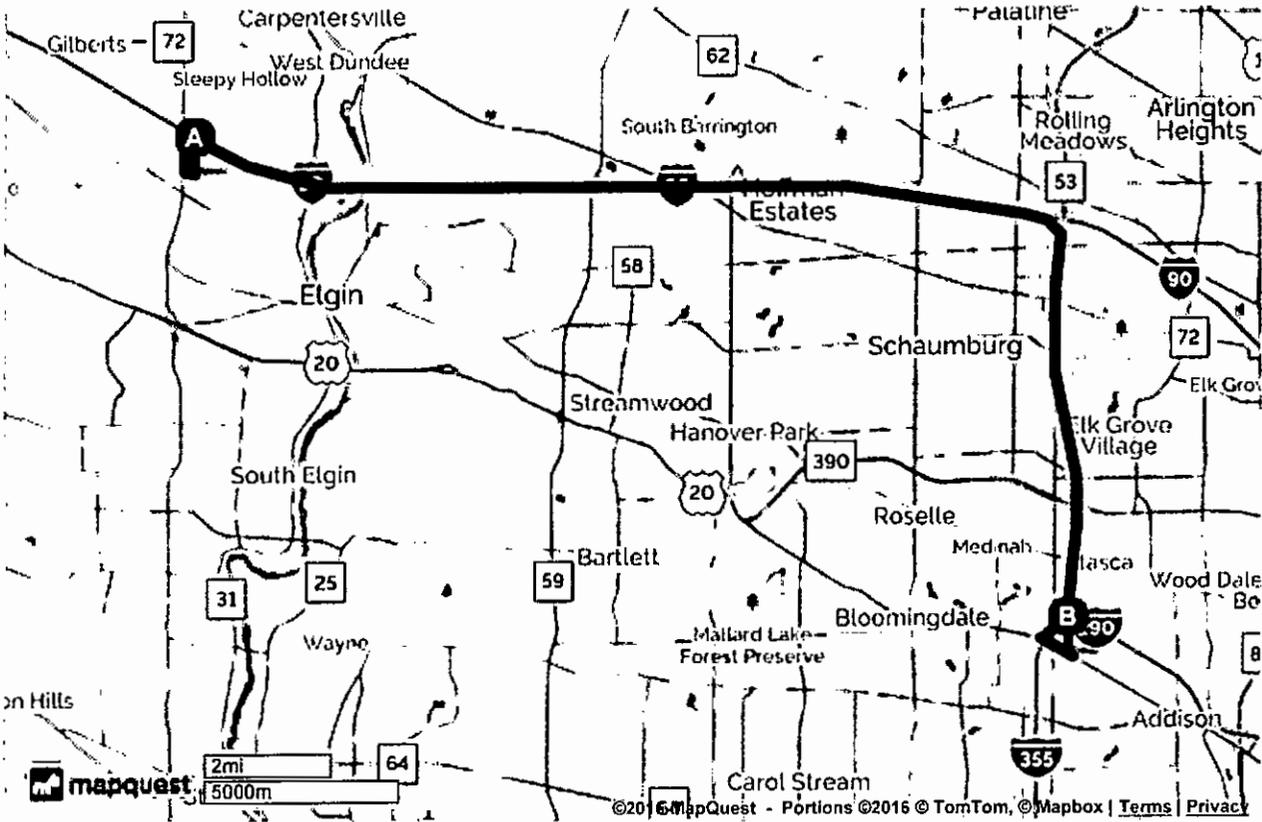
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219



Trip to:  
**1580 W Lake St**  
Addison, IL 60101-1171  
24.84 miles / 27 minutes

Notes  
Aiden Center for Day Surgery



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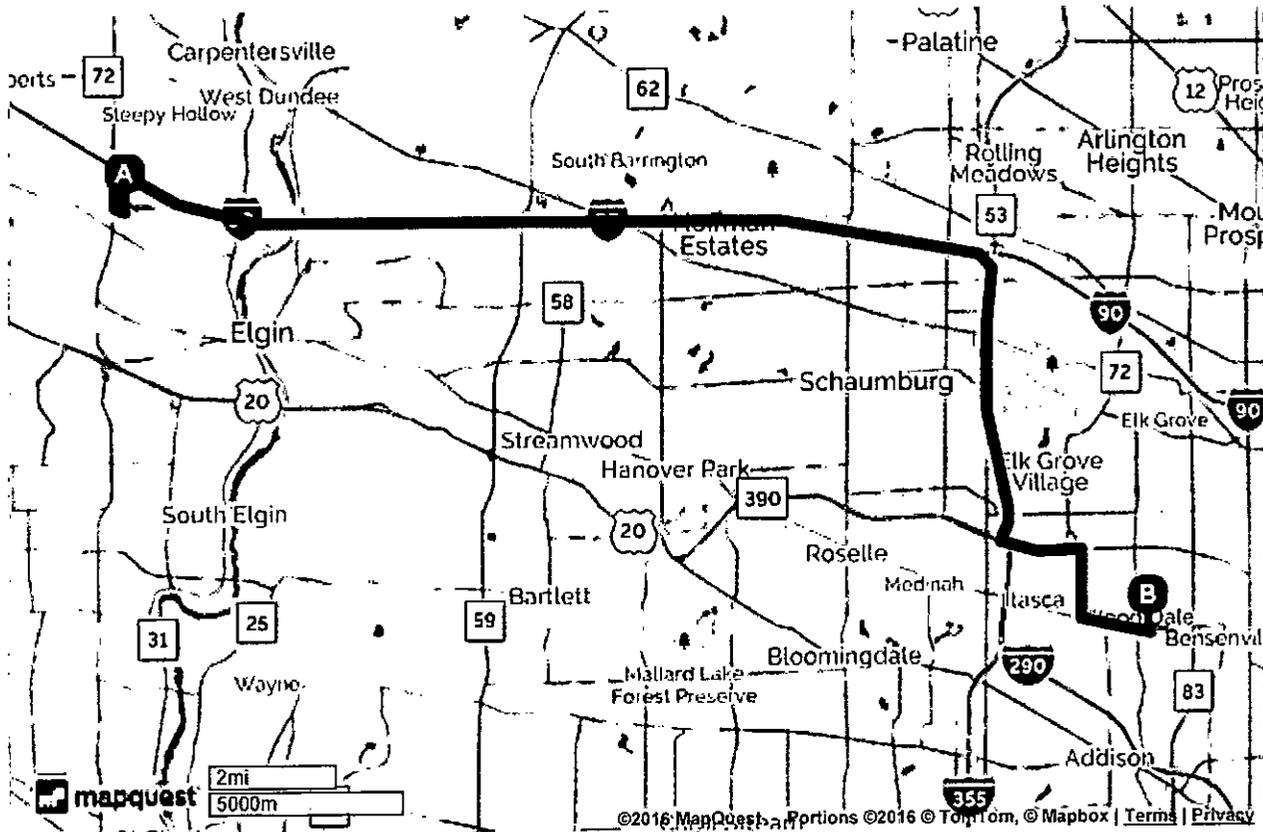
220



Trip to:  
**203 E Irving Park Rd**  
Wood Dale, IL 60191-2045  
25.56 miles / 30 minutes

Notes

Advantage Health Care, Ltd.



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221



Trip to:

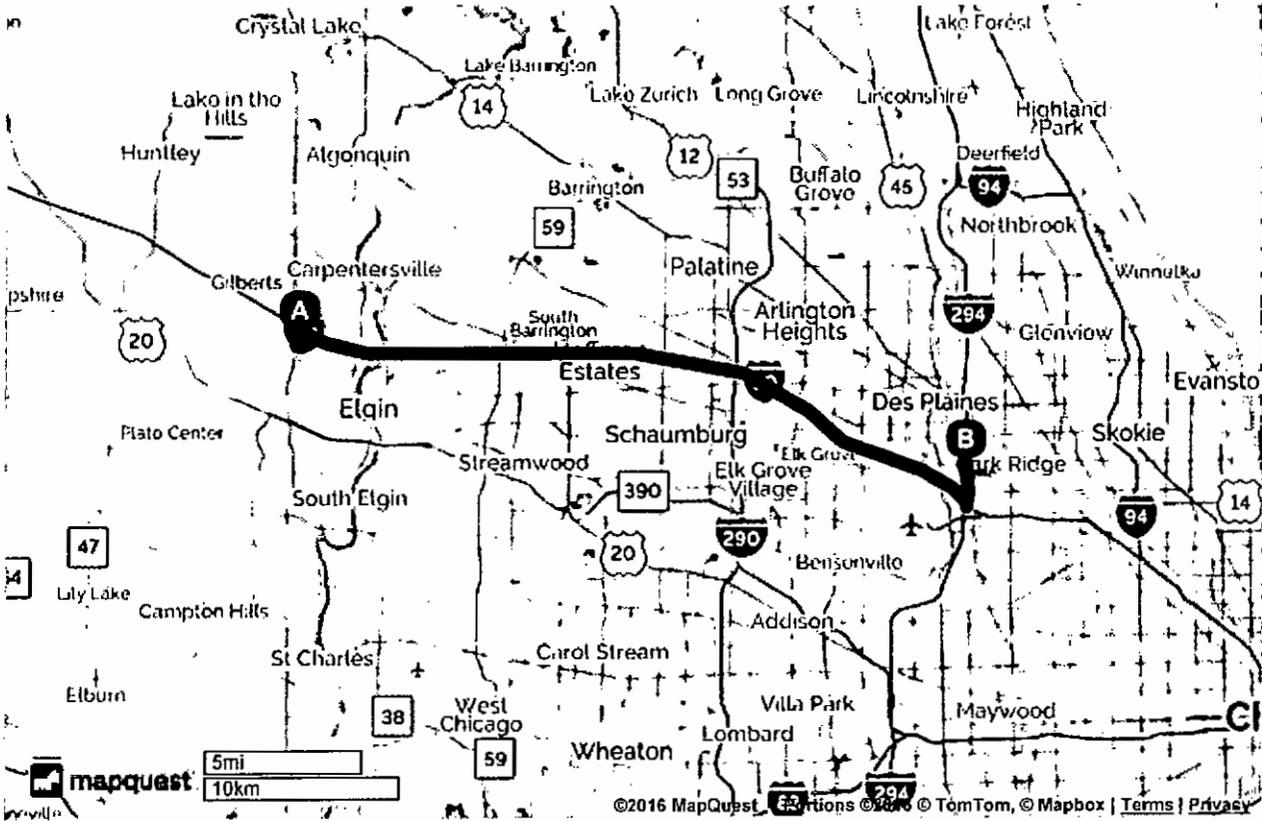
**2750 S River Rd**

Des Plaines, IL 60018-4103

29.04 miles / 30 minutes

Notes

Apollo Surgical Center



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222



Notes

Dreyer ASC

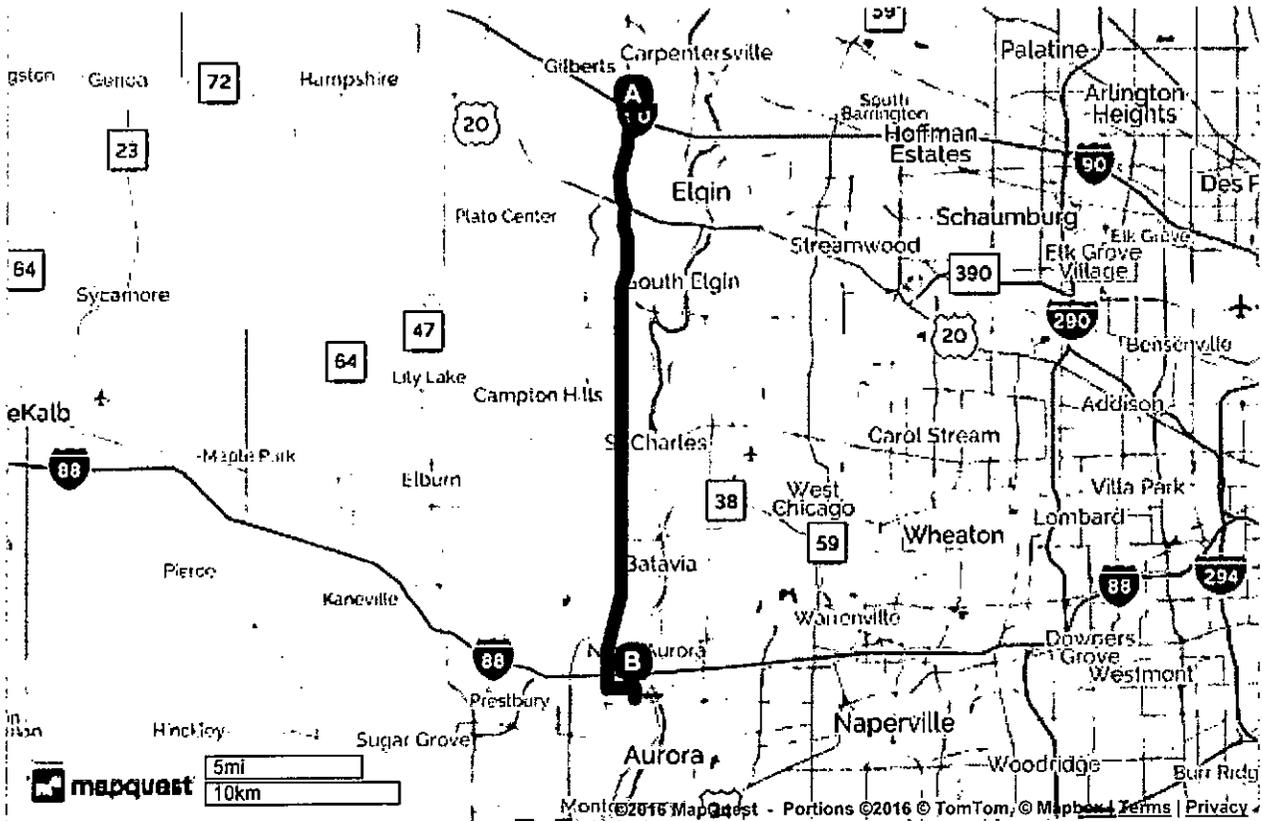


Trip to:

**1221 N Highland Ave**

Aurora, IL 60506-1404

21.48 miles / 33 minutes



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223



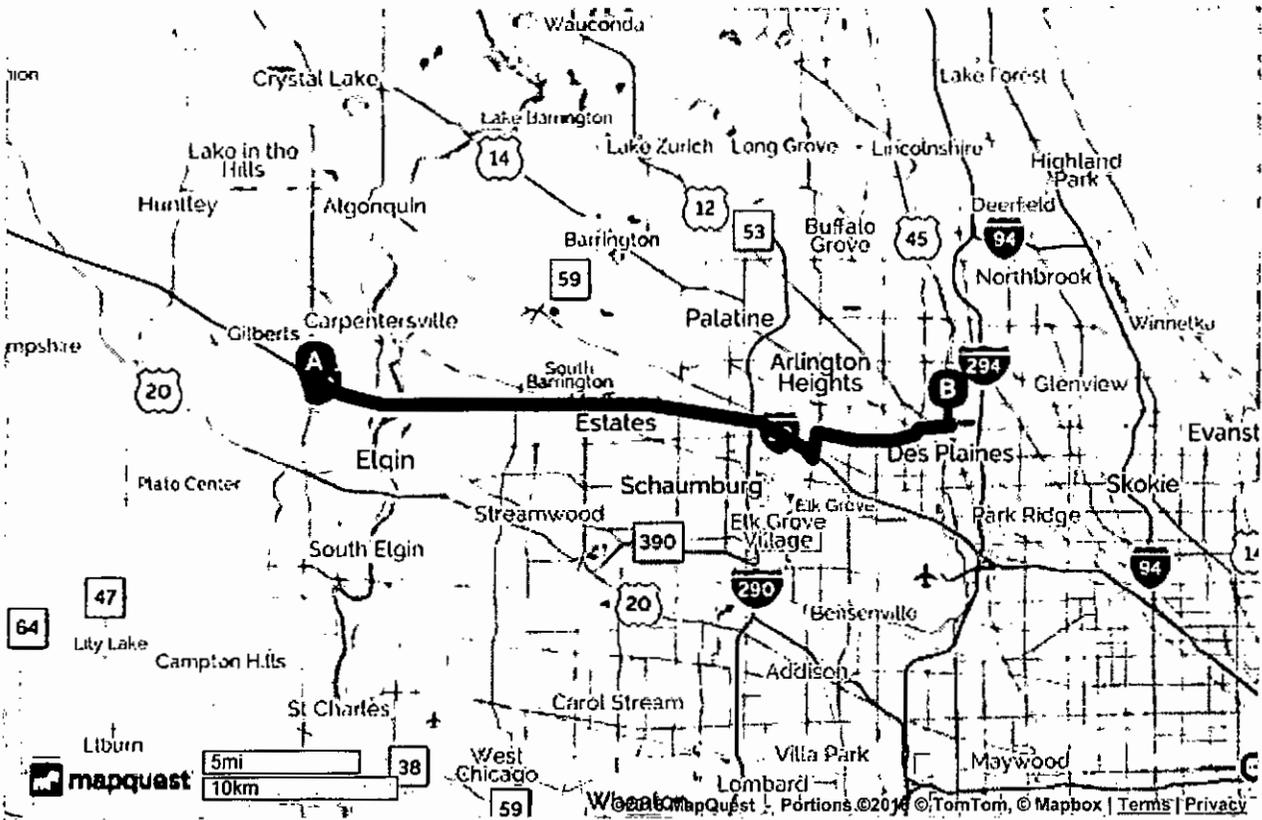
Trip to:  
**1455 E Golf Rd**  
Des Plaines, IL 60016-1206  
25.39 miles / 33 minutes

Notes

Regenerative Surgery Center

↑

↓



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224



Notes

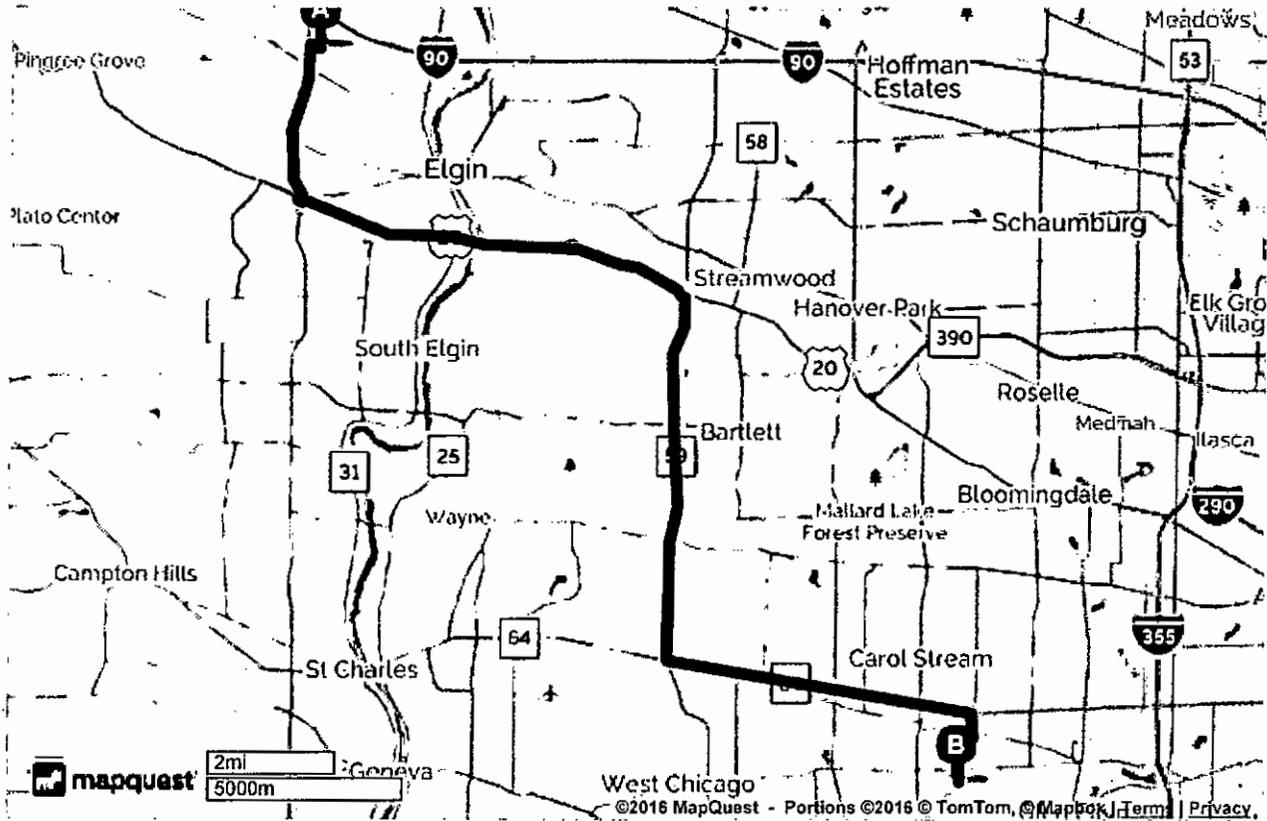
Dupage Eye Surgery

Trip to:

**2015 N Main St**

Wheaton, IL 60187-3152

23.87 miles / 34 minutes



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225

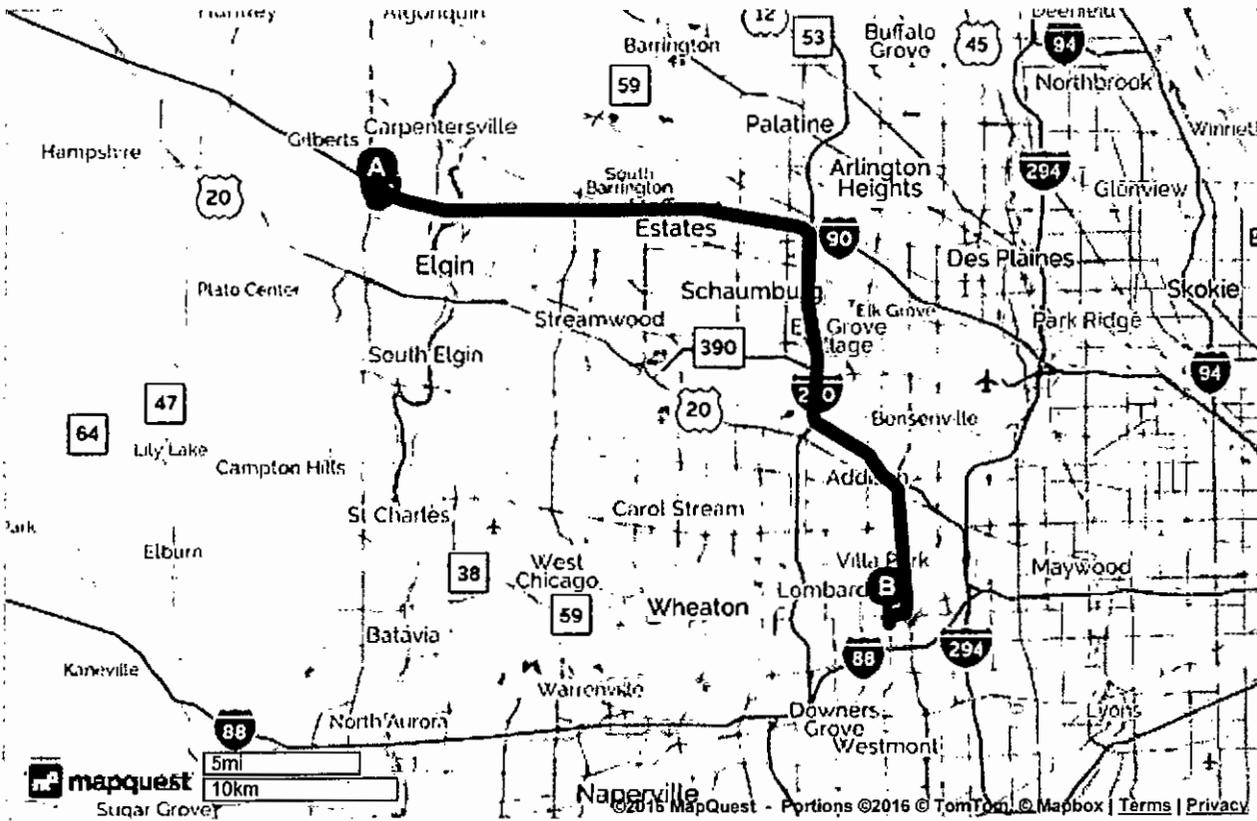


Notes



Trip to:

**Loyola Ambulatory Surgery Center  
At Oakbrook**  
**1S224 Summit Ave**  
Oakbrook Terrace, IL 60181  
(630) 916-7088  
32.75 miles / 37 minutes



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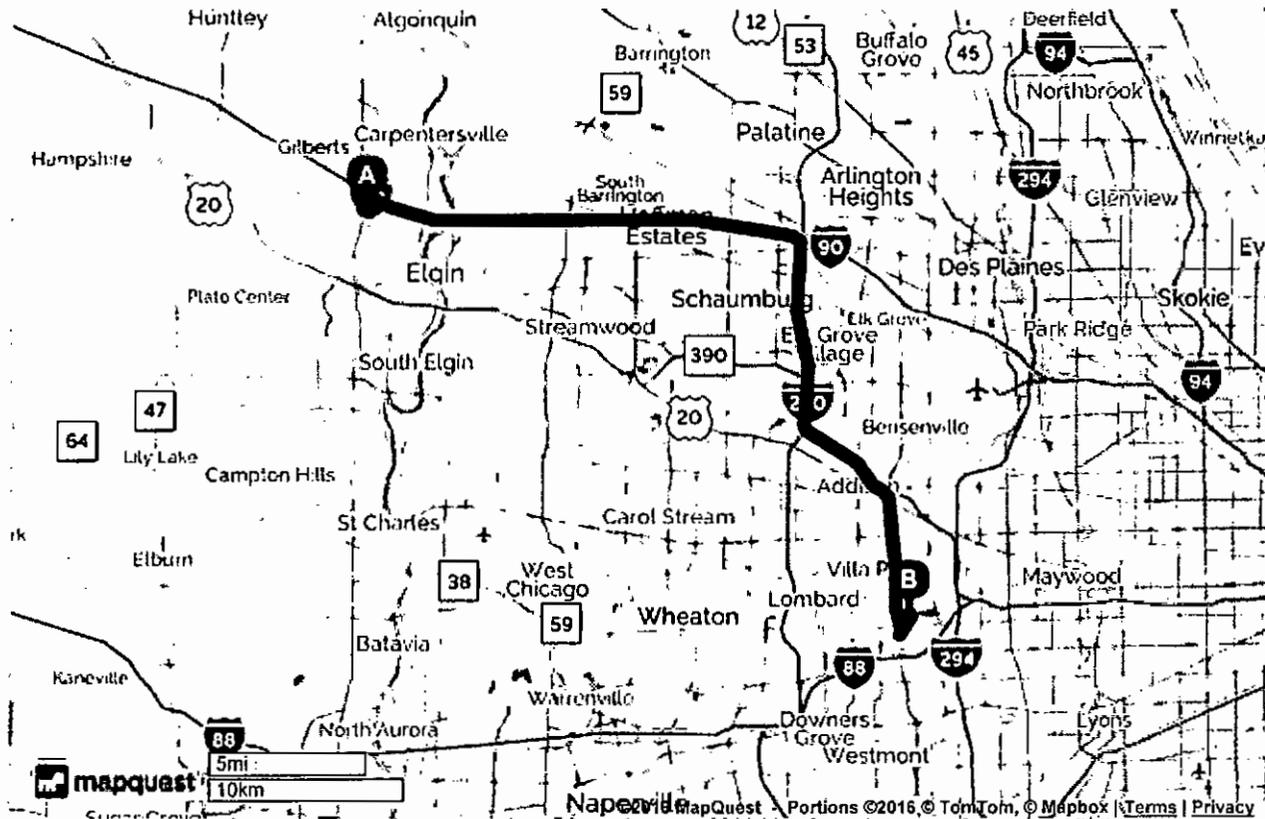
227



Trip to:  
**340 W Butterfield Rd, SUITE 1B**  
Elmhurst, IL 60126-5076  
33.10 miles / 37 minutes

Notes

Elmhurst Medical & Surgical Center P.C.



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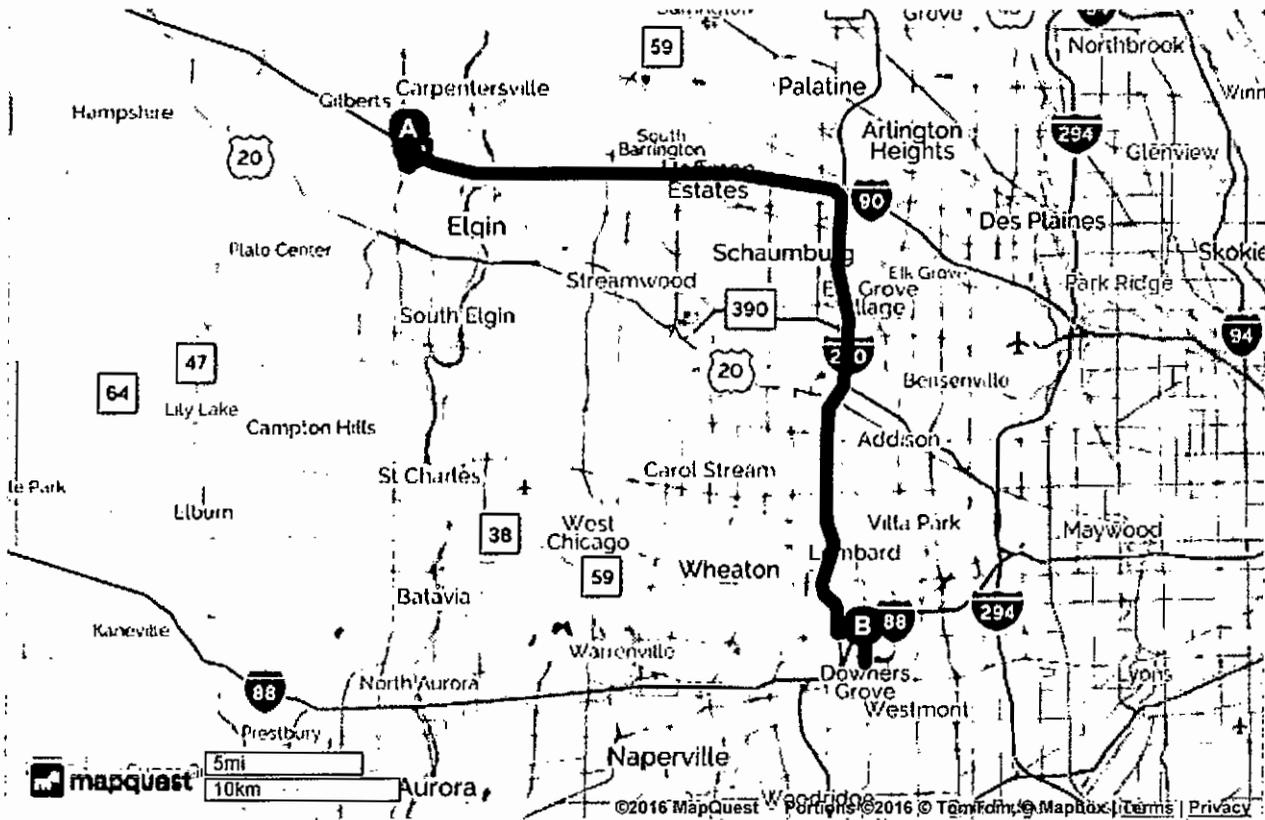
228



Trip to:  
**3811 Highland Ave**  
Downers Grove, IL 60515-1555  
34.94 miles / 38 minutes

Notes

Midwest Center for Day Surgery



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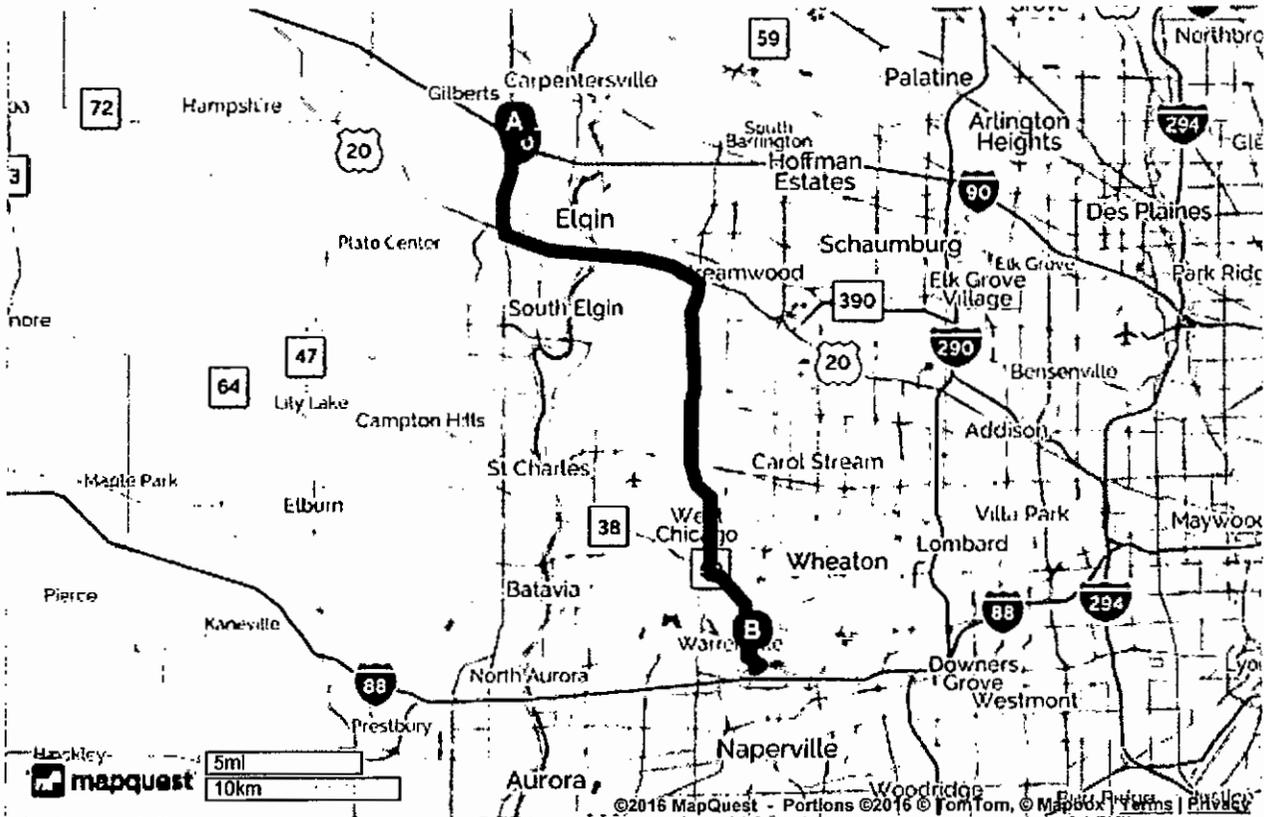
229



Trip to:  
**27650 Ferry Rd**  
Warrenville, IL 60555  
25.75 miles / 38 minutes

Notes

Cadence Ambulatory Surgery



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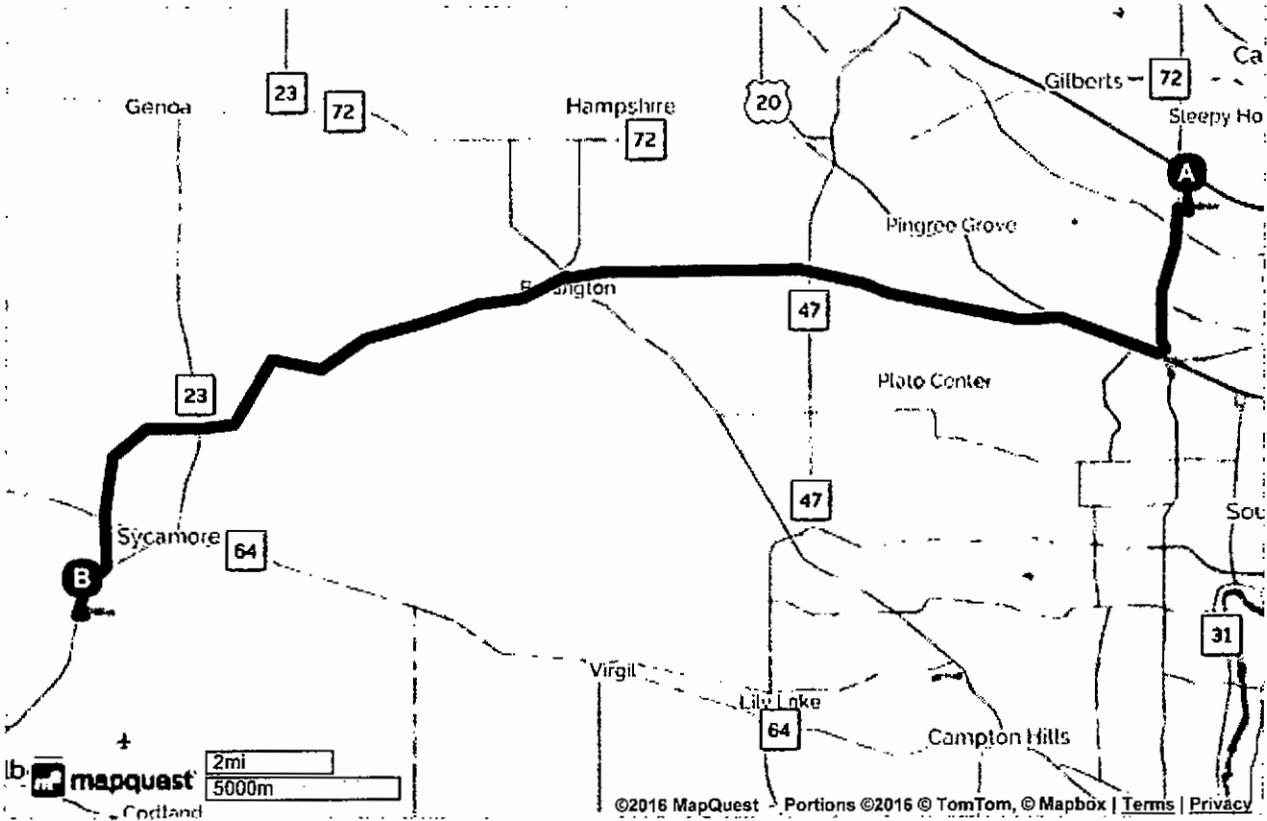
230



Trip to:  
**2120 Midlands Ct**  
Sycamore, IL 60178-3172  
26.25 miles / 38 minutes

Notes

The Midlands Surgery Center, Sycamore



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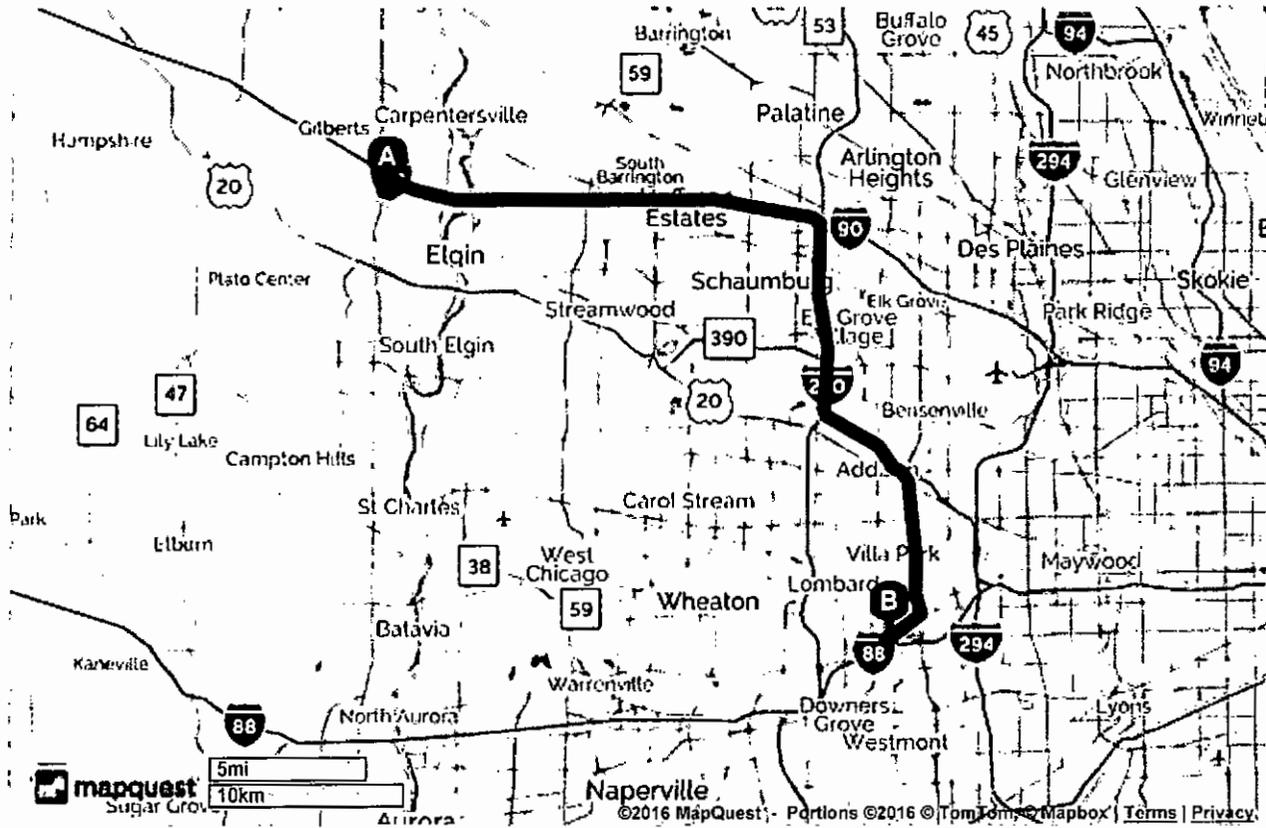
231



Trip to:  
**2425 W 22nd St, STE 101**  
Oak Brook, IL 60523-1204  
33.91 miles / 38 minutes

Notes

The Oak Brook Surgical Center



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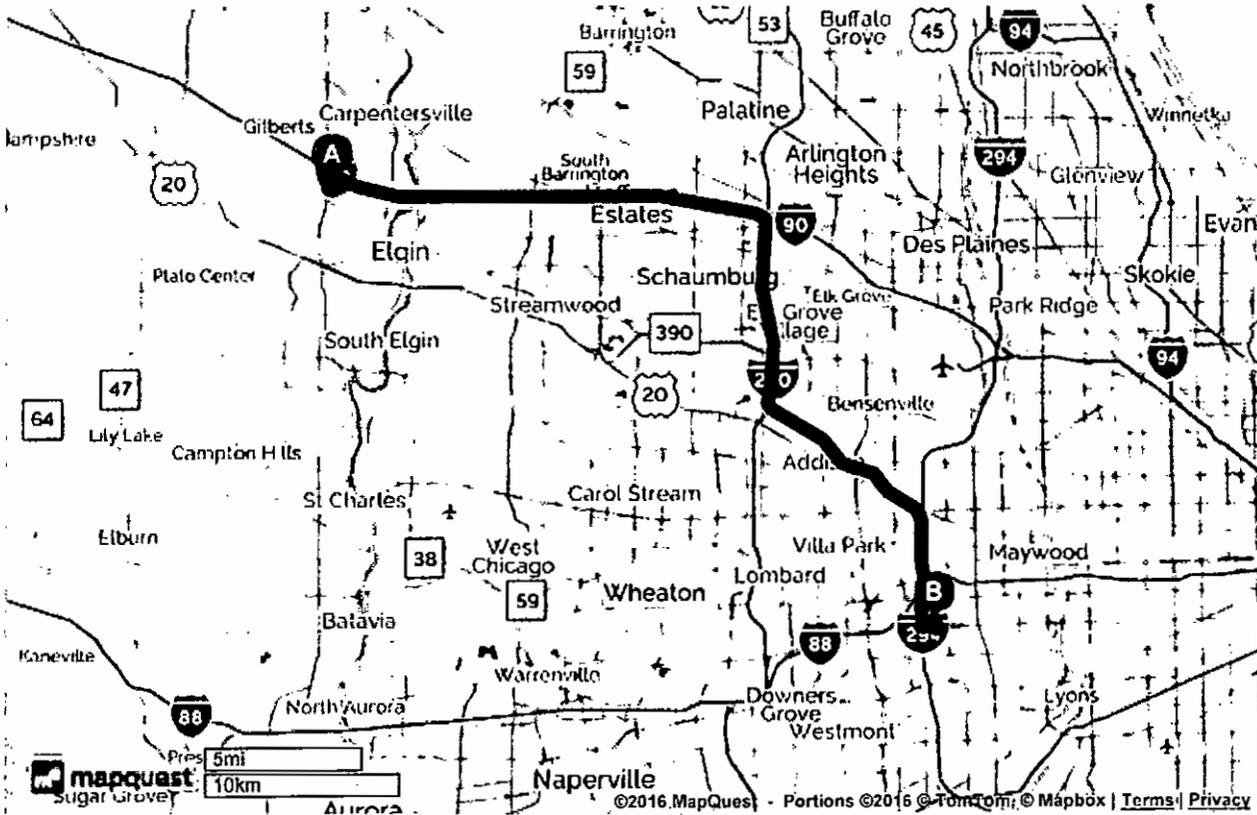
232



Trip to:  
**2301 Enterprise Dr**  
Westchester, IL 60154-5802  
35.12 miles / 38 minutes

Notes

Children's Outpatient Services at Westchester



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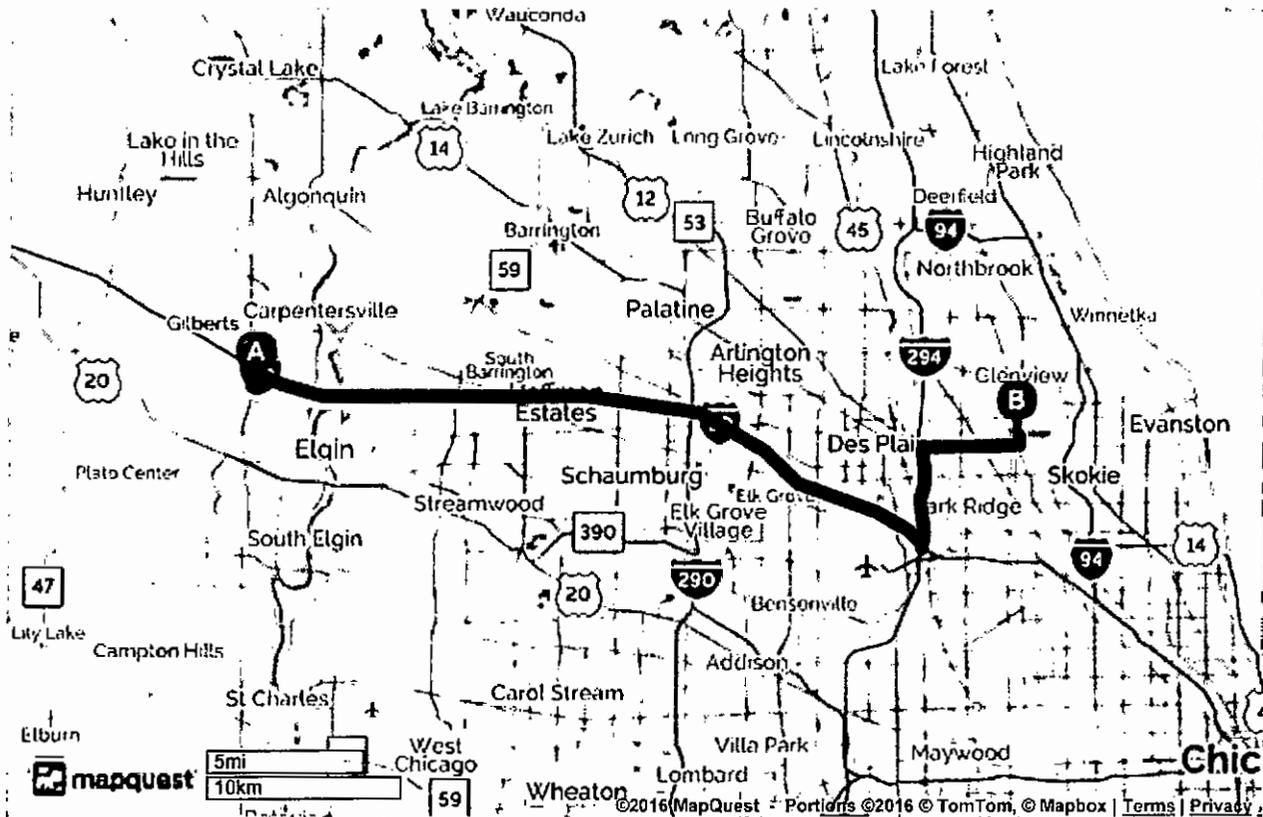
233



Trip to:  
**9000 Waukegan Rd, SUITE 120**  
Morton Grove, IL 60053-2111  
33.93 miles / 38 minutes

Notes

Illinois Sports Medicine & Orthopedic Surgery Cent



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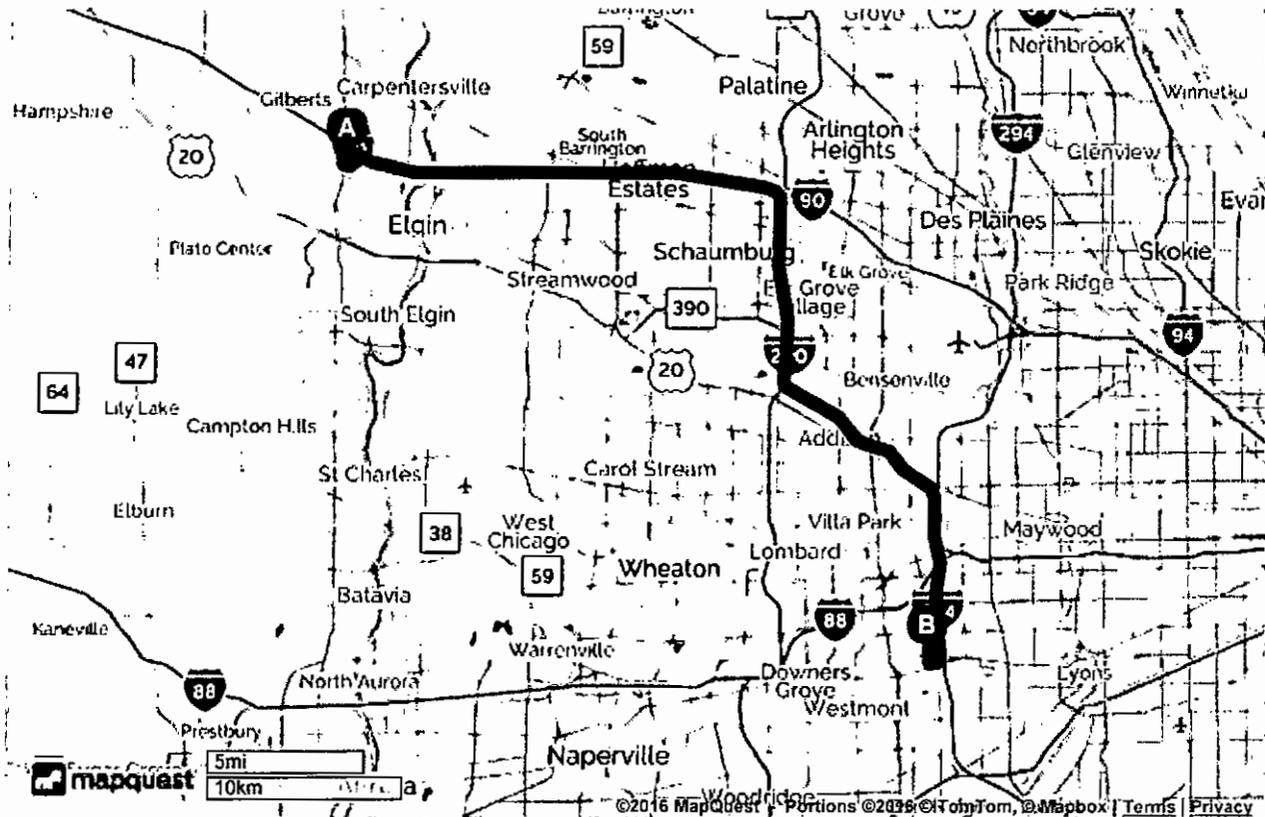
234



Trip to:  
**908 N Elm St, SUITE 401.**  
Hinsdale, IL 60521-2600  
36.75 miles / 39 minutes

Notes

Hinsdale Surgical Center



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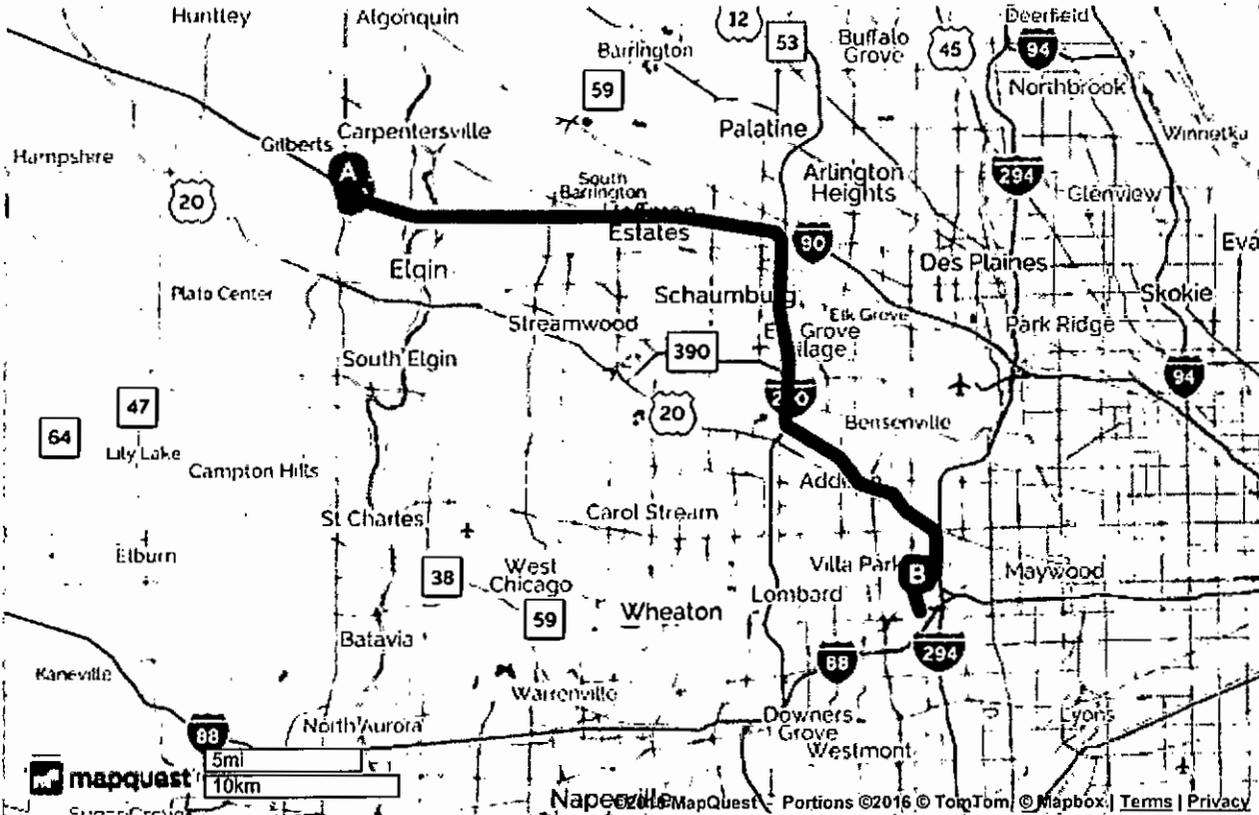
235



Trip to:  
**1200 S York St, rd suite 1400**  
Elmhurst, IL 60126-5608  
33.99 miles / 39 minutes

Notes

Elmhurst Outpatient Surgery



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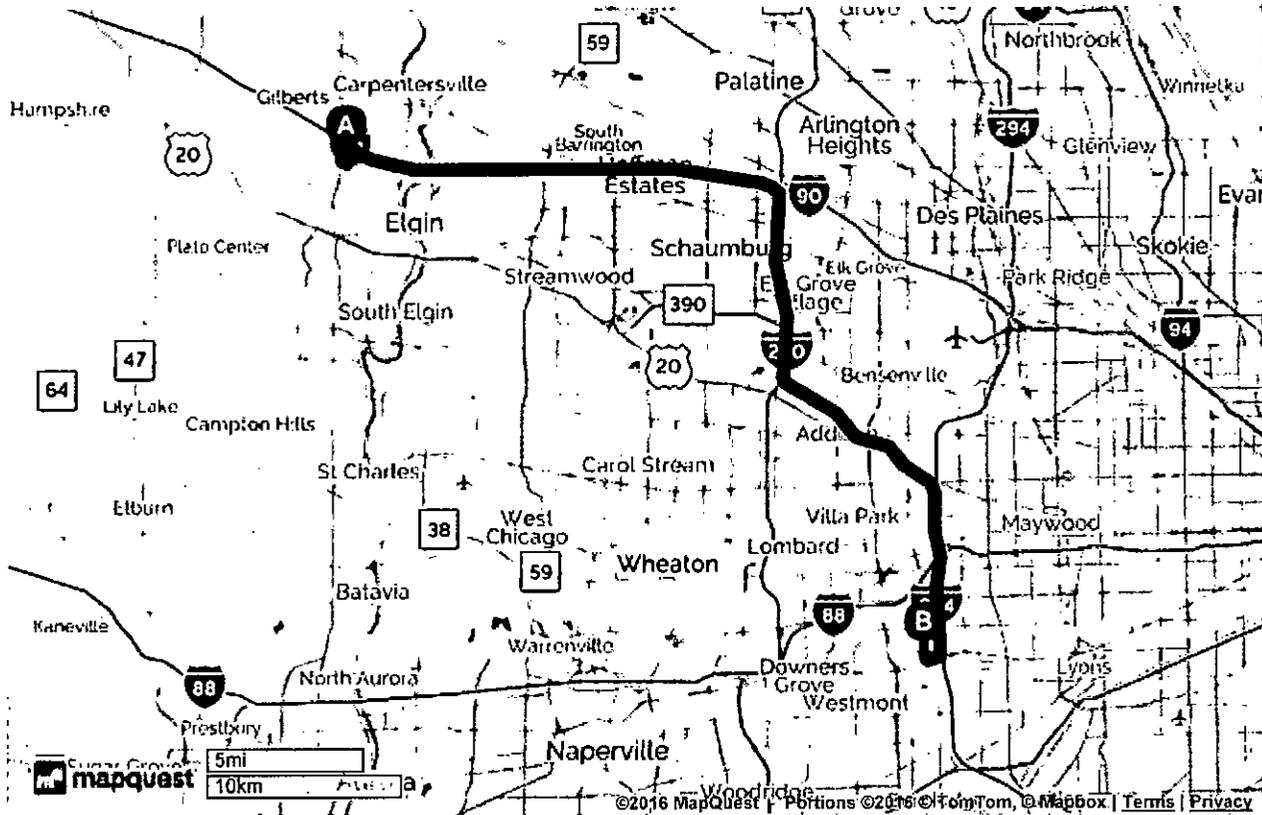
236



Trip to:  
**950 N York Rd, STE 203**  
Hinsdale, IL 60521-2906  
36.81 miles / 39 minutes

Notes

Eye Surgery Center of Hinsdale



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# Appendix C

## Hospitals in Geographic Service Area

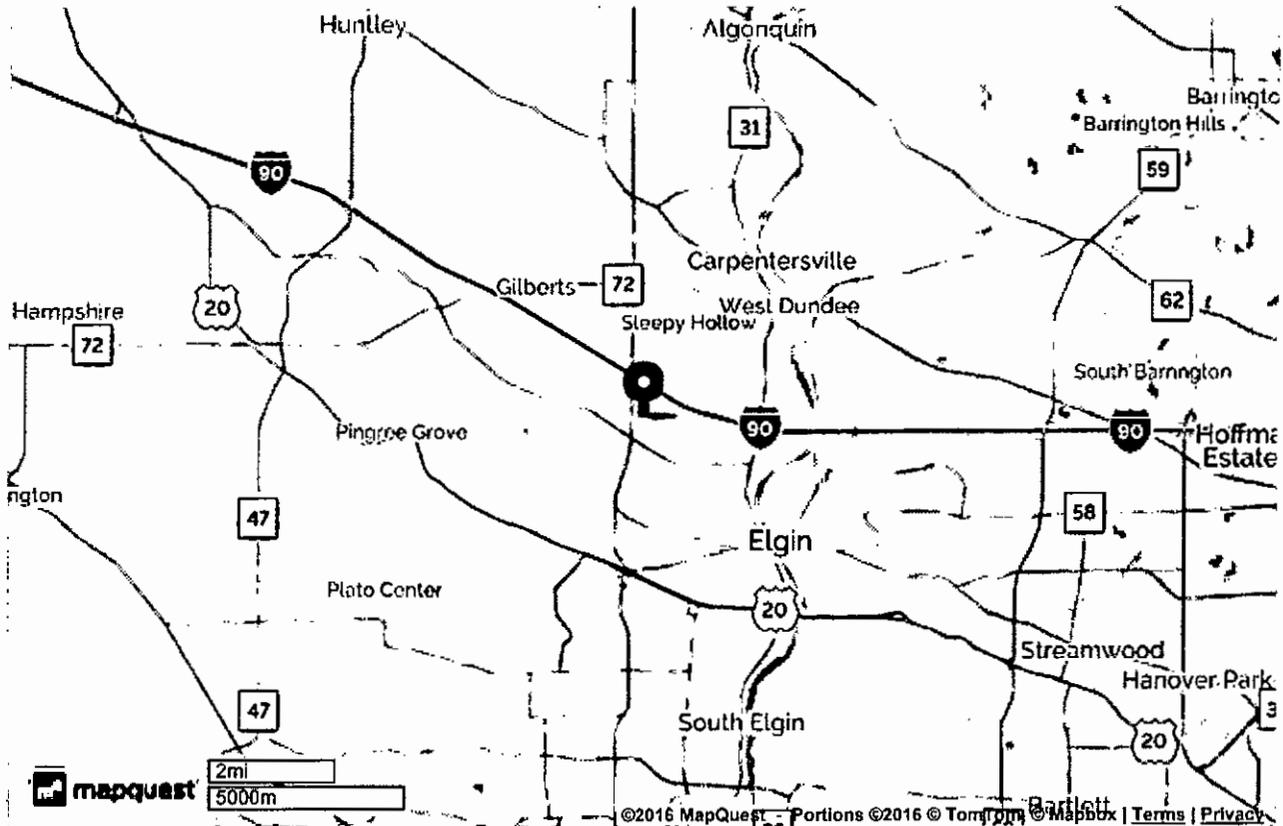
Hospitals in Geographic Service Area	Address	City	HSA	HPA	Time in Minutes	Time Adj *1.15	ORs reported for 2014	Hours reported for 2014	# ORs Justified
1 Advocate Sherman Hospital	1425 Randall Road	Elgin	8	A-11	0	0	16	23,180	15.5
2 Presence Saint Joseph Hospital	77 North Airlite Street	Elgin	8	A-11	6	6.9	10	6,258	4.2
3 St. Alexius Medical Center	1555 N. Barrington Road	Hoffman Estates	7	A-07	16	18.4	11	17,037	11.4
4 Delnor Community Hospital	300 Randall Road	Geneva	8	A-12	20	23	9	11,048	7.4
5 Alexian Brothers Medical Center	800 Biesterfeld Road	Elk Grove Village	7	A-07	23	26.45	15	21,185	14.1
6 Centegra Hospital - Woodstock	3701 Doty Road	Woodstock	8	A-10	25	28.75	5	7,963	5.3
7 Northwest Community Hospital	800 West Central Road	Arlington Heights	7	A-07	25	28.75	14	21,879	14.6
8 Advocate - Good Shepherd Hospital	450 West Highway #22	Barrington	8	A-09	29	33.35	11	19,706	13.1
9 Centegra Hospital - McHenry	4201 Medical Center Drive	McHenry	8	A-10	30	34.5	10	14,116	9.4
10 Adventist GlenOaks Hospital	701 Winthrop Avenue	Glendale Heights	7	A-05	32	36.8	5	3,281	2.2
11 Advocate Lutheran General Hospital	1775 Dempster Street	Park Ridge	7	A-07	32	36.8	24	43,242	28.8
12 Central DuPage Hospital	25 North Winfield Road	Winfield	7	A-05	32	36.8	26	40,453	27.0
SwedishAmerican Medical Center -									
13 Belvidere	1625 South State Street	Belvidere	1	B-01	31	35.65	2	548	0.4
14 Presence Holy Family Hospital	100 North River Road	Des Plaines	7	A-07	33	37.95	5	2,406	1.6
	1325 North Highland Avenue								
15 Presence Mercy Medical Center		Aurora	8	A-12	33	37.95	12	7,125	4.8
16 Advocate Good Samaritan Hospital	3815 Highland Avenue	Downers Grove	7	A-05	38	43.7	15	22,453	15.0
17 Gottlieb Memorial Hospital	701 West North Avenue	Melrose Park	7	A-06	38	43.7	9	9,399	6.3
18 Elmhurst Memorial Hospital	155 East Brush Hill Road	Elmhurst	7	A-05	39	44.85	15	27,604	18.4
19 Kishwaukee Hospital	One Kish Hospital Drive	DeKalb	1	B-04	39	44.85	7	6,181	4.1



Map of:  
**1425 N Randall Rd**  
Elgin, IL 60123

Notes

Advocate Sherman Hospital



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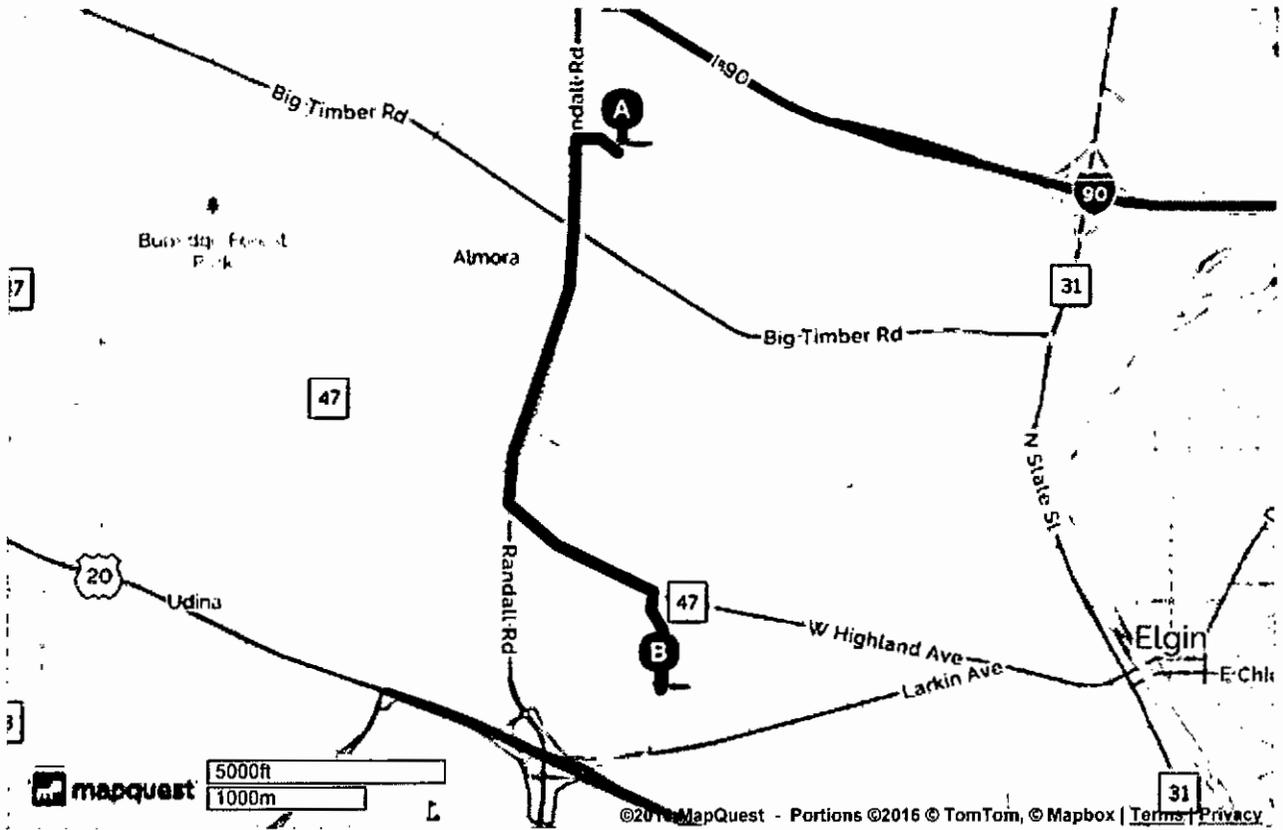
240



Trip to:  
**77 N Airlite St**  
Elgin, IL 60123-4912  
3.04 miles / 6 minutes

Notes

Presence Saint Joseph Hospital	▲
	▼



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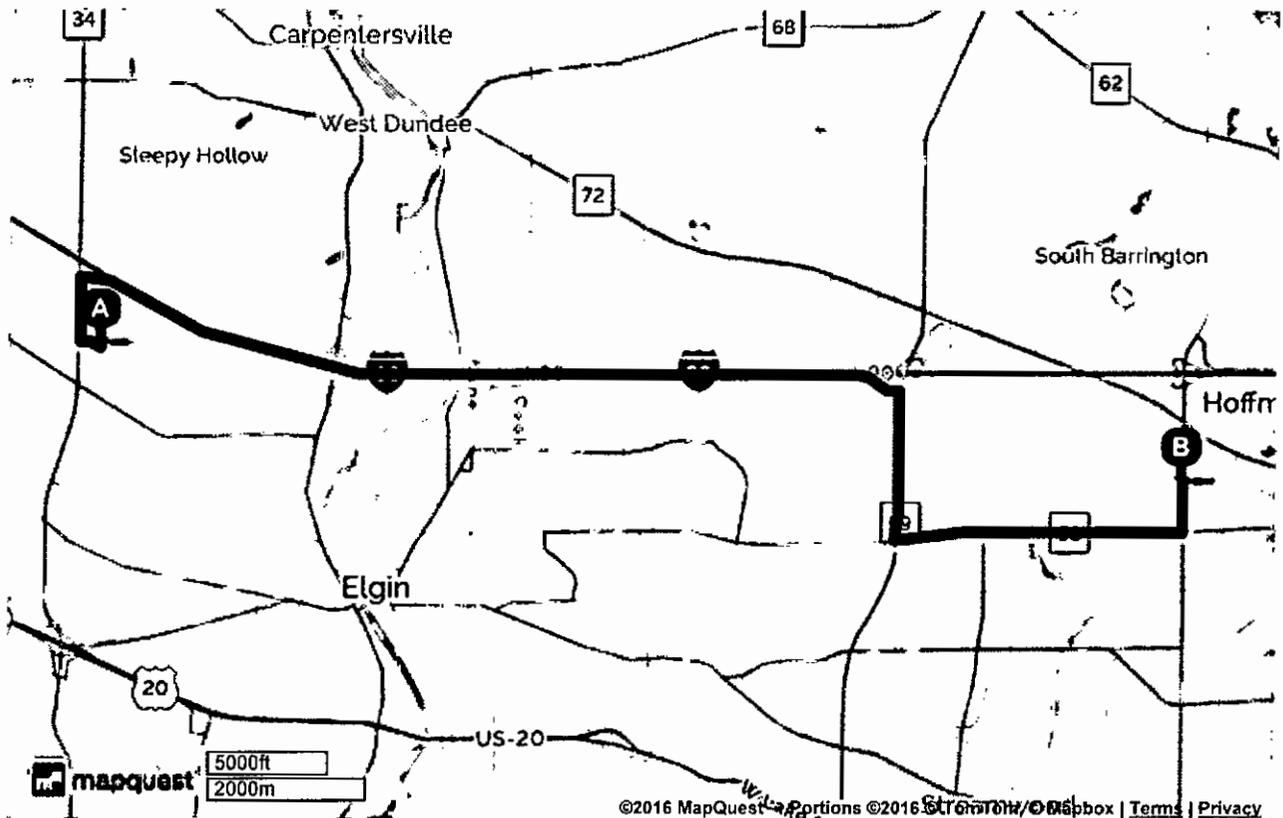


Trip to:

**1555 N Barrington Rd**  
Hoffman Estates, IL 60169-1018  
12.54 miles / 16 minutes

Notes

St. Alexis Medical Center



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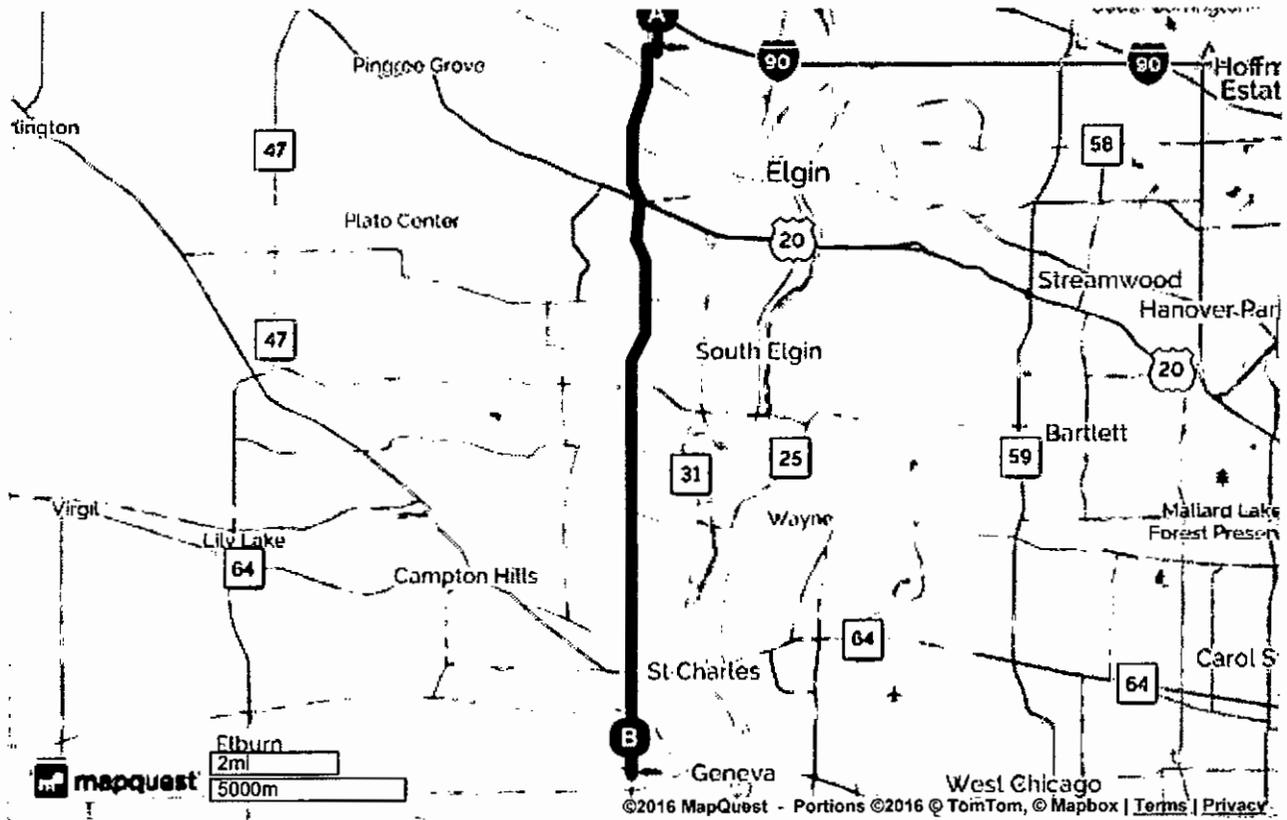
242



Trip to:  
**300 Randall Rd**  
Geneva, IL 60134-4203  
13.16 miles / 20 minutes

Notes

Delnor Community Hospital



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Trip to:

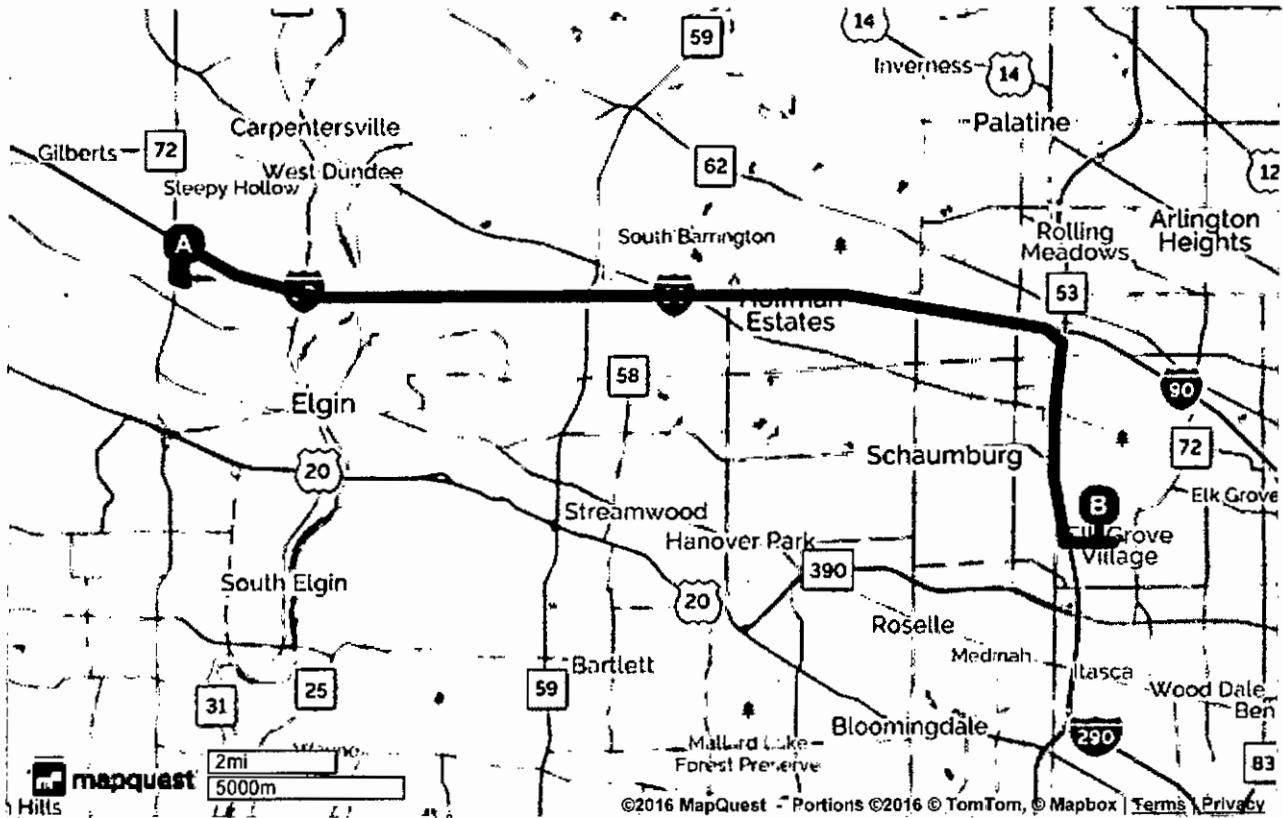
**800 Biesterfield Rd**

Elk Grove Village, IL 60007-3311

21.47 miles / 23 minutes

Notes

Alexian Brothers Medical Center	^
	v



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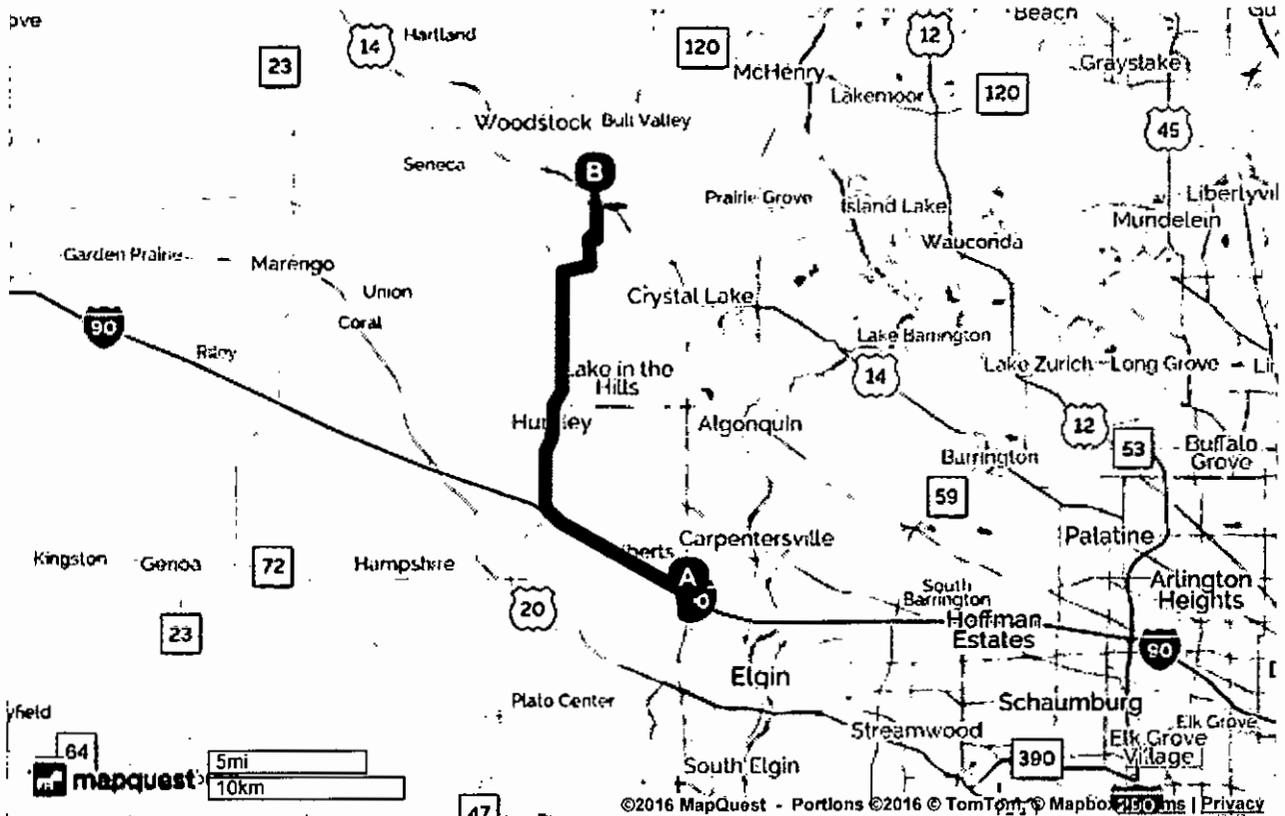
244



Trip to:  
**3701 Doty Rd**  
Woodstock, IL 60098-7509  
18.54 miles / 25 minutes

Notes

Centegra Hospital - Woodstock



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245



Trip to:

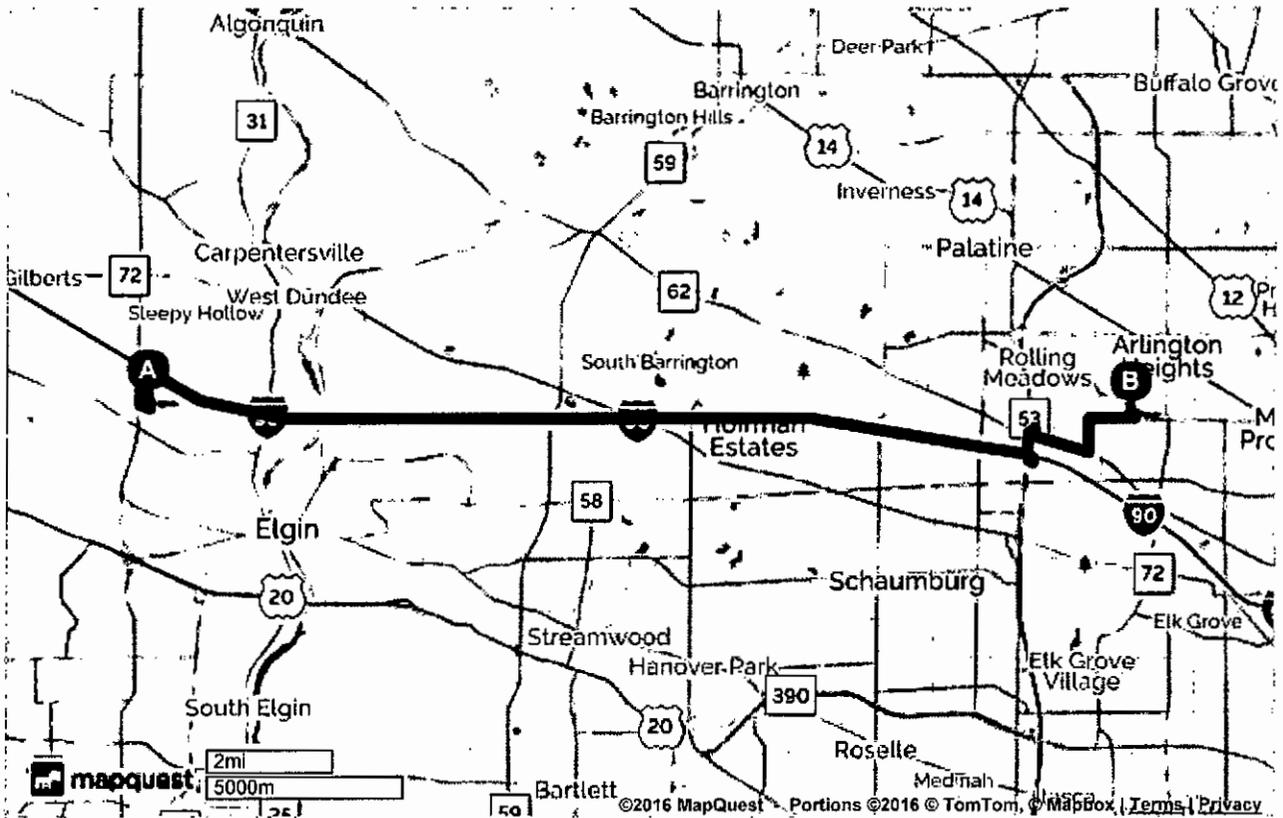
**800 W Central Rd**

Arlington Heights, IL 60005

20.38 miles / 25 minutes

Notes

Northwest Community Hospital



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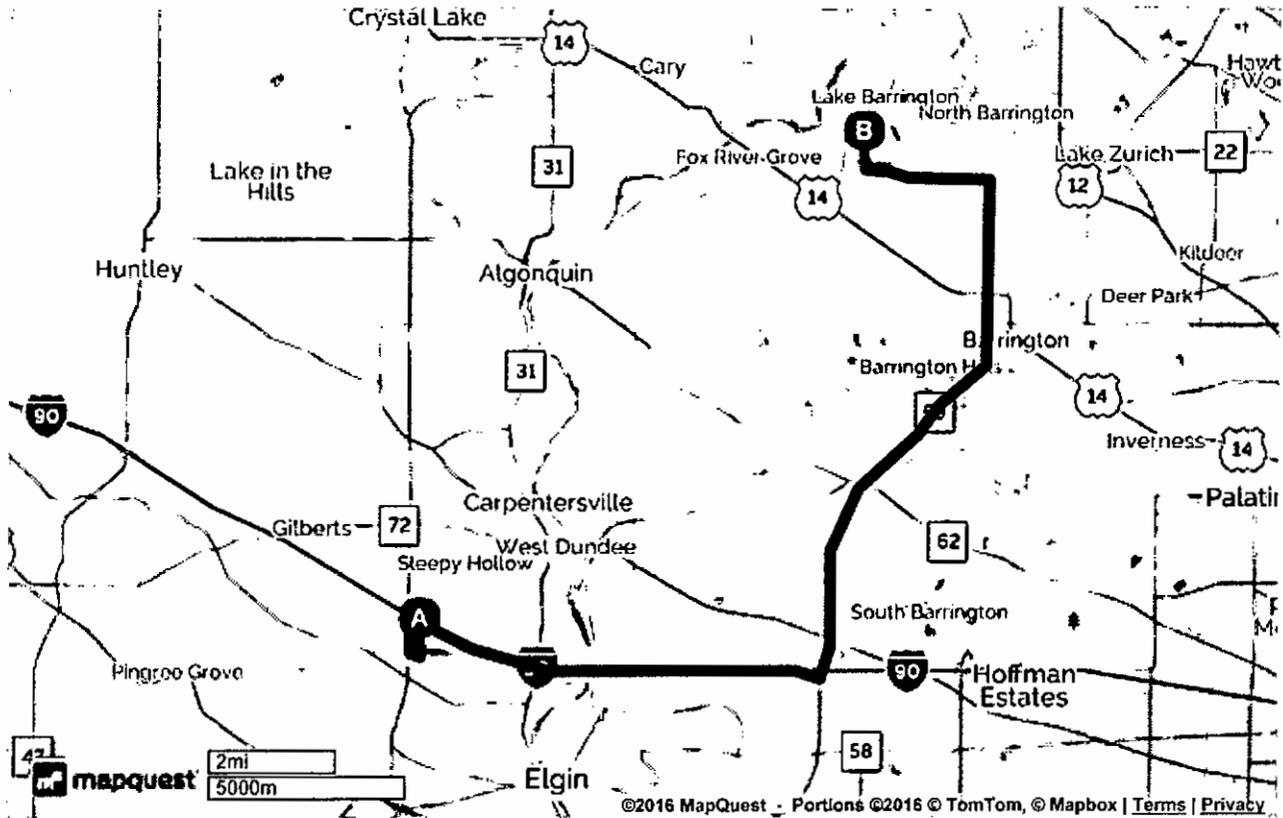
246



Trip to:  
**450 W Highway 22**  
Barrington, IL 60010  
20.30 miles / 29 minutes

Notes

Advocate - Good Shepherd Hospital



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247



Trip to:

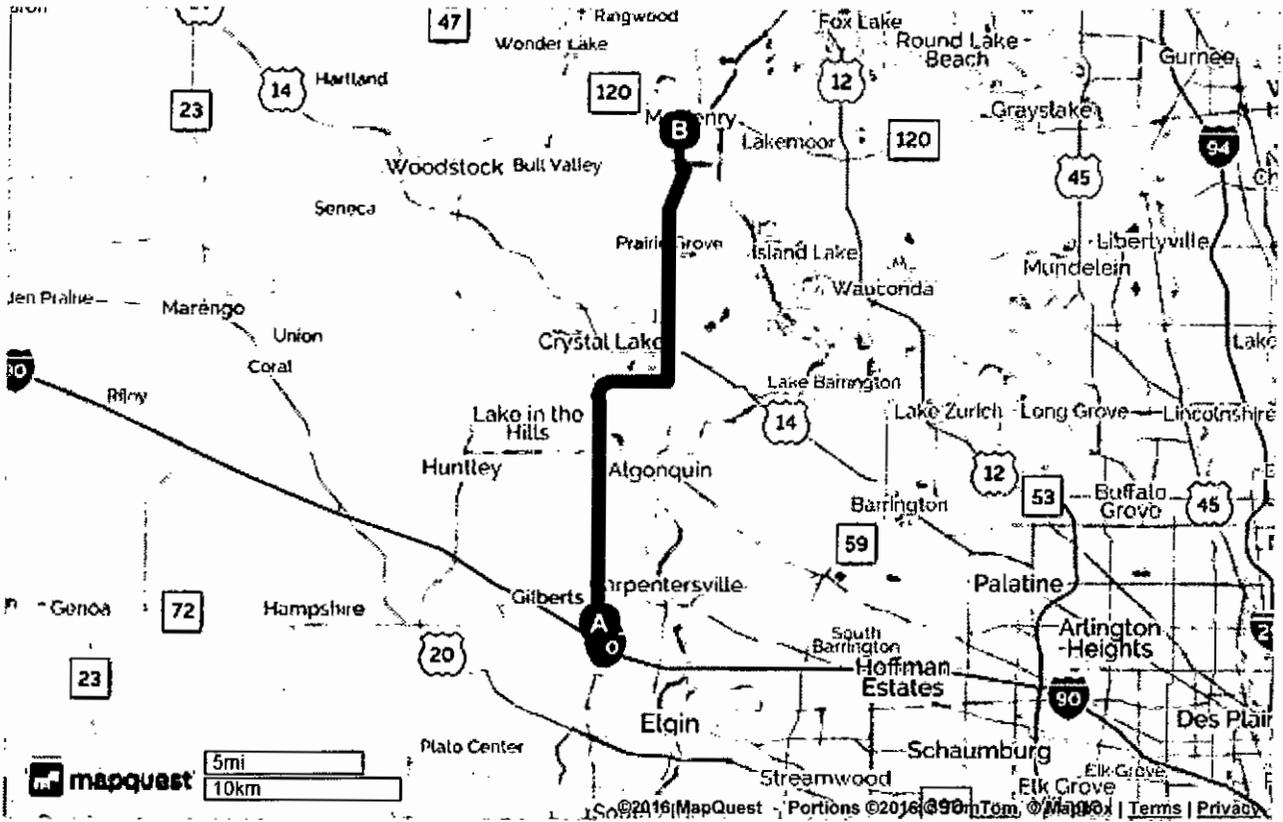
**4201 W Medical Center Dr**

Mchenry, IL 60050-8409

19.96 miles / 30 minutes

Notes

Centegra Hospital - McHenry



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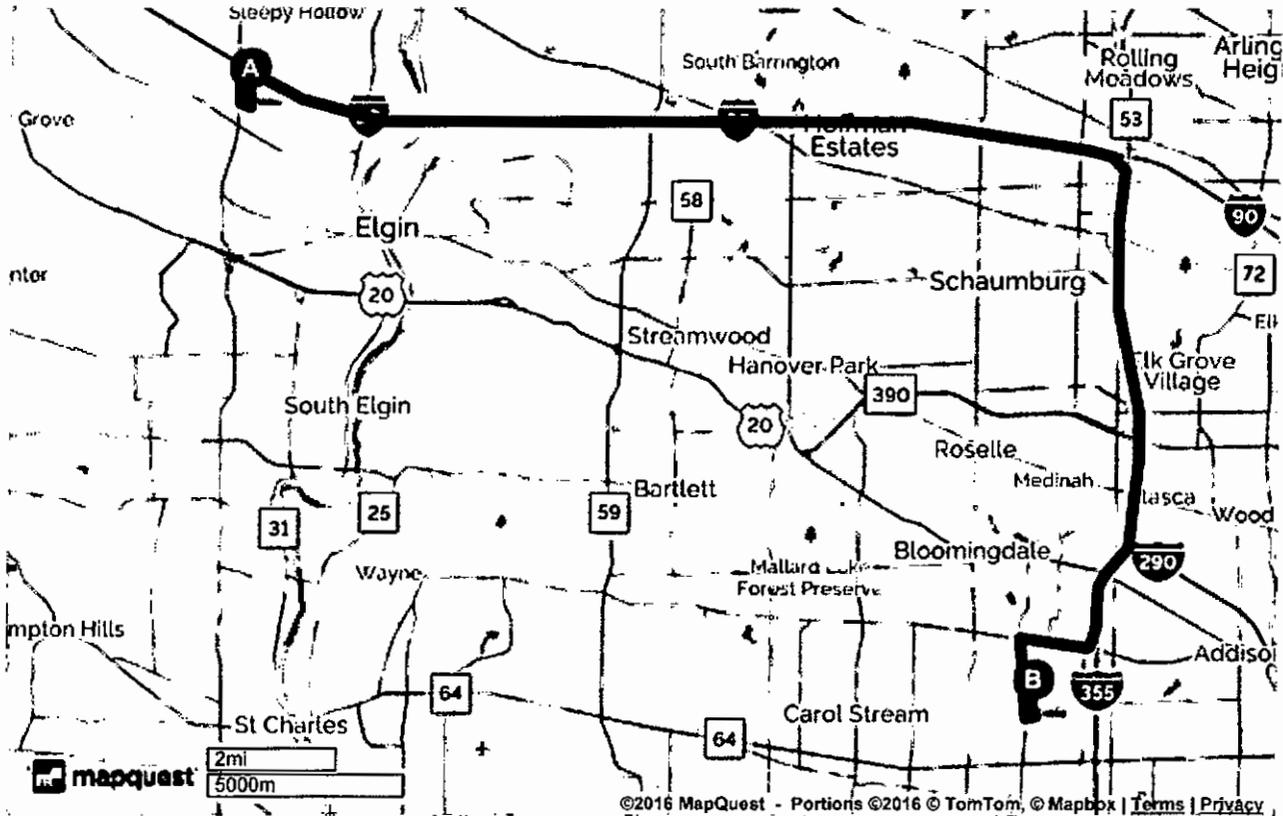
248



Trip to:  
**701 Winthrop Ave**  
Glendale Heights, IL 60139-1405  
28.36 miles / 32 minutes

Notes

Adventist Glen Oaks Hospital



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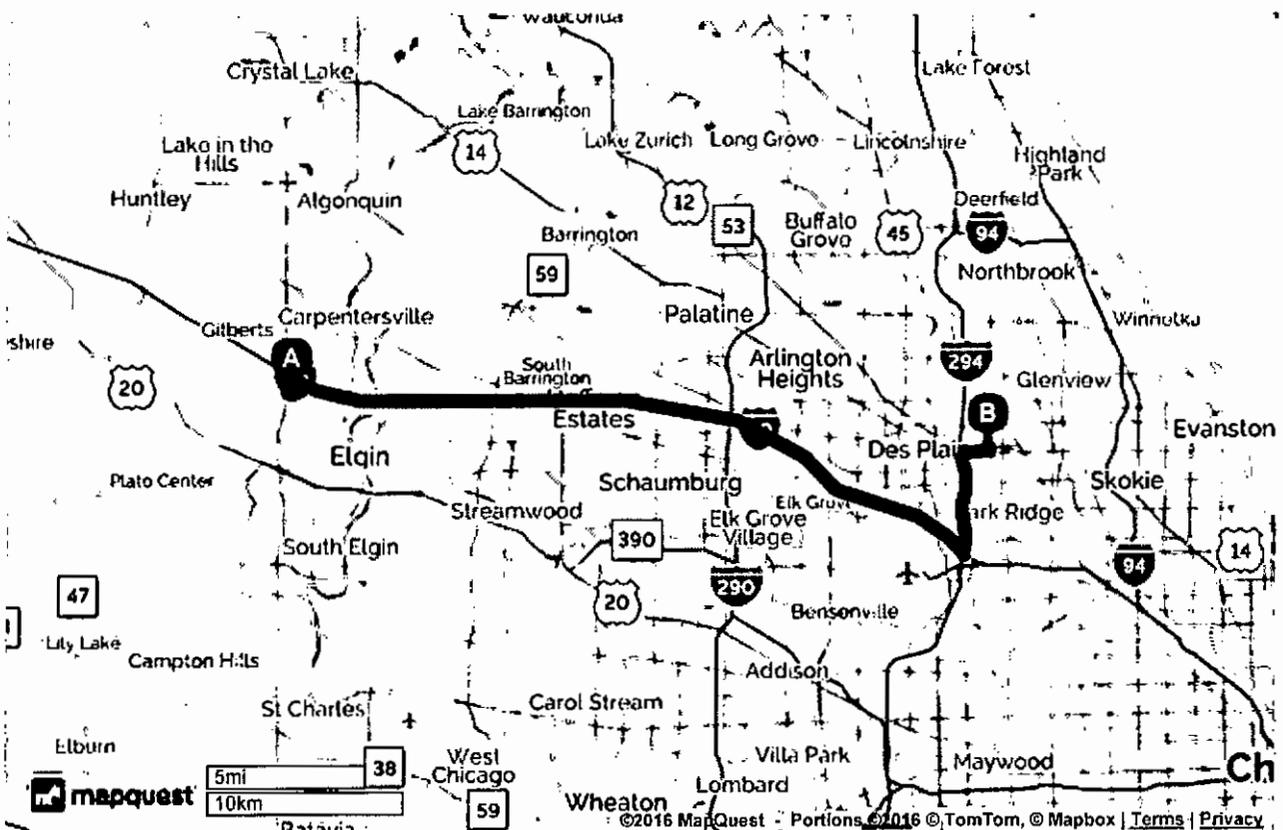
249



Trip to:  
**1775 Dempster St**  
Park Ridge, IL 60068-1143  
31.14 miles / 32 minutes

Notes

Advocate Lutheran General Hospital



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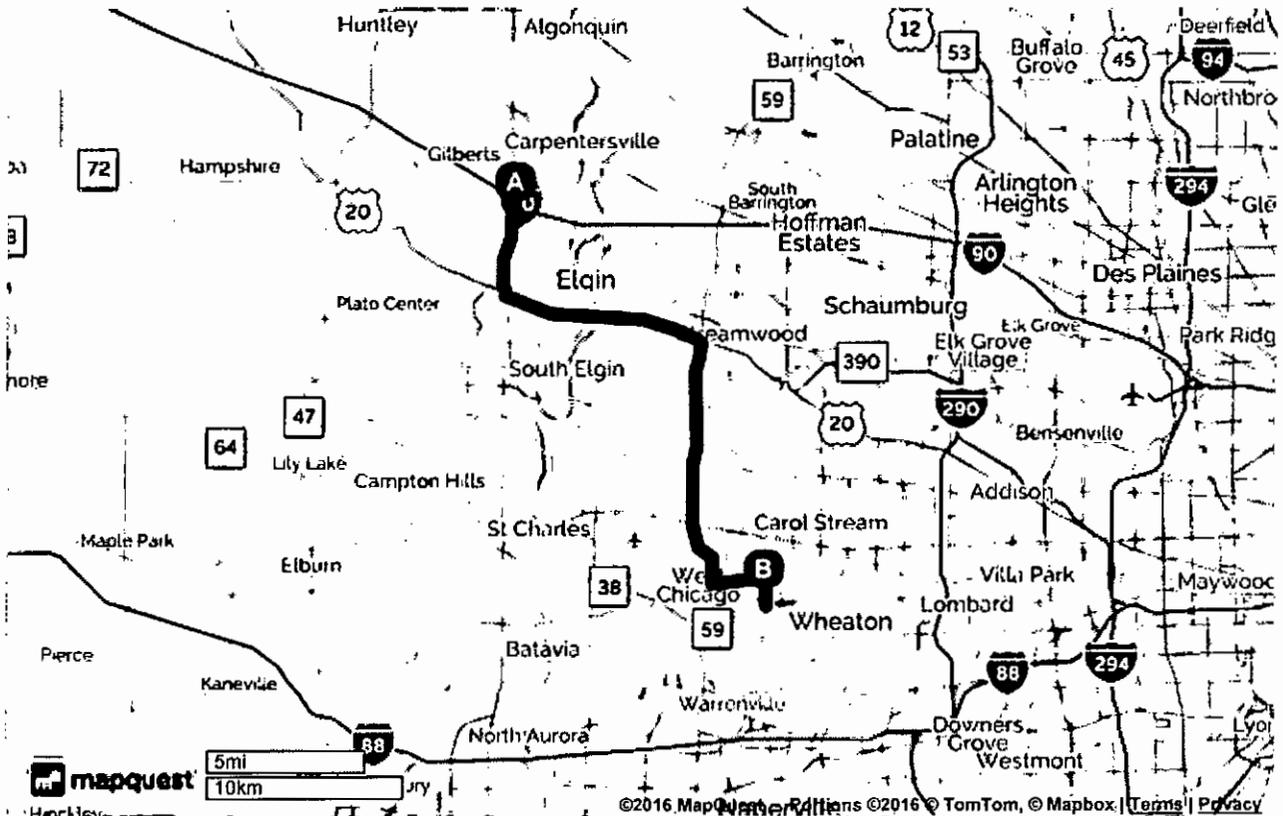
250



Trip to:  
**25 N Winfield Rd**  
Winfield, IL 60190  
22.37 miles / 32 minutes

Notes

Central DuPage Hospital



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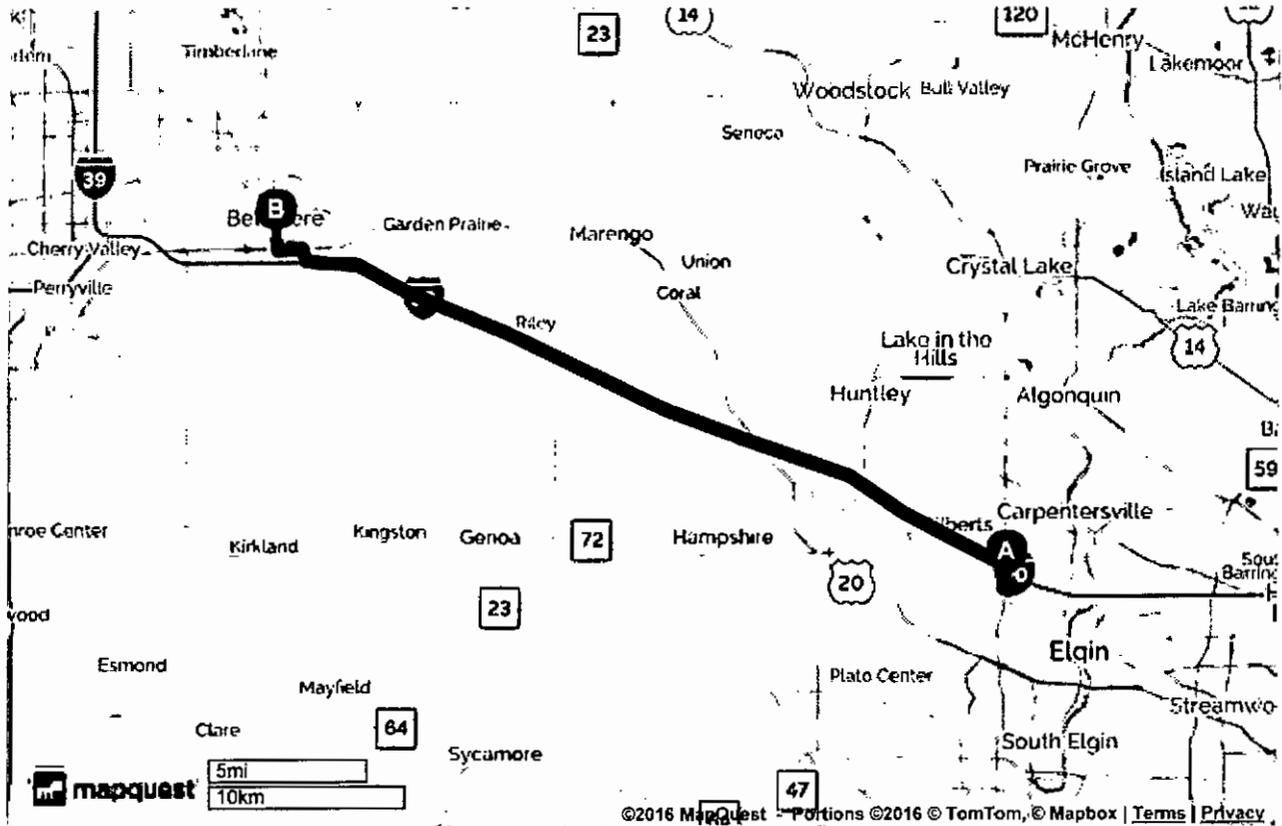
251



Trip to:  
**1625 S State St**  
Belvidere, IL 61008-5907  
29.59 miles / 31 minutes

Notes

SwedishAmerican Medical Center



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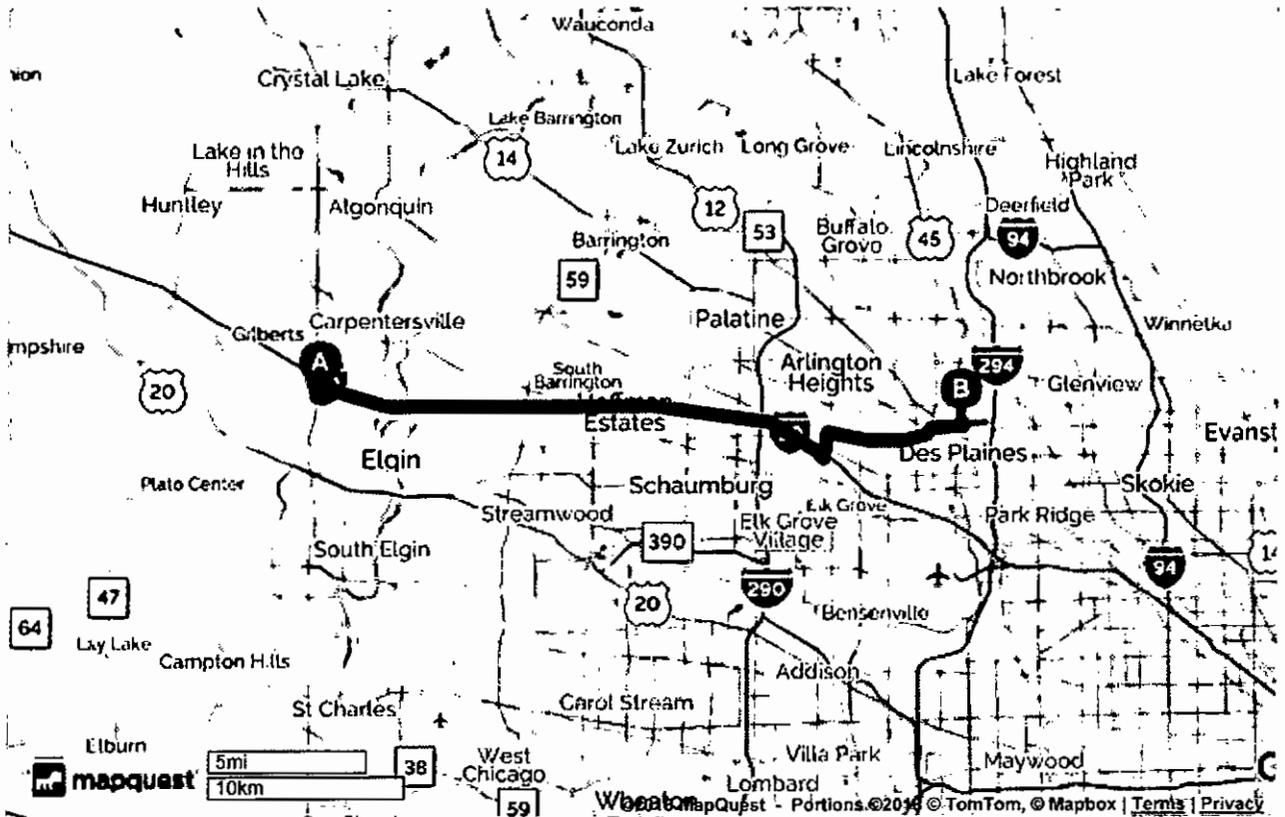
252



Trip to:  
**100 N River Rd**  
Des Plaines, IL 60016-1209  
25.41 miles / 33 minutes

Notes

Presence Holy Family Hospital



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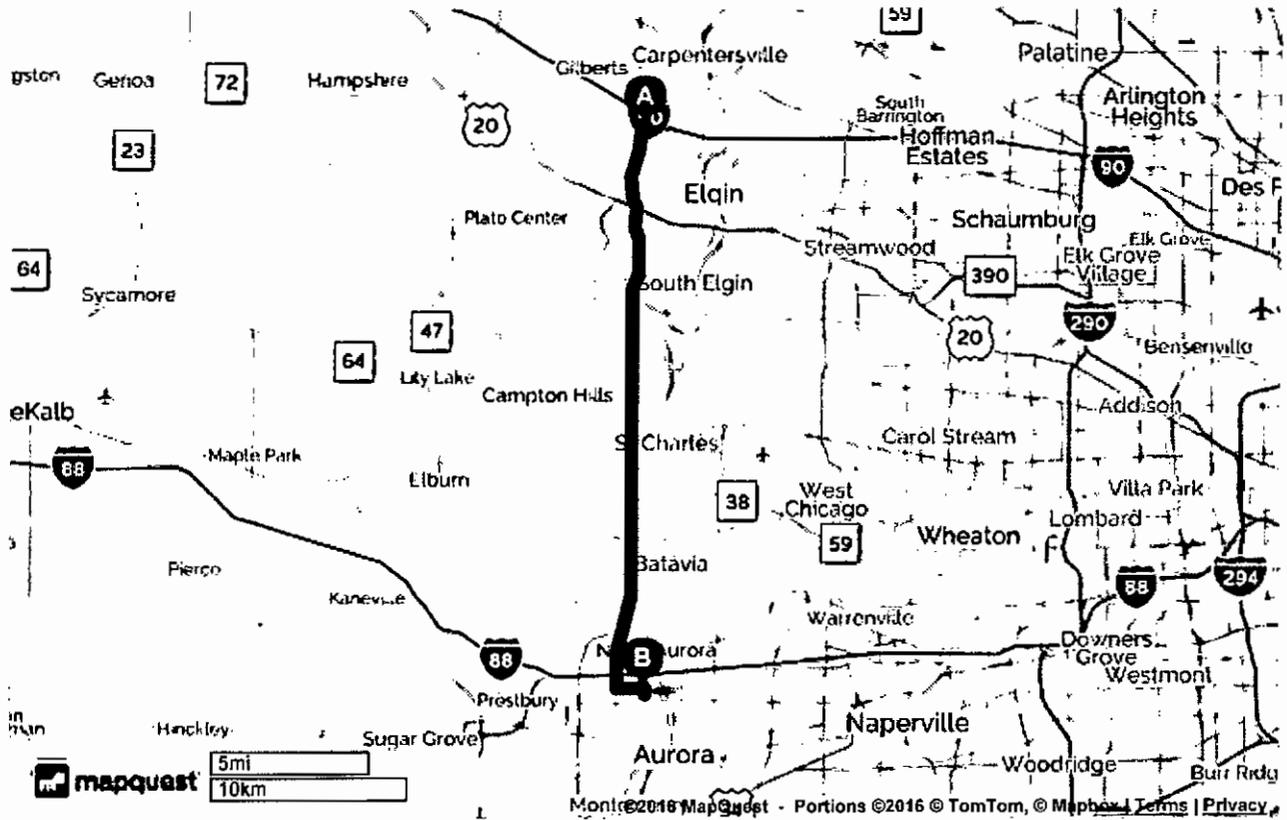
253



Trip to:  
**1325 N Highland Ave**  
Aurora, IL 60506-1449  
21.30 miles / 33 minutes

Notes

Presence Mercy Medical Center



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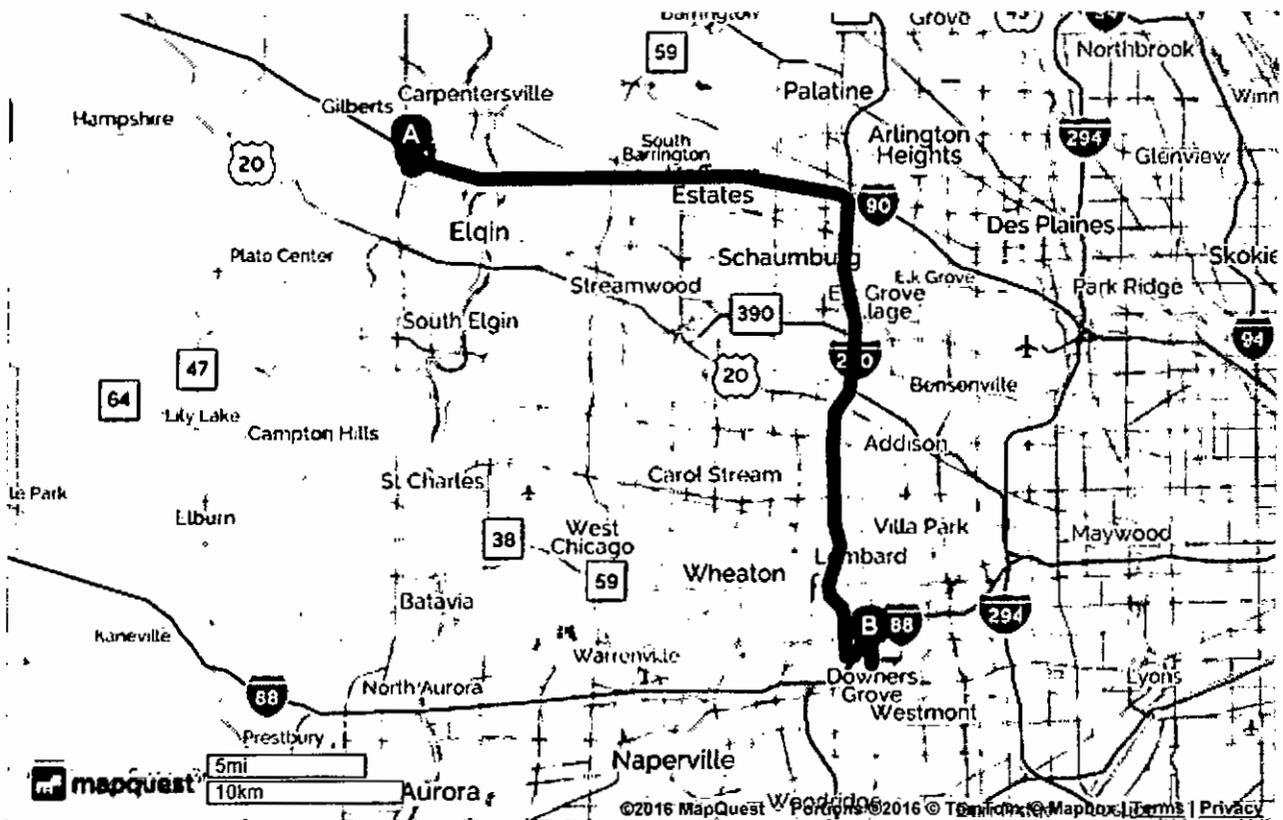
254



Trip to:  
**3815 Highland Ave**  
Downers Grove, IL 60515-1500  
35.68 miles / 38 minutes

Notes

Advocate Good Samaritan Hospital



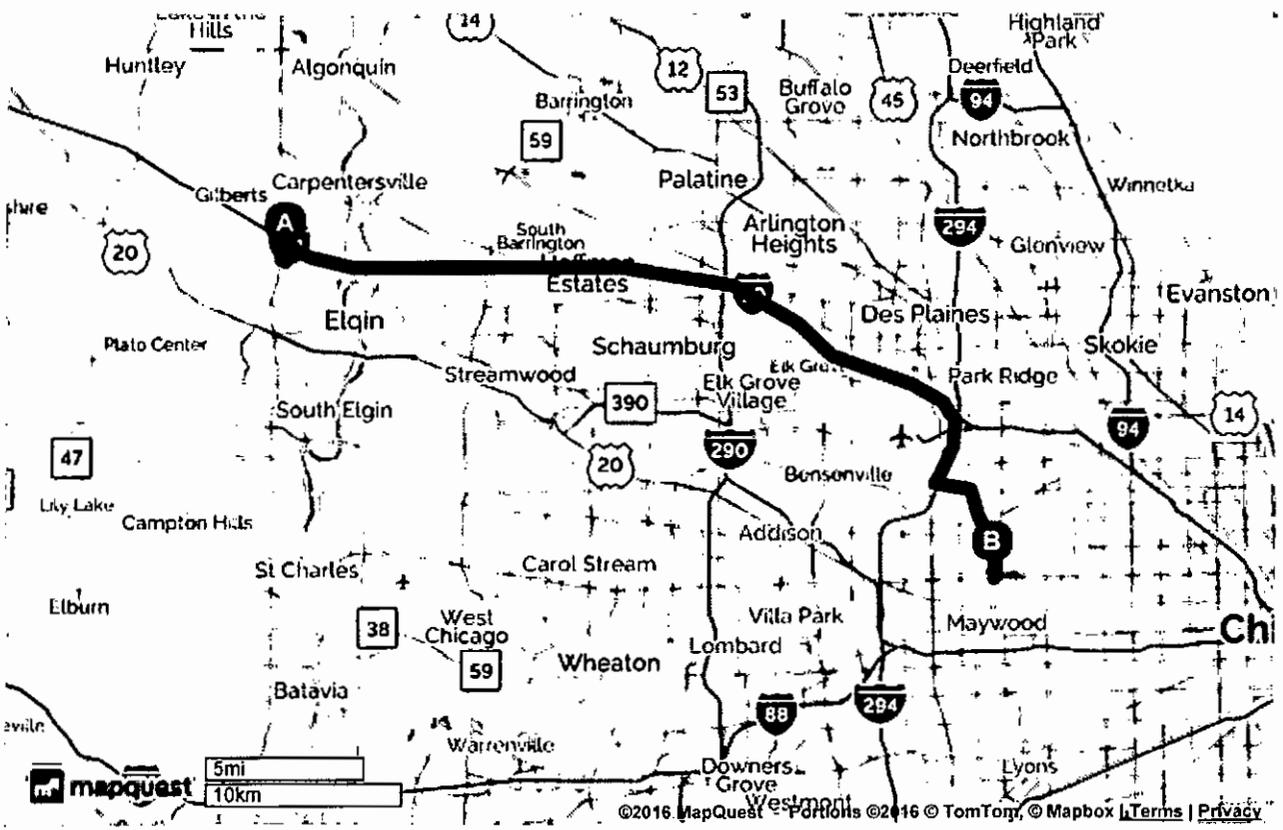
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255



Trip to:  
**701 W North Ave**  
Melrose Park, IL 60160-1612  
33.64 miles / 38 minutes

Notes  
Gottlieb Memorial Hospital



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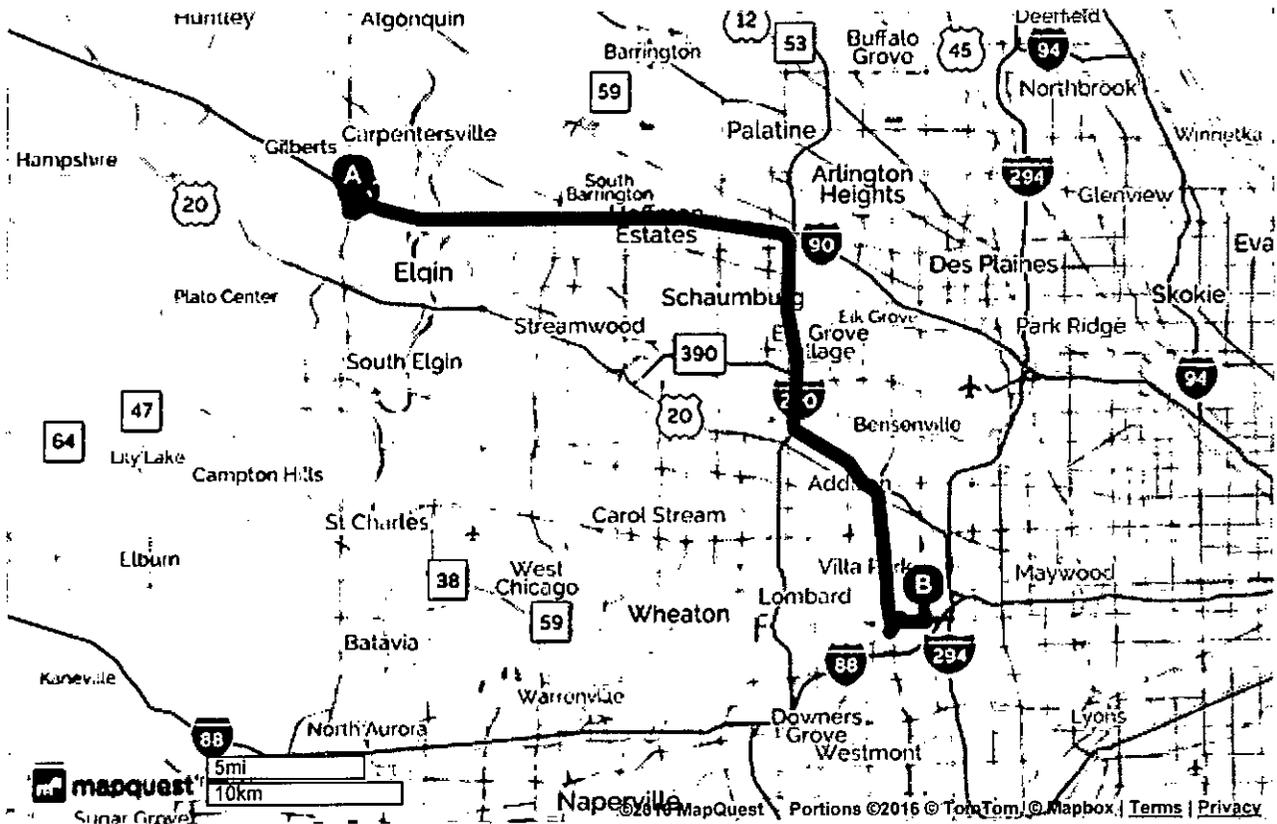
256



Trip to:  
**155 E Brush Hill Rd**  
Elmhurst, IL 60126-5658  
33.95 miles / 39 minutes

Notes

Elmhurst Memorial Hospital



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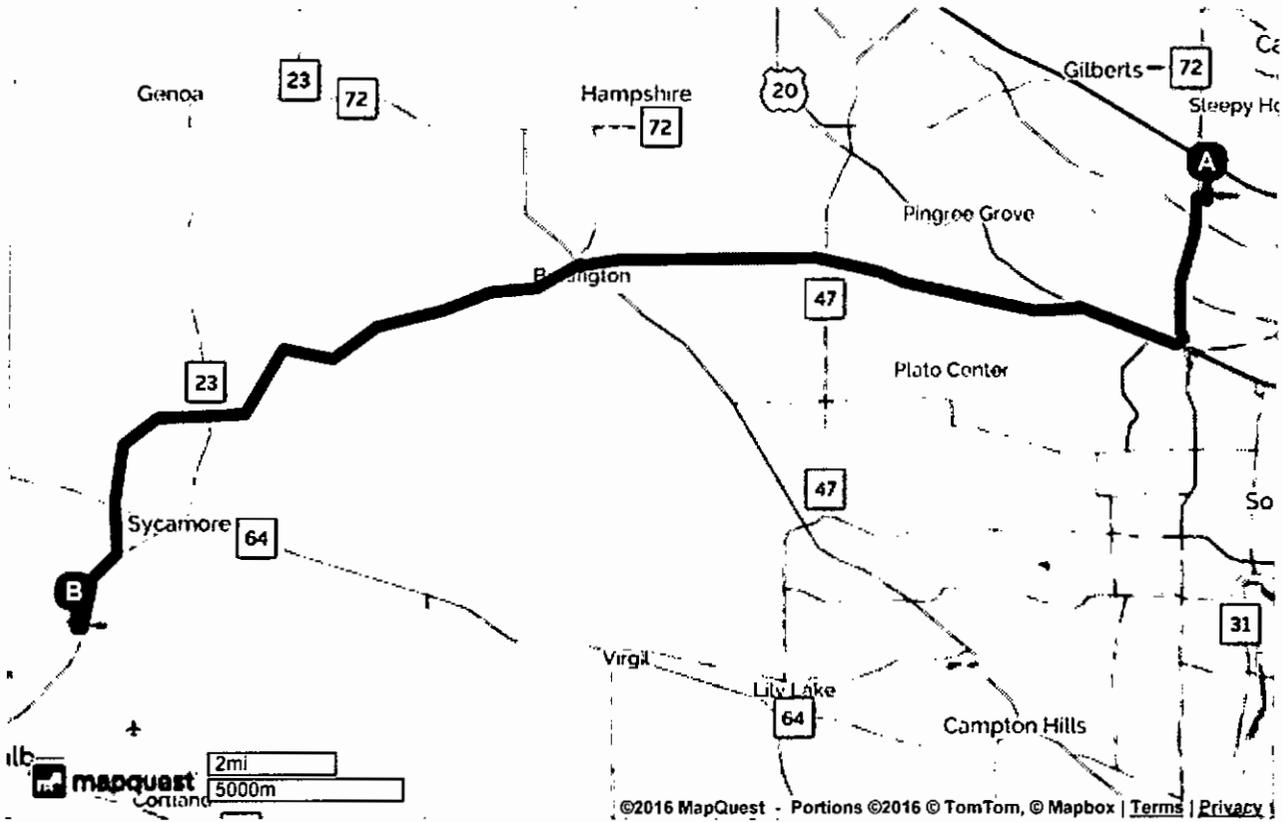
257



Trip to:  
**1 Kish Hospital Dr**  
Dekalb, IL 60115  
26.69 miles / 39 minutes

Notes

Kishwaukee Hospital



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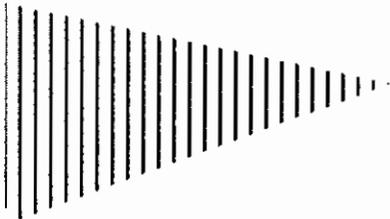
# Appendix D

## **Advocate Health Care Network and Subsidiaries Audited Financials**

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Advocate Health Care Network and Subsidiaries  
Years Ended December 31, 2015 and 2014  
With Reports of Independent Auditors

Ernst & Young LLP



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Advocate Health Care Network and Subsidiaries  
 Consolidated Financial Statements and Supplementary Information  
 Years Ended December 31, 2015 and 2014

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155 North Wacker Drive  
Chicago, IL 60606-1787

Tel: +1 312 879 2000  
Fax: +1 312 879 4000  
ey.com

## Report of Independent Auditors

The Board of Directors  
Advocate Health Care Network

We have audited the accompanying consolidated financial statements of Advocate Health Care Network and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.



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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advocate Health Care Network and subsidiaries at December 31, 2015 and 2014, 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.

*Ernst & Young LLP*

March 4, 2016

Advocate Health Care Network and Subsidiaries

Consolidated Balance Sheets  
(Dollars in Thousands)

	December 31	
	2015	2014
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 203,792	\$ 272,912
Short-term investments	21,666	19,456
Assets limited as to use	94,186	91,747
Patient accounts receivable, less allowances for uncollectible accounts of \$221,496 in 2015 and \$219,447 in 2014	603,462	633,743
Amounts due from primary third-party payors	39,711	16,850
Prepaid expenses, inventories and other current assets	266,629	267,792
Collateral proceeds received under securities lending program	19,097	19,768
Total current assets	<u>1,248,543</u>	<u>1,322,268</u>
<b>Assets limited as to use:</b>		
Internally and externally designated investments limited as to use	5,131,138	5,169,099
Investments under securities lending program	18,483	19,145
	<u>5,149,621</u>	<u>5,188,244</u>
Other noncurrent assets	165,760	150,314
Interest in health care and related entities	141,116	150,327
Reinsurance receivable	117,351	161,545
	<u>5,573,848</u>	<u>5,650,430</u>
<b>Property and equipment – at cost:</b>		
Land and land improvements	271,192	257,699
Buildings	2,929,513	2,708,787
Movable equipment	1,581,934	1,467,513
Construction-in-progress	578,176	449,958
	<u>5,360,815</u>	<u>4,883,957</u>
Less allowances for depreciation	2,549,031	2,332,932
	<u>2,811,784</u>	<u>2,551,025</u>
Total assets	<u>\$ 9,634,175</u>	<u>\$ 9,523,723</u>

	December 31	
	2015	2014
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 20,168	\$ 20,042
Long-term debt subject to short-term remarketing arrangements	126,045	130,635
Accounts payable and accrued expenses	416,126	466,070
Accrued salaries and employee benefits	402,837	373,365
Amounts due to primary third-party payors	343,227	309,591
Current portion of accrued insurance and claims costs	113,684	119,587
Obligations to return collateral under securities lending program	19,097	19,768
Total current liabilities	<u>1,441,184</u>	<u>1,439,058</u>
Noncurrent liabilities:		
Long-term debt, less current portion	1,539,372	1,447,918
Pension plan liability	29,354	37,441
Accrued insurance and claims cost, less current portion	702,896	712,169
Accrued losses subject to reinsurance recovery	117,351	161,545
Obligations under swap agreements, net of collateral posted	88,013	86,246
Other noncurrent liabilities	202,759	186,953
	<u>2,679,745</u>	<u>2,632,272</u>
Total liabilities	4,120,929	4,071,330
Net assets:		
Unrestricted	5,351,684	5,284,721
Temporarily restricted	111,583	118,991
Permanently restricted	48,617	48,019
	<u>5,511,884</u>	<u>5,451,731</u>
Non-controlling interest	1,362	662
Total net assets	<u>5,513,246</u>	<u>5,452,393</u>
Total liabilities and net assets	<u>\$ 9,634,175</u>	<u>\$ 9,523,723</u>

See accompanying notes to consolidated financial statements.

Advocate Health Care Network and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets  
(Dollars in Thousands)

	Year Ended December 31	
	2015	2014
<b>Unrestricted revenues, gains, and other support</b>		
Net patient service revenue	\$ 4,884,611	\$ 4,786,197
Provision for uncollectible accounts	(220,171)	(289,597)
	<u>4,664,440</u>	<u>4,496,600</u>
Capitation revenue	411,506	413,508
Other revenue	316,616	319,617
	<u>5,392,562</u>	<u>5,229,725</u>
<b>Expenses</b>		
Salaries, wages and employee benefits	2,743,377	2,630,369
Purchased services and operating supplies	1,374,675	1,313,255
Contracted medical services	161,951	152,646
Insurance and claims costs	88,760	118,023
Other	391,090	379,766
Depreciation and amortization	256,441	239,596
Interest	45,733	56,811
	<u>5,062,027</u>	<u>4,890,466</u>
Operating income	330,535	339,259
<b>Nonoperating income (loss)</b>		
Investment (loss) income	(221,964)	136,945
Change in fair value of interest rate swaps	(2,597)	(38,338)
Loss on refinancing of debt	(9,721)	(45,470)
Other nonoperating items, net	(17,648)	(22,789)
	<u>(251,930)</u>	<u>30,348</u>
Revenues in excess of expenses	78,605	369,607

Advocate Health Care Network and Subsidiaries

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

	Year Ended December 31	
	2015	2014
<b>Unrestricted net assets</b>		
Revenues in excess of expenses	\$ 78,605	\$ 369,607
Net assets released from restrictions and used for capital purchases	14,975	10,558
Postretirement benefit plan adjustments	(26,617)	(64,018)
Other	-	(4)
Increase in unrestricted net assets	<u>66,963</u>	<u>316,143</u>
<b>Temporarily restricted net assets</b>		
Contributions for medical education programs, capital purchases and other purposes	24,663	24,388
Realized gains on investments	448	5,325
Unrealized losses on investments	(3,843)	(1,106)
Net assets released from restrictions and used for operations, medical education programs, capital purchases and other purposes	(28,676)	(20,951)
(Decrease) increase in temporarily restricted net assets	<u>(7,408)</u>	<u>7,656</u>
<b>Permanently restricted net assets</b>		
Contributions for medical education programs, capital purchases and other purposes	598	453
Increase in permanently restricted net assets	<u>598</u>	<u>453</u>
Increase in net assets	60,153	324,252
Change in non-controlling interest	700	(294)
Net assets/shareholders' equity at beginning of year	5,452,393	5,128,435
Net assets/shareholders' equity at end of year	<u>\$ 5,513,246</u>	<u>\$ 5,452,393</u>

See accompanying notes to consolidated financial statements.

## Advocate Health Care Network and Subsidiaries

### Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2015	2014
<b>Operating activities</b>		
Increase in net assets	\$ 60,853	\$ 323,958
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	251,107	236,236
Provision for uncollectible accounts	220,171	289,597
Change in deferred income taxes	3,895	(3,835)
Losses (gains) on disposal of property and equipment	1,657	(1,297)
Loss on refinancing of debt	9,721	45,470
Change in fair value of interest rate swaps	2,597	38,338
Postretirement benefit plan adjustments	26,617	64,018
Restricted contributions and gains on investments, net of assets released from restrictions used for operations	(13,701)	(10,393)
Changes in operating assets and liabilities:		
Trading securities	56,708	(629,369)
Patient accounts receivable	(189,890)	(356,307)
Amounts due to/from primary third-party payors	10,775	28,068
Accounts payable, accrued salaries and employee benefits, accrued expenses and other noncurrent liabilities	(45,832)	(7,608)
Other assets	(10,269)	(10,929)
Accrued insurance and claims cost	(19,310)	40,874
Net cash provided by operating activities	365,099	46,821
<b>Investing activities</b>		
Purchases of property and equipment	(503,830)	(507,788)
Proceeds from sale of property and equipment	2,842	6,349
Purchases of investments designated as non-trading	(189,292)	(69,229)
Sales of investments designated as non-trading	158,393	223,805
Other	2,382	13,615
Net cash used in investing activities	(529,505)	(333,248)
<b>Financing activities</b>		
Proceeds from issuance of debt	175,425	341,559
Payments of long-term debt	(101,175)	(374,509)
Collateral posted under swap agreements	(830)	-
Proceeds from restricted contributions and gains on investments	21,866	29,060
Net cash provided by (used in) financing activities	95,286	(3,890)
Decrease in cash and cash equivalents	(69,120)	(290,317)
Cash and cash equivalents at beginning of year	272,912	563,229
Cash and cash equivalents at end of year	\$ 203,792	\$ 272,912

See accompanying notes to consolidated financial statements.

# Advocate Health Care Network and Subsidiaries

## Notes to Consolidated Financial Statements (Dollars in Thousands)

December 31, 2015

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

Advocate Health Care Network (the System) is a nonprofit, faith-based health care organization dedicated to providing comprehensive health care services, including inpatient acute and non-acute care, primary and specialty physician services and various outpatient services to communities in northern and central Illinois. Additionally, through long-term academic and teaching affiliations, the System trains resident physicians. The System is affiliated with the United Church of Christ and the Evangelical Lutheran Church of America. Substantially all expenses of the System are related to providing health care services.

#### Mission and Community Benefit

As a faith-based health care organization, the mission, values, and philosophy of the System form the foundation for its strategic priorities. The System's mission is to serve the health care needs of individuals, families, and communities through a holistic philosophy rooted in the fundamental understanding of human beings as created in the image of God. The System's core values of compassion, equality, excellence, partnership, and stewardship guide its actions to provide health care services to sustain and improve the health of the individuals and communities it serves.

Consistent with the values of compassion and stewardship, the System makes a major commitment to patients in need, regardless of their ability to pay. Charity care is provided to patients who meet the criteria established under the System's charity care policy. Patients eligible for consideration can earn up to 600% of the federal poverty level. Qualifying patients can receive up to 100% discounts from charges and extended payment plans. Charity care services are not reported as net patient service revenue because payment is not anticipated while the related costs to provide the health care are included in operating expenses. The System's cost of providing charity care in 2015 and 2014, as determined using the 2014 Medicare cost-to-charge ratio, was \$67,642 and \$65,882, respectively.

The System files the Annual Non-Profit Hospital Community Benefits Plan Report with the Illinois Attorney General. The total community benefit amount reported on this report for the year ended December 31, 2014, the latest filed, was \$696,336 (including \$65,882 of charity care at cost) (unaudited). The information needed to prepare the 2015 report, which is anticipated to

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

be filed in June 2016, is being compiled. This report summarizes the significant financial support that the System provides to its communities to sustain and improve health care services, in addition to the charity care provided. This support includes:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.
- The cost of providing services which are not self-sustaining, for which net patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-income patients as well as the broader community, but are not expected to be financially self-supporting.
- Other community benefits include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

#### Principles of Consolidation

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

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Cash Equivalents**

The System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

##### **Investments**

The System has designated substantially all of its investments as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or other observable inputs. Certain debt-related investments are designated as non-trading. The non-trading portfolio consists mainly of cash equivalents, money market, and commercial paper. Investments in limited partnerships that invest in marketable securities and derivative products (hedge funds) are reported using the equity method of accounting based on information provided by the respective partnership. Investments in private equity limited partnerships with ownership percentages of 5% or greater are recorded on the equity method of accounting, while those with ownership percentages of 5% or less are recorded on the cost method of accounting. Commingled funds are carried at fair value based on other observable inputs. Investment income or loss (including realized gains and losses, interest, dividends, changes in equity of limited partnerships, and unrealized gains and losses) is included in investment income unless the income or loss is restricted by donor or law or is related to assets designated for self-insurance programs. Investment income on self-insurance trust funds is reported in other revenue. Unrealized gains and losses that are restricted by donor or law are reported as a change in temporarily restricted net assets.

##### **Assets Limited as to Use**

Assets limited as to use consist of investments set aside by the Board of Directors for future capital improvements and certain medical education and health care programs. The Board of Directors retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees under debt agreements and self-insurance trusts.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Patient Service Revenue and Accounts Receivable**

Patient accounts receivable are stated at net realizable value. The System evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding, major payor sources of revenue, historical collection experience, and trends in health care insurance programs to estimate the appropriate allowance and provision for uncollectible accounts. For receivables associated with self-pay patients, the System records an allowance for uncollectible accounts in the period of service on the basis of its past experience. These adjustments are accrued on an estimated basis and are adjusted as needed in future periods.

The allowance for uncollectible accounts as a percentage of accounts receivable increased from 26% in 2014 to 27% in 2015 primarily due to a shift in payor class, an increase in the number of patients with higher co-insurance and deductible plans and an increase in the aging of accounts receivable.

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted as needed in future periods.

Net patient service revenue recognized in the period from these major payor sources is as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Third-party payors	\$ 4,656,578	\$ 4,512,176
Self-pay	228,033	274,021
Total all payors	<u>\$ 4,884,611</u>	<u>\$ 4,786,197</u>

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Inventories**

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market value.

##### **Reinsurance Receivables**

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts.

##### **Goodwill and Intangible Assets**

Goodwill of \$29,214 and \$12,719 and intangible assets of \$10,768 and \$13,823 at December 31, 2015 and 2014, respectively, are included in other noncurrent assets on the consolidated balance sheets. Goodwill is not amortized and is evaluated for impairment at least annually. Intangible assets with expected useful lives are amortized over that period.

##### **Asset Impairment**

The System 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, except for those related to investments, are recognized in operating income at the time the impairment is identified.

##### **Property and Equipment**

Provisions for depreciation of property and equipment are based on the estimated useful lives of the assets ranging from 3 to 80 years using the straight-line method.

##### **Asset Retirement Obligations**

The System recognizes its legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operations of long-lived assets when these obligations are incurred. The obligations are recorded as a noncurrent liability and are accreted to present value at the end of each period. When the obligation is incurred, an

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

amount equal to the present value of the liability is added to the cost of the related asset and is accreted over the life of the related asset. The obligations at December 31, 2015 and 2014 were \$23,673 and \$20,821, respectively.

#### **Derivative Financial Instruments**

The System has entered into derivative transactions to manage its interest rate risk. Derivative instruments are recorded as either assets or liabilities at fair value. Subsequent changes in a derivative's fair value are recognized in nonoperating income (loss).

#### **Bond Issuance Costs, Discounts and Premiums**

Bond issuance costs, discounts and premiums are amortized over the term of the bonds using the effective interest method.

#### **General and Professional Liability Risks**

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

#### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and earnings on permanently restricted net assets are used in accordance with the donor's wishes primarily to purchase property and equipment or to fund medical education or other health care programs.

Assets released from restrictions to fund purchases of property and equipment are reported in the consolidated statements of operations and changes in net assets as increases to unrestricted net assets. Those assets released from restriction for operating purposes are reported in the consolidated statements of operations and changes in net assets as other revenue. When restricted, earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with the donor's specifications.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Capitation Revenue**

The System has agreements with various managed care organizations under which the System provides or arranges for medical care to members of the organizations in return for a monthly payment per member. Revenue is earned each month as a result of agreeing to provide or arrange for their medical care.

##### **Other Nonoperating Items, Net**

Other nonoperating items, net primarily consist of the net expenses of the Advocate Charitable Foundation, provisions for environmental remediation, contributions to charitable organizations, valuation adjustments for investments on the equity method of accounting and income taxes.

##### **Revenues in Excess of Expenses and Changes in Net Assets**

The consolidated statements of operations and changes in net assets include revenues in excess of expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from revenues in excess of expenses, primarily include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and postretirement benefit adjustments.

##### **Grants**

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred and project milestones are achieved. Grant payments received in advance of related project expenses are recorded as deferred revenue until the expenditure has been incurred. The System records grant revenue in other revenue in the consolidated statements of operations and changes in net assets.

Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals, physicians and certain other professionals when they adopt certified electronic health record (EHR) technology or become "meaningful users" of EHRs in ways that demonstrate improved quality, safety and effectiveness of care. These incentive payments are being accounted for in the same manner as grant revenue.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance related to lease accounting. The guidance will require leases that are currently classified as operating leases under current guidance to be recognized on the balance sheet as lease assets and liabilities by lessees. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. The System is evaluating the effect this guidance will have on its consolidated financial statements.

In January 2016, the FASB issued guidance requiring financial instruments accounted for on the equity method to be measured at fair value with changes in fair value recognized in net income. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. The System is evaluating the effect this guidance will have on its consolidated financial statements.

In May 2015, the FASB issued guidance related to fair value disclosures of certain investments. Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient provisions of the fair value measurement guidance are no longer required to be included within the fair value hierarchy leveling tables. The System early adopted this guidance as of and for the year ended December 31, 2015 with amendments applied retrospectively to all periods presented.

In April 2015, the FASB issued guidance related to simplifying the presentation of debt issuance costs. The guidance requires the carrying amount of the debt liability be presented net of debt issuance costs, consistent with the presentation of debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the update. The System early adopted this guidance as of and for the year ended December 31, 2015, which did not have a material effect on the consolidated financial statements.

In May 2014, the FASB issued guidance related to recognizing revenue from contracts with customers. This new guidance dictates that the standard be applied either retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying the revenue recognition standard recognized at the date of initial application. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. The System is evaluating the effect this guidance will have on its consolidated financial statements.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Reclassifications in the Consolidated Financial Statements**

Certain reclassifications were made to the 2014 consolidated financial statements and footnotes to conform to the classifications used in 2015. There was no impact on previously reported 2014 net assets or revenues in excess of expenses. The debt issuance costs in 2014 of \$10,457 were reclassified from deferred costs and intangible assets, less allowances for amortization to long-term debt, less current portion on the consolidated balance sheets.

**2. Contractual Arrangements With Third-Party Payors**

The System provides care to certain patients under payment arrangements with Medicare, Medicaid, Health Care Service Corporation, d/b/a Blue Cross and Blue Shield of Illinois (Blue Cross), and various other health maintenance and preferred provider organizations. Services provided under these arrangements are paid at predetermined rates and/or reimbursable costs, as defined. Reported costs and/or services provided under certain of the arrangements are subject to audit by the administering agencies. Changes in Medicare and Medicaid programs and reduction of funding levels could have a material adverse effect on the future amounts recognized as net patient service revenue.

Amounts earned from the above payment arrangements accounted for 97% of the System's net patient service revenue, net of the provision for uncollectible accounts, in 2015 and 2014. The System's net patient service revenue net of the provision for uncollectible accounts by payor for the years ended December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Blue Cross	31%	31%
Medicaid	16	14
Medicare	31	30
Other	22	25
	<u>100%</u>	<u>100%</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**2. Contractual Arrangements With Third-Party Payors (continued)**

Provision has been made in the consolidated financial statements for contractual adjustments, representing the difference between the established charges for services and actual or estimated payment. The extreme complexity of laws and regulations governing the Medicare and Medicaid programs renders at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in the estimates that relate to prior years' third-party payment arrangements resulted in increases in net patient service revenue of \$16,064 and \$6,419 for the years ended December 31, 2015 and 2014, respectively.

In connection with the State of Illinois' Hospital Assessment Program, including the enhanced Medicaid assessment system, the System recognized \$285,419 and \$202,590 of net patient service revenue and \$145,445 and \$142,212 of program assessment expense in other expense in 2015 and 2014, respectively.

The System's concentration of credit risk related to accounts receivable is limited due to the diversity of patients and payors. The System grants credit, without collateral, to its patients, most of whom are local residents and insured under third-party payor arrangements. The System has established guidelines for placing patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by the System. Significant concentrations of accounts receivable, less allowance for uncollectible accounts at December 31 as follows:

	<u>2015</u>	<u>2014</u>
Blue Cross	13%	17%
Medicaid	20	19
Medicare	13	13
Other	54	51
	<u>100%</u>	<u>100%</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

**2. Contractual Arrangements With Third-Party Payors (continued)**

The System has entered into various capitated physician provider agreements. Capitation revenue by payor for the years ended December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Humana Health Plan, Inc. and Humana Insurance Company and their affiliates	42%	42%
Cigna-HealthSpring	15	14
WellCare Health Plans, Inc.	12	13
Other	31	31
	<u>100%</u>	<u>100%</u>

Provision has been made in the consolidated financial statements for the estimated cost of providing certain medical services under the aforementioned capitated arrangements. The System accrues a liability for reported, as well as an estimate for incurred but not reported (IBNR), contracted medical services. The liability represents the expected ultimate cost of all reported and unreported claims unpaid at year-end. The System uses the services of a consulting actuary to determine the estimated cost of the IBNR claims. Adjustments to the estimates are reflected in current year operations. At December 31, 2015 and 2014, the liabilities for unpaid medical claims amounted to \$25,854 and \$23,268, respectively, and are included in accounts payable and accrued expenses in the consolidated balance sheets.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

**3. Cash and Cash Equivalents and Investments (Including Assets Limited as to Use)**

Investments (including assets limited as to use) and other financial instruments at December 31 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Assets limited as to use:		
Designated for self-insurance programs	\$ 696,678	\$ 779,395
Internally and externally designated for capital improvements, medical education and health care programs	4,490,667	4,474,371
Externally designated under debt agreements	37,979	7,080
Investments under securities lending program	18,483	19,145
	<u>5,243,807</u>	<u>5,279,991</u>
Other financial instruments:		
Cash and cash equivalents and short-term investments	225,458	292,368
	<u>\$ 5,469,265</u>	<u>\$ 5,572,359</u>

The composition and carrying value of assets limited as to use, short-term investments, and cash and cash equivalents at December 31 are set forth in the following table:

	<u>2015</u>	<u>2014</u>
Cash and short-term investments	\$ 380,407	\$ 362,473
Corporate bonds and other debt securities	397,124	437,503
United States government obligations	151,036	254,478
Government mutual funds	291,801	310,075
Bond and other debt security mutual funds	302,849	360,601
Commodity mutual funds	-	3,497
Hedge funds	1,896,615	1,661,622
Private equity limited partnership funds	515,385	444,827
Equity securities	844,190	1,165,175
Equity funds	689,858	572,108
	<u>\$ 5,469,265</u>	<u>\$ 5,572,359</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**3. Cash and Cash Equivalents and Investments (Including Assets Limited as to Use)  
 (continued)**

For private equity investments carried at cost, the System regularly compares the net asset value (NAV), which is a proxy for the fair value, to the recorded cost of these investments for potential other-than-temporary impairment. The cost of these investments is \$424,547 and \$384,435, and the NAV of these based on estimates determined by the investments' management was \$500,632 and \$443,862 at December 31, 2015 and 2014, respectively. In 2015 and 2014, the System identified and recorded \$4,725 and \$15,041, respectively, of impairment losses that are included in investment (loss) income in the consolidated statements of operations and changes in net assets.

At December 31, 2015 and 2014, the System had additional commitments to fund private equity investments in the amounts of \$573,232 and \$491,822, respectively. The commitments at December 31, 2015 are expected to be funded over the next six years.

Investment returns for assets limited as to use, cash and cash equivalents and short-term investments are comprised of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 46,804	\$ 57,506
Equity (losses) income from alternative investments	(84,713)	110,316
Net realized gains	87,253	120,033
Net unrealized losses	(232,936)	(99,803)
	<u>\$ (183,592)</u>	<u>\$ 188,052</u>

Investment returns included in the consolidated statements of operations and changes in net assets for the years ended December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Other revenue	\$ 41,767	\$ 46,888
Investment (losses) income	(221,964)	136,945
Realized and unrealized (losses) gains on investments – temporarily restricted net assets	(3,395)	4,219
	<u>\$ (183,592)</u>	<u>\$ 188,052</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**3. Cash and Cash Equivalents and Investments (Including Assets Limited as to Use)  
(continued)**

As part of the management of the investment portfolio, the System has entered into an arrangement whereby securities owned by the System are loaned primarily to brokers and investment banks. The loans are arranged through a bank. Borrowers are required to post collateral for securities borrowed equal to approximately 103% in 2015 and 2014, of the value of the security on a daily basis at a minimum. The bank is responsible for reviewing the creditworthiness of the borrowers. The System has also entered into an arrangement whereby the bank is responsible for the risk of borrower bankruptcy and default. At December 31, 2015 and 2014, the System loaned \$18,483 and \$19,145, respectively, in securities and accepted collateral for these loans in the amount of \$19,097 and \$19,768, respectively, of which \$19,097 and \$19,768, respectively, represent cash and government securities and are included in current liabilities and current assets, respectively, in the accompanying consolidated balance sheets.

**4. Fair Value Measurements**

The System accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in active markets. The System categorizes each of its fair value measurements in one of the three levels based on the highest level of input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices in active markets for identified assets or liabilities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which then requires the reporting entity to develop its own assumptions about what market participants would use in pricing the asset or liability.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **4. Fair Value Measurements (continued)**

The following section describes the valuation methodologies the System uses to measure financial assets and liabilities at fair value. In general, where applicable, the System uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments such as domestic and international equities, United States Treasuries, exchange-traded mutual funds, and agency securities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, commercial paper, and certain agency securities. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include fair value adjustments related to the System's credit risk.

The System's investments are exposed to various kinds and levels of risk. Equity securities and equity mutual funds expose the System to market risk, performance risk, and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed income securities and fixed income mutual funds expose the System to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value resulting in additional gains and losses in the near term.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The following are assets and liabilities measured at fair value on a recurring basis at December 31, 2015:

Description	2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash and short-term investments	\$ 380,407	\$ 366,847	\$ 13,560	\$ -
Corporate bonds and other debt securities	397,124	-	397,124	-
United States government obligations	151,036	-	151,036	-
Government mutual funds	291,801	291,801	-	-
Bond and other debt security mutual funds	302,849	172,728	130,121	-
Equity securities	844,190	844,190	-	-
Equity funds	689,858	76,118	613,740	-
Investments at fair value	3,057,265	\$ 1,751,684	\$ 1,305,581	\$ -
Investments not at fair value	2,412,000			
Total investments	<u>\$ 5,469,265</u>			
Collateral proceeds received under securities lending program	\$ 19,097		\$ 19,097	
<b>Liabilities</b>				
Obligations under swap agreements (see Note 7)	\$ (88,013)		\$ (88,013)	
Obligations to return collateral under securities lending program	\$ (19,097)		\$ (19,097)	

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The following are assets and liabilities measured at fair value on a recurring basis at December 31, 2014:

Description	2014	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash and short-term investments	\$ 362,473	\$ 348,076	\$ 14,397	\$ --
Corporate bonds and other debt securities	437,503	--	437,503	--
United States government obligations	254,478	--	254,478	--
Government mutual funds	310,075	310,075	--	--
Bond and other debt security mutual funds	360,601	69,172	291,429	--
Commodity mutual funds	3,497	3,497	--	--
Equity securities	1,165,175	1,165,175	--	--
Equity funds	572,108	133,227	438,881	--
Investments at fair value	<u>3,465,910</u>	<u>\$ 2,029,222</u>	<u>\$ 1,436,688</u>	<u>\$ --</u>
Investments not at fair value	<u>2,106,449</u>			
Total investments	<u>\$ 5,572,359</u>			
Collateral proceeds received under securities lending program	<u>\$ 19,768</u>		<u>\$ 19,768</u>	
<b>Liabilities</b>				
Obligations under swap agreements (see Note 7)	<u>\$ (86,246)</u>		<u>\$ (86,246)</u>	
Obligations to return collateral under securities lending program	<u>\$ (19,768)</u>		<u>\$ (19,768)</u>	

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 4. Fair Value Measurements (continued)

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

Investments not at fair value include hedge funds and private equity limited partnerships (alternative investments). The values of the alternative investments that do not have readily determinable fair values are determined by the general partner or fund manager taking into consideration, among other things, the cost of the securities or other investments, prices of recent significant transfers of like assets, and subsequent developments concerning the companies or other assets to which the alternative investments relate. The valuation for the estimated fair value of long-term debt is completed by a third-party service and takes into account a number of factors including, but not limited to, any one or more of the following: (i) general interest rate and market conditions; (ii) macroeconomic and/or deal-specific credit fundamentals; (iii) valuations of other financial instruments that may be comparable in terms of rating, structure, maturity, and/or covenant protection; (iv) investor opinions about the respective deal parties; (v) size of the transaction; (vi) cash flow projections, which in turn are based on assumptions about certain parameters that include, but are not limited to, default, recovery, prepayment, and reinvestment rates; (vii) administrator reports, asset manager estimates, broker quotations, and/or trustee reports, and (viii) comparable trades, where observable. Based on the inputs in determining the estimated fair value of debt, this liability would be considered Level 2. The estimated fair value of long-term debt based on quoted market prices for the same or similar issues was \$1,705,444 and \$1,632,090 at December 31, 2015 and 2014, respectively, which included consideration of third-party credit enhancements, of which there was no effect.

#### 5. Interest in Health Care and Related Entities

During 2000, in connection with the acquisition of a medical center, the System acquired an interest in the net assets of the Masonic Family Health Foundation (the Foundation), an independent organization, under the terms of an asset purchase agreement (the Agreement). The use of substantially all of the Foundation's net assets is designated to support the operations and/or capital needs of one of the System's medical facilities. Additionally, 90% of the Foundation's investment yield, net of expenses, on substantially all of the Foundation's investments is designated for the support of one of the System's medical facilities. The Foundation must pay the System, annually, 90% of the investment yield or an agreed-upon percentage of the beginning of the year net assets.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**5. Interest in Health Care and Related Entities (continued)**

The interest in the net assets of this organization amounted to \$83,499 and \$88,205 as of December 31, 2015 and 2014, respectively, which is reflected in interest in health care and related entities in the consolidated balance sheets. The System's interest in the investment yield is reflected in the consolidated statements of operations and changes in net assets and amounted to \$(880) and \$3,755 for the years ended December 31, 2015 and 2014, respectively. Cash distributions received by the System from the Foundation under terms of the Agreement amounted to \$6,996 and \$4,720 during the years ended December 31, 2015 and 2014, respectively. In addition to the amounts distributed under the Agreement, the Foundation contributed \$639 and \$408 to the System for program support of one of its medical facilities during the years ended December 31, 2015 and 2014, respectively.

The System has a 50% membership and governance interest in Advocate Health Partners (d/b/a Advocate Physician Partners) (APP), which has been accounted for on an equity basis. The System's carrying value in this interest was \$0 at December 31, 2015 and 2014. Financial information relating to this interest as of and for the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Assets	\$ 134,255	\$ 150,049
Liabilities	135,774	151,294
Revenues in excess of expenses	-	-

The System contracts with APP for certain operational and administrative services. Total expenses incurred for these services were \$28,345 and \$27,583 in 2015 and 2014, respectively, which is included in purchased services and operating supplies and other in the consolidated statements of operations and changes in net assets. At December 31, 2015 and 2014, the System had an accrued liability to APP for those services for \$310 and \$319, respectively, which is included in accounts payable and accrued expenses in the consolidated balance sheets.

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**5. Interest in Health Care and Related Entities (continued)**

APP purchased claims processing and certain management services from the System in the amounts of \$8,026 and \$7,645 in 2015 and 2014, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. Under terms of an agreement with the System, APP reimburses the System for salaries, benefits and other expenses that are incurred by the System on APP's behalf. The amount billed for these services in 2015 and 2014 was \$27,480 and \$25,372, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. The System had a receivable from APP at December 31, 2015 and 2014, for claims processing and management services of \$2,842 and \$2,825, respectively, which is included in prepaid expenses, inventories and other current assets in the consolidated balance sheets.

**6. Long-Term Debt**

Long-term debt, net of unamortized original issue discount or premium and unamortized deferred bond issuance costs, consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Revenue bonds and revenue refunding bonds, Illinois Finance Authority Series:		
1993C, 6.00%, principal payable in varying annual installments through April 2018	\$ 14,466	\$ 17,230
2003A (weighted-average rate of 0.23% and 2.24% during 2015 and 2014, respectively), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	17,331	19,611
2003C (weighted-average rate of 0.24% and 0.18% during 2015 and 2014, respectively), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	16,632	18,912
2008A (weighted-average rate of 5.00% during 2015 and 2014), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	133,532	137,017

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

6. Long-Term Debt (continued)

	2015	2014
Revenue bonds and revenue refunding bonds, Illinois Finance Authority Series (continued):		
2008C (weighted-average rate of 0.05% and 0.20% during 2015 and 2014, respectively), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	\$ 342,535	\$ 342,495
2008D, 5.25% to 5.50%, principal payable in varying annual installments through November 2038	13,930	18,213
2010A, 5.50%, principal payable in varying annual installments through April 2044	19,499	36,871
2010B, 5.38%, principal payable in varying annual installments through April 2044	27,320	51,638
2010C, 5.38%, principal payable in varying annual installments through April 2044	13,371	25,265
2010D, 4.00% to 5.25%, principal payable in varying annual installments through April 2038	82,547	100,692
2011A, 3.00% to 5.00%, principal payable in varying annual installments through April 2041	37,185	37,608
2011B (weighted-average rate of 0.20% and 0.17% during 2015 and 2014, respectively), principal payable in varying annual installments through April 2051, subject to a put provision that provides for a cumulative seven-month notice and remarketing period; interest tied to a market index plus a spread	69,205	69,182
2011C (weighted-average rate of 0.83% and 0.81% during 2015 and 2014, respectively), principal payable in varying annual installments through April 2049, subject to a put provision at the end of the initial seven-year period; interest tied to a market index plus a spread	49,857	49,852

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

6. Long-Term Debt (continued)

	2015	2014
Revenue bonds and revenue refunding bonds, Illinois Finance Authority Series (continued):		
2011D (weighted-average rate of 0.93% and 0.91% during 2015 and 2014, respectively), principal payable in varying annual installments through April 2049, subject to a put provision at the end of the initial 10-year period; interest tied to a market index plus a spread	\$ 49,857	\$ 49,852
2012, 4.00% to 5.00%, principal payable in varying annual installments through June 2047	148,087	148,175
2013A, 4.00% to 5.00%, principal payable in varying annual installments through June 2031	98,594	100,172
2014, 4.00% to 5.00%, principal payable in varying annual installments through August 2038	336,811	339,070
2015, 4.13% to 5.00%, principal payable in varying annual installments through May 2045	103,050	-
2015B, 4.00% to 5.00%, principal payable in varying annual installments through May 2044	72,553	-
Capital lease obligations	38,219	30,180
Other	1,004	6,560
	1,685,585	1,598,595
Less current portion of long-term debt	20,168	20,042
Less long-term debt subject to short-term remarketing arrangements	126,045	130,635
	\$ 1,539,372	\$ 1,447,918

Maturities of long-term debt, capital leases, and sinking fund requirements, assuming remarketing of the variable rate demand revenue refunding bonds, for the five years ending December 31, 2020, are as follows: 2016 – \$20,168; 2017 – \$21,418; 2018 – \$22,787; 2019 – \$28,232; and 2020 – \$29,507.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **6. Long-Term Debt (continued)**

The System's outstanding bonds are secured by obligations issued under the Amended and Restated Master Trust Indenture dated as of September 1, 2011 and subsequently amended, with Advocate Health Care Network, Advocate Health and Hospitals Corporation, Advocate Condell, Advocate North Side and Advocate Sherman (the Obligated Group or Restricted Affiliates) and U.S. Bank National Association, as master trustee (the System Master Indenture). Under the terms of the bond indentures and other arrangements, various amounts are to be on deposit with trustees, and certain specified payments are required for bond redemption and interest payments. The System Master Indenture and other debt agreements, including a bank credit agreement, also place restrictions on the System and require the System to maintain certain financial ratios.

The System's unsecured variable rate revenue bonds, Series 2003A of \$17,385, Series 2003C of \$16,685, Series 2008C-3B of \$21,975, and Series 2011B of \$70,000, while subject to a long-term amortization period, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within a maximum of 12 months after December 31, 2015, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to the System is remote. However, to address this possibility, the System has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or unrestricted assets as a source of self-liquidity.

The System has standby bond purchase agreements with banks to provide liquidity support for substantially all of the Series 2008C Bonds. In the event of a failed remarketing of the supported Series 2008C Bonds upon its tender by an existing holder and subject to compliance with the terms of the standby bond purchase agreement, the standby bank would provide the funds for the purchase of such tendered bonds, and the System would be obligated to repay the bank for the funds it provided for such bond purchase (if such bond is not subsequently remarketed), with the first installment of such repayment commencing on the date one year and one day after the bank purchases the bond. As of December 31, 2015 and 2014, there were no bank-purchased bonds outstanding. The agreements expire as follows: \$145,919 in August 2017; \$49,829 in August 2019; and \$129,456 in August 2020.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

**6. Long-Term Debt (continued)**

On December 18, 2014, the Illinois Finance Authority, for the benefit of the System, issued its Revenue Bonds, Series 2014, in the amount of \$304,770. The proceeds of the Series 2014 Bonds were used to advance refund the Series 2007A Sherman Bonds and a portion of the Series 2008D Bonds, and to pay certain costs of issuing the Series 2014 Bonds.

On September 24, 2015, the Illinois Finance Authority, for the benefit of the System, issued its Revenue Bonds, Series 2015, in the amount of \$100,000. The proceeds of the Series 2015 Bonds were used, together with other funds available to the System, to finance, refinance, or reimburse the System for a portion of the costs related to the acquisition, construction, renovation, and equipping of certain capital projects and to pay certain costs of issuing the Series 2015 Bonds.

On October 22, 2015, the Illinois Finance Authority, for the benefit of the System, issued its Revenue Bonds, Series 2015B, in the amount of \$71,645. The proceeds of the Series 2015B Bonds were used to advance refund a portion of the Series 2010 Bonds and to pay certain costs of issuing the Series 2015B Bonds.

The System maintains an interest rate swap program on certain of its variable rate debt as described in Note 7.

Interest paid, net of capitalized interest, amounted to \$42,305 and \$62,659 in 2015 and 2014, respectively. The System capitalized interest of \$12,992 and \$7,513 in 2015 and 2014, respectively.

At December 31, 2015, the System had lines of credit with banks aggregating to \$325,000. These lines of credit provide for various interest rates and payment terms and expire as follows: \$25,000 in February 2016, \$100,000 in December 2016, \$100,000 in March 2018 and \$100,000 in August 2018. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures, or for general working capital purposes. At December 31, 2015, no amounts were outstanding on these lines of credit.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**7. Derivatives**

The System has interest rate-related derivative instruments to manage exposure of its variable rate debt instruments and does not enter into derivative instruments for any purpose other than risk management. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The System also mitigates risk through periodic reviews of its derivative positions in the context of its total blended cost of capital.

At December 31, 2015, the System maintains an interest rate swap program on its Series 2008C variable rate demand revenue bonds. These bonds expose the System to variability in interest payments due to changes in interest rates. The System believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, the System entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps convert the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in the principal outstanding under various bond series. The following is a summary of the outstanding positions under these interest rate swap agreements at December 31, 2015 and 2014:

<b>Bond Series</b>	<b>Notional Amount</b>	<b>Maturity Date</b>	<b>Rate Received</b>	<b>Rate Paid</b>
2008C-1	\$ 129,900	November 1, 2038	61.7% of LIBOR + 26 bps	3.60%
2008C-2	108,425	November 1, 2038	61.7% of LIBOR + 26 bps	3.60
2008C-3	88,000	November 1, 2038	61.7% of LIBOR + 26 bps	3.60

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**7. Derivatives (continued)**

The swaps are not designated as hedging instruments, and therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swaps are included as a component of nonoperating income (loss) in the consolidated statements of operations and changes in net assets as changes in the fair value of interest rate swaps. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the consolidated statements of operations and changes in net assets.

The fair value of derivative instruments is as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Consolidated balance sheet location</b>		
Obligations under swap agreements	\$ (88,843)	\$ (86,246)
Collateral posted under swap agreements	830	-
Obligations under swap agreements, net	<u>\$ (88,013)</u>	<u>\$ (86,246)</u>

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

	<b>Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Consolidated statement of operations and changes in net assets location</b>		
Net cash payments on interest rate swap agreements (interest expense)	<u>\$ 10,463</u>	<u>\$ 10,734</u>
Change in the fair value of interest rate swaps (nonoperating)	<u>\$ (2,597)</u>	<u>\$ (38,338)</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**7. Derivatives (continued)**

The aggregate fair value of all swap instruments with credit risk-related contingent features that are in a liability position was \$88,843 and \$86,246 at December 31, 2015 and 2014, respectively, for which the System has posted collateral of \$830 and \$0 at December 31, 2015 and 2014, respectively. The swap instruments contain provisions that require the System's debt to maintain an investment grade credit rating from certain major credit rating agencies. If the System's debt were to fall below investment grade on the valuation date it would be in violation of these provisions and the counterparty to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. If the credit risk-related contingent features underlying these swap agreements were triggered on December 31, 2015 the System would be required to post an additional \$88,013 in collateral with the counterparties.

**8. Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Purchases of property and equipment	\$ 26,673	\$ 33,118
Medical education and other health care programs	84,910	85,873
	<u>\$ 111,583</u>	<u>\$ 118,991</u>

Permanently restricted net assets generate investment income, which is used to benefit the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Purchases of property and equipment	\$ 1,000	\$ 1,000
Medical education and other health care programs	47,617	47,019
	<u>\$ 48,617</u>	<u>\$ 48,019</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**9. Retirement Plans**

The System maintains defined benefit pension plans, the Advocate Health Care Network Pension Plan (Advocate Plan) and Condell Health Network Retirement Plan (Condell Plan) (collectively, the Plans), which cover a majority of its employees (associates). The Condell Plan was frozen effective January 1, 2008, to new participants, and participants ceased to accrue additional pension benefits. The System may elect to terminate the Condell Plan in the future subject to the provisions set forth in Employee Retirement Income Security Act of 1974.

A summary of changes in the plan assets, projected benefit obligation, and the resulting funded status of the Advocate Plan is as follows:

	<u>2015</u>	<u>2014</u>
Change in plan assets:		
Plan assets at fair value at beginning of year	\$ 835,822	\$ 800,469
Actual return on plan assets	526	50,958
Employer contributions	67,880	30,960
Benefits paid	(46,699)	(46,565)
Plan assets at fair value at end of year	<u>\$ 857,529</u>	<u>\$ 835,822</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 864,911	\$ 774,688
Service cost	49,095	45,224
Interest cost	34,688	37,484
Actuarial (gain) loss	(23,912)	54,080
Benefits paid	(46,699)	(46,565)
Projected benefit obligation at end of year	<u>\$ 878,083</u>	<u>\$ 864,911</u>
Plan assets less than projected benefit obligation	<u>\$ (20,554)</u>	<u>\$ (29,089)</u>
Accumulated benefit obligation at end of year	<u>\$ 794,014</u>	<u>\$ 780,706</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Retirement Plans (continued)

A summary of changes in the plan assets, projected benefit obligation, and the resulting funded status of the Condell Plan is as follows:

	<u>2015</u>	<u>2014</u>
Change in plan assets:		
Plan assets at fair value at beginning of year	\$ 63,494	\$ 39,668
Actual return on plan assets	(1,304)	2,461
Employer contributions	-	25,306
Benefits paid	(3,642)	(3,941)
Plan assets at fair value at end of year	<u>\$ 58,548</u>	<u>\$ 63,494</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 71,846	\$ 63,405
Interest cost	2,712	2,862
Actuarial (gain) loss	(3,568)	9,520
Benefits paid	(3,642)	(3,941)
Projected benefit obligation at end of year	<u>\$ 67,348</u>	<u>\$ 71,846</u>
Plan assets less than projected benefit obligation	<u>\$ (8,800)</u>	<u>\$ (8,352)</u>
Accumulated benefit obligation at end of year	<u>\$ 67,348</u>	<u>\$ 71,846</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**9. Retirement Plans (continued)**

The Condell Plan paid lump sums totaling \$2,609 and \$3,130 in 2015 and 2014, respectively. The amount in 2014 was greater than the sum of the Condell Plan's service cost and interest cost resulting in a settlement charge in the amount of \$903.

	<u>2015</u>	<u>2014</u>
Net Plans' pension expense consists of the following for the years ended December 31:		
Service cost	\$ 49,095	\$ 45,224
Interest cost	37,400	40,346
Expected return on plan assets	(62,098)	(58,131)
Amortization of:		
Prior service credit	(4,823)	(4,823)
Recognized actuarial loss	14,531	10,284
Settlement/curtailment	-	903
Net Plans' pension expense	<u>\$ 34,105</u>	<u>\$ 33,803</u>

The amounts of actuarial loss and prior service cost (credit) included in other changes in unrestricted net assets expected to be recognized in net periodic pension cost during the year ending December 31, 2016 are \$11,690 and \$(4,823), respectively.

For the defined benefit plans previously described, changes in plans' assets and benefit obligations recognized in unrestricted net assets during 2015 and 2014 include an actuarial loss of \$20,869 and \$57,126, respectively, and net prior service credit of \$4,823 in both years.

Included in unrestricted net assets at December 31 are the following amounts that have not yet been recognized in net pension expense:

	<u>2015</u>	<u>2014</u>
Unrecognized prior credit	\$ (13,771)	\$ (18,594)
Unrecognized actuarial loss	239,361	218,492
	<u>\$ 225,590</u>	<u>\$ 199,898</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**9. Retirement Plans (continued)**

Employer contributions were paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Plans were paid from the Plans' assets. The System anticipates making \$30,260 in contributions to the Plans' assets during 2016. Expected associate benefit payments are 2016 – \$62,850; 2017 – \$64,130; 2018 – \$69,100; 2019 – \$75,030; 2020 – \$76,010; and 2021 through 2025 – \$410,480.

The Plans' asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors, and manager style to minimize the risk of loss. The System uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines.

The System's target and actual pension asset allocations for the Plans are as follows:

<u>Asset Category – Advocate</u>	<u>Target</u>	<u>2015</u>	<u>2014</u>
		<u>Actual</u>	<u>Actual</u>
Domestic and international equity securities	35.0%	37.1%	37.8%
Alternative investments	45.0	42.6	40.6
Cash and fixed income securities	20.0	20.3	21.6
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<u>Asset Category – Condell</u>	<u>Target</u>	<u>2015</u>	<u>2014</u>
		<u>Actual</u>	<u>Actual</u>
Domestic and international equity securities	30.0%	30.2%	30.0%
Cash and fixed income securities	70.0	69.8	70.0
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **9. Retirement Plans (continued)**

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 4. Real estate commingled funds for which an active market exists are included in Level 2. The System opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plans' interest in hedge funds, private equity funds and real estate commingled funds. There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Plans' investment assets are exposed to the same kinds and levels of risk as described in Note 4.

The Advocate Plan had commitments to fund private equity partnerships an additional \$101,629 and \$80,276 at December 31, 2015 and 2014, respectively. The commitments at December 31, 2015 are expected to be funded over the next six years.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

**9. Retirement Plans (continued)**

The following are the Plans' financial instruments at December 31, 2015, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 4:

Description	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 34,142	\$ 15,924	\$ 18,218	\$ -
Equity securities:				
Small cap	1,215	-	1,215	-
Large cap	49,020	41,425	7,595	-
Value equity	35,205	35,205	-	-
Growth equity	38,576	38,576	-	-
U.S. equity	10,299	10,299	-	-
International equity	121,297	31,667	89,630	-
International equity -- emerging	53,852	-	53,852	-
Fixed income securities:				
Core plus bonds	99,214	34,434	64,780	-
Long duration bonds	106,620	-	106,620	-
Emerging market bonds	2,040	-	2,040	-
Alternative investments:				
Real estate	47,942	-	47,942	-
Assets at net asset value:				
Hedge funds	206,190			
Private equity funds	99,207			
Real estate	11,258			
Total	<u>\$ 916,077</u>			

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

9. Retirement Plans (continued)

The following are the Plans' financial instruments at December 31, 2014, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 4:

Description	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 41,944	\$ 10,342	\$ 31,602	\$ -
Equity securities:				
Small cap	1,315	-	1,315	-
Large cap	50,197	41,880	8,317	-
Value equity	35,126	35,126	-	-
Growth equity	37,829	37,829	-	-
U.S. equity	20,494	20,494	-	-
International equity	118,285	30,488	87,797	-
International equity – emerging	75,748	-	75,748	-
Fixed income securities:				
Core plus bonds	77,519	26,603	50,916	-
Long duration bonds	100,147	-	100,147	-
Emerging market bonds	2,170	-	2,170	-
Alternative investments:				
Real estate	59,319	-	59,319	-
Assets at net asset value:				
Hedge funds	184,974			
Private equity funds	80,371			
Real estate	13,878			
Total	<u>\$ 899,316</u>			

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**9. Retirement Plans (continued)**

Assumptions used to determine benefit obligations at the measurement date are as follows:

	<u>2015</u>	<u>2014</u>
Discount rate – both plans	4.30%	3.90%
Assumed rate of return on assets – Advocate Plan	7.25	7.25
Assumed rate of return on assets – Condell Plan	5.00	5.00
Weighted-average rate of increase in future compensation (age-based table) – Advocate Plan	4.03	4.03

Assumptions used to determine net pension expense for the fiscal years are as follows:

	<u>2015</u>	<u>2014</u>
Discount rate – both plans	3.90%	4.70%
Assumed rate of return on assets – Advocate Plan	7.25	7.25
Assumed rate of return on assets – Condell Plan	5.00	6.75
Weighted-average rate of increase in future compensation (age-based table) – Advocate Plan	4.03	4.15

The assumed rate of return on plan assets is based on historical and projected rates of return for asset classes in which the portfolio is invested. The expected return for each asset class was then weighted based on the target asset allocation to develop the overall expected rate of return on assets for the portfolio.

The 2015 mortality assumption for the Plans was the RP-2014 no-collar adjustment scale MP-2015 generational projection. The 2014 mortality assumption for the Plans was the RP-2014 no-collar adjustment scale MP-2014 generational projection.

In addition to the defined benefit pension plans, the System sponsors various defined contribution plans. The System contributed to the defined contribution plans \$43,521 and \$39,708 in 2015 and 2014, respectively, which are included in salaries, wages, and employee benefits expense in the consolidated statements of operations and changes in net assets.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **10. General and Professional Liability Risks**

The System is self-insured for substantially all general and professional liability risks. The self-insurance programs combine various levels of self-insured retention with excess commercial insurance coverage. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Revocable trust funds, administered by a trustee and a captive insurance company, have been established for the self-insurance programs. Actuarial consultants have been retained to determine the estimated cost of claims, as well as to determine the amount to fund into the trust and captive insurance company.

The estimated cost of claims is actuarially determined based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions to the trust were determined using a discount rate of 3.25% for 2015 and 2014. Accrued insurance liabilities for the System's captive insurance company were determined using a discount rate of 3.00% for 2015 and 2014. Total accrued insurance liabilities would have been \$52,723 and \$48,705 greater at December 31, 2015 and 2014, respectively, had these liabilities not been discounted.

The System is a defendant in certain litigation related to professional and general liability risks. Although the outcome of the litigation cannot be determined with certainty, management believes, after consultation with legal counsel, that the ultimate resolution of this litigation will not have any material adverse effect on the System's operations or financial condition.

#### **11. Legal, Regulatory, and Other Contingencies and Commitments**

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. During the last few years, as a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, exclusion from the Medicare and Medicaid programs, and revocation of federal or state tax-exempt status. Moreover, the System expects that the level of review and audit to which it and other health care providers are subject will increase.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### **11. Legal, Regulatory, and Other Contingencies and Commitments (continued)**

Various federal and state agencies have initiated investigations, which are in various stages of discovery, relating to reimbursement, billing practices and other matters of the System. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on the System. As a result, there is a reasonable possibility that recorded amounts will change by a material amount in the near term. To foster compliance with applicable laws and regulations, the System maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

In 2013 four desktop computers were stolen during a burglary at one of the System's administrative support locations. The computers did not contain patient medical records but did contain certain patient information, including names, addresses, Social Security numbers and limited billing and clinical information. Affected patients were notified and offered free credit monitoring and identify theft protection. This matter is under investigation by various government agencies, and the System has received notice that it has been named in certain lawsuits regarding this matter. The System continues to monitor and investigate these matters. Although the outcome of these investigations and litigation cannot be determined with certainty, management is not in possession of any information to suggest that the costs relating to the resolution of this incident will have a material adverse effect on the System's operations or financial condition.

On March 17, 2014, the System and certain of its subsidiaries were named as defendants to litigation surrounding the church plan status of the Advocate Plan. On December 31, 2014, the United States District Court for the Northern District of Illinois issued its Decision and Order denying the Defendants' Motion to Dismiss. The System filed a Motion for Interlocutory Appeal, which was granted on January 13, 2015, and has subsequently filed its Petition for Appeal with the Seventh Circuit on January 23, 2015. On September 18, 2015, the court heard oral arguments. A timeline for a ruling is unknown. Regardless of the outcome of such appeal, the System does not believe that this matter will have a material adverse effect on the System's financial position or results of operations.

The System is committed to constructing additions and renovations to its medical facilities and implementing information technology projects, which are expected to be completed in future years. The estimated cost of these commitments is \$757,100, of which \$610,859 has been incurred as of December 31, 2015.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**11. Legal, Regulatory, and Other Contingencies and Commitments (continued)**

The System entered into agreements for information technology services provided by a third party. The maximum amount of future payments that the System could be required to make under these agreements is approximately \$150,000 over the next nine years.

Future minimum rental commitments at December 31, 2015, for all noncancelable leases with original terms of more than one year are \$41,487, \$39,221, \$30,780, \$24,656, and \$21,185 for the years ending December 31, 2016 through 2020, respectively, and \$88,909 thereafter.

Rent expense, which is included in other expenses, amounted to \$69,373 and \$77,396 in 2015 and 2014, respectively.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**12. Income Taxes and Tax Status**

Certain subsidiaries of the System are for-profit corporations. Significant components of the for-profit subsidiaries' deferred tax (liabilities) assets are as follows at December 31:

	<u>2015</u>	<u>2014</u>
<b>Deferred tax assets</b>		
Allowance for uncollectible accounts	\$ 3,333	\$ 5,278
Other accrued expenses	493	839
Accrued insurance	3,790	3,985
Accrued compensation and employee benefits	2,269	2,360
Third-party settlements	285	307
Deferred gain on acquisition	895	1,696
Prepaid and other assets	436	-
Net operating losses	<u>18,408</u>	<u>15,942</u>
Total deferred tax assets	29,909	30,407
Less valuation allowance	<u>18,032</u>	<u>15,203</u>
Net deferred tax assets, included in prepaid expenses, inventories, and other assets and other noncurrent assets	11,877	15,204
<b>Deferred tax liabilities</b>		
Property and equipment	(4,967)	(3,471)
Other accrued expenses	(8,868)	(8,381)
Accrued insurance	<u>(24)</u>	<u>(17)</u>
Total deferred tax liabilities, included in other noncurrent liabilities	<u>(13,859)</u>	<u>(11,869)</u>
Net deferred tax (liability) asset	<u>\$ (1,982)</u>	<u>\$ 3,335</u>

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**12. Income Taxes and Tax Status (continued)**

As of December 31, 2015, the for-profit corporations had \$43,511 of federal and \$63,106 of state net operating loss carryforwards with unutilized amounts expiring between 2019 and 2035.

During 2015 the valuation allowance increased by \$2,829. This change is primarily due to the acquisition and merger of a physician group, the utilization of Illinois net operating losses and the valuation allowance relating to these net operating losses being eliminated. The valuation allowance as of the end of 2015 primarily consists of net operating losses that are unlikely to be utilized.

Significant components of the for-profit subsidiaries' provision (credit) for income taxes are as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Current:		
Federal	\$ 273	\$ 6,413
State	44	1,958
Deferred	5,317	(4,180)
	<u>\$ 5,634</u>	<u>\$ 4,191</u>

Federal and state income taxes paid relating to the System's for-profit corporations were \$5,775 and \$6,885 in 2015 and 2014, respectively.

The System and all other controlled or wholly owned subsidiaries are exempt from income taxes under Internal Revenue Code Section 501(c)(3). They do, however, operate certain programs that generate unrelated business income. The current tax (credit) provision recorded on this income was \$(2,528) and \$2,361 for the years ended December 31, 2015 and 2014, respectively.

## Advocate Health Care Network and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **13. Affiliation and Merger**

On September 11, 2014, the System and NorthShore University Health System (NorthShore) entered into a definitive merger and affiliation agreement (the Agreement) to form Advocate NorthShore Health Partners (ANHP), an integrated delivery system to be comprised of sixteen hospitals, a broad network of clinically integrated employed and affiliated physicians, outpatient centers and home health services across northern and central Illinois that will provide improved health outcomes and lower costs for the patients and communities it serves. The completion of the transaction was conditioned upon the satisfaction of certain conditions precedent, including required regulatory approval of the Federal Trade Commission (FTC). On December 18, 2015, the FTC issued an administrative complaint challenging the proposed merger and affiliation. On December 21, 2015, the FTC and Illinois Attorney General filed a complaint and motion for preliminary injunction in the Northern District of Illinois Federal District Court in Chicago, Illinois which was granted. The matter has been set for a six day evidentiary hearing and trial in April 2016 with a ruling expected during the summer of 2016. The System can provide no assurance that the transaction will, or will not, occur.

#### **14. Subsequent Events**

The System evaluated events occurring between January 1, 2016 and March 4, 2016, which is the date when the consolidated financial statements were issued.

## Supplementary Information



Building a better  
working world

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## Report of Independent Auditors on Supplementary Information

The Board of Directors  
Advocate Health Care Network

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying details of consolidated balance sheet and details of consolidated statement of operations and changes in net assets and shareholders' equity are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Ernst & Young LLP*

March 4, 2016

Advocate Charitable Foundation

Statements of Operations  
*(Dollars in Thousands)*

	Year Ended December 31	
	2015	2014
<b>Unrestricted revenues, gains, and other support</b>		
Other revenue	\$ 1,586	\$ 1,668
<b>Expenses</b>		
Salaries, wages, and employee benefits	7,277	7,237
Purchased services and operating supplies	942	904
Insurance and claims costs	6	15
Other	3,258	2,679
Depreciation and amortization	51	55
	<u>11,534</u>	<u>10,890</u>
Operating loss	(9,948)	(9,222)
<b>Nonoperating income (loss)</b>		
Other nonoperating items, net	(14)	(11)
Expenses in excess of revenues	<u>\$ (9,962)</u>	<u>\$ (9,233)</u>

Advocate Health Care Network and Subsidiaries

Details of Consolidated Balance Sheet  
(Dollars in Thousands)

December 31, 2015

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Advocate Sherman Hospital and Subsidiaries
<b>Assets</b>								
<b>Current assets:</b>								
Cash and cash equivalents	\$ 203,792	\$ -	\$ 3,902	\$ 178,296	\$ 9,385	\$ 1	\$ 547	\$ 11,661
Short-term investments	21,666	-	-	-	-	21,666	-	-
Assets limited as to use	94,186	-	-	81,893	-	-	12,293	-
Patient accounts receivable, less allowances for uncollectible accounts	603,462	(1,847)	-	542,167	19,087	-	-	44,055
Amounts due from primary third-party payors	39,711	-	-	36,698	-	-	-	3,013
Intercompany receivables	-	(104,419)	7,228	34,787	54,691	1,296	271	6,146
Prepaid expenses, inventories and other current assets	266,629	-	-	175,725	21,623	45,591	13,558	10,132
Collateral proceeds received under securities lending program	19,097	-	-	19,097	-	-	-	-
<b>Total current assets</b>	<b>1,248,543</b>	<b>(106,266)</b>	<b>11,130</b>	<b>1,068,663</b>	<b>104,786</b>	<b>68,554</b>	<b>26,669</b>	<b>75,007</b>
<b>Assets limited as to use:</b>								
Internally and externally designated investments limited as to use	5,131,138	-	318,828	4,371,790	82,529	115,482	115,000	127,509
Investments under securities lending program	18,483	-	-	18,483	-	-	-	-
Investment in subsidiaries	-	(184,196)	184,196	-	-	-	-	-
Intercompany receivables	-	(254,145)	79,085	175,060	-	-	-	-
Other noncurrent assets	165,760	(2,162)	-	139,728	23,673	4,321	-	-
Interest in health care and related entities	141,116	-	-	114,057	23,919	-	-	3,140
Reinsurance receivable	117,351	-	-	9,158	-	-	103,406	4,787
	5,573,848	(440,503)	582,109	4,828,276	130,121	120,003	218,406	135,436
<b>Property and equipment - at cost:</b>								
Land and land improvements	271,192	-	-	220,749	15,219	-	-	35,224
Buildings	2,929,513	-	-	2,614,697	70,767	355	-	243,694
Movable equipment	1,581,934	-	-	1,466,788	62,010	1,456	-	51,680
Construction-in-progress	578,176	-	-	552,781	20,122	-	-	5,273
	5,360,815	-	-	4,855,015	168,118	1,811	-	335,877
Less allowances for depreciation	2,549,031	-	-	2,403,164	98,071	1,743	-	54,053
	2,811,784	-	-	2,451,851	78,047	68	-	281,824
<b>Total assets</b>	<b>\$ 9,634,175</b>	<b>\$ (546,769)</b>	<b>\$ 593,239</b>	<b>\$ 8,348,790</b>	<b>\$ 312,954</b>	<b>\$ 188,625</b>	<b>\$ 245,075</b>	<b>\$ 492,261</b>

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Advocate Health Care Network and Subsidiaries

Details of Consolidated Balance Sheet (continued)  
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Advocate Sherman Hospital and Subsidiaries
<b>Liabilities and net assets</b>								
<b>Current liabilities:</b>								
Current portion of long-term debt	\$ 20,168	\$ -	\$ -	\$ 19,228	\$ 715	\$ -	\$ -	\$ 125
Current portion of intercompany long-term debt	-	(6,195)	-	-	-	-	-	6,195
Long-term debt subject to short-term remarketing arrangements	126,045	-	-	126,045	-	-	-	-
Accounts payable and accrued expenses	416,126	(1,847)	-	357,923	31,924	340	14,443	13,343
Accrued salaries and employee benefits	402,837	-	-	376,565	12,259	1,146	-	12,867
Amounts due to primary third-party payors	343,227	-	-	303,837	2,909	-	-	36,481
Current portion of accrued insurance and claims costs	113,684	-	-	84,153	1,048	-	25,840	2,643
Intercompany payables	-	(98,224)	-	59,476	18,655	6,852	384	12,857
Obligations to return collateral under securities lending program	19,097	-	-	19,097	-	-	-	-
<b>Total current liabilities</b>	<b>1,441,184</b>	<b>(106,266)</b>	<b>-</b>	<b>1,346,424</b>	<b>67,510</b>	<b>8,338</b>	<b>40,667</b>	<b>84,511</b>
<b>Noncurrent liabilities:</b>								
Long-term debt, less current portion	1,539,272	-	-	1,530,504	7,988	-	-	880
Intercompany payables	-	(252,852)	-	-	-	-	-	252,852
Pension plan liability	29,254	-	-	28,739	615	-	-	-
Accrued insurance and claims cost, less current portion	702,896	-	-	670,838	7,799	-	24,195	64
Accrued losses subject to reinsurance recovery	117,351	-	-	9,158	-	-	103,406	4,787
Obligations under swap agreements, net of collateral posted	88,013	-	-	88,013	-	-	-	-
Other noncurrent liabilities	202,759	-	138	151,566	48,502	2,545	-	8
<b>Total liabilities</b>	<b>4,120,929</b>	<b>(359,118)</b>	<b>138</b>	<b>3,825,242</b>	<b>132,414</b>	<b>10,883</b>	<b>168,268</b>	<b>343,102</b>
<b>Net assets:</b>								
Unrestricted	5,351,684	68,334	593,101	4,522,546	-	18,682	-	149,021
Temporarily restricted	111,583	-	-	1,002	-	110,443	-	138
Permanently restricted	48,617	-	-	-	-	48,617	-	-
Common stock	-	(1)	-	-	1	-	-	-
Additional paid-in capital	-	(177,163)	-	-	177,163	-	-	-
Non-controlling interest	1,362	-	-	-	1,362	-	-	-
Retained (deficit) earnings/partnership losses	-	(78,821)	-	-	2,014	-	76,807	-
<b>Total net assets</b>	<b>5,513,246</b>	<b>(187,651)</b>	<b>593,101</b>	<b>4,523,548</b>	<b>(80,540)</b>	<b>177,742</b>	<b>76,807</b>	<b>149,159</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,634,175</b>	<b>\$ (546,786)</b>	<b>\$ 593,239</b>	<b>\$ 8,348,790</b>	<b>\$ 312,954</b>	<b>\$ 188,625</b>	<b>\$ 245,075</b>	<b>\$ 492,261</b>

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Advocate Health Care Network and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets  
(Dollars in Thousands)

Year Ended December 31, 2015

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Advocate Sherman Hospital and Subsidiaries
Unrestricted revenues, gains, and other support								
Net patient service revenue	\$ 4,884,611	\$ (20,211)	\$ -	\$ 4,390,129	\$ 197,288	\$ -	\$ -	\$ 317,505
Provision for uncollectible accounts	(220,171)	-	-	(190,941)	(6,154)	-	-	(23,076)
Capitation revenue	4,664,440	(20,311)	-	4,199,188	191,134	-	-	294,429
Other revenue	411,506	-	-	357,566	53,940	-	-	-
	316,616	(67,155)	8	295,396	50,595	-	32,459	5,313
	5,392,562	(87,466)	8	4,832,150	295,669	-	32,459	299,742
Expenses								
Salaries, wages and employee benefits	2,743,377	-	7	2,496,708	120,244	-	-	126,418
Purchased services and operating supplies	1,374,675	(44,235)	-	1,181,825	128,543	-	196	108,346
Contracted medical services	161,951	(20,311)	-	172,381	9,881	-	-	-
Insurance and claims costs	88,760	(21,874)	-	103,825	(2,973)	-	6,896	2,886
Other	391,090	(351)	(1)	352,056	17,387	-	1,660	20,339
Depreciation and amortization	256,441	(1,731)	-	227,050	9,139	-	-	21,983
Interest	45,733	(9,365)	-	45,329	305	-	-	9,464
	5,062,027	(97,867)	6	4,579,174	282,526	-	8,752	289,436
Operating income	330,535	10,401	2	272,976	13,143	-	23,707	10,306
Nonoperating income (loss)								
Investment loss	(221,964)	(9,253)	(8,276)	(192,387)	(320)	-	(7,198)	(4,530)
Change in fair value of interest rate swaps	(2,597)	-	-	(2,597)	-	-	-	-
Loss on refinancing of debt	(9,721)	-	-	(9,721)	-	-	-	-
Other nonoperating items, net	(17,648)	695	-	(859)	(5,589)	(9,962)	-	(1,933)
Revenues in excess of (less than) expenses	78,605	1,843	(8,274)	67,412	7,234	(9,962)	16,509	3,843
Unrestricted net assets								
Net assets released from restrictions and used for capital purchases	14,975	-	-	14,908	-	-	-	67
Transfers to/from Advocate Health Care Network and subsidiaries	-	-	(9,300)	-	-	9,300	-	-
Postretirement benefit plan adjustments	(26,617)	-	-	(26,617)	-	-	-	-
Increase (decrease) in unrestricted net assets	66,963	1,843	(17,574)	55,703	7,234	(662)	16,509	3,910

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Advocate Health Care Network and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)  
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospital Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Advocate Sherman Hospital and Subsidiaries
<b>Temporarily restricted net assets</b>								
Contributions for medical education programs, capital purchases and other purposes	\$ 24,663	\$ -	\$ -	\$ -	\$ -	\$ 24,663	\$ -	\$ -
Realized gains on investments	448	-	-	21	-	427	-	-
Unrealized losses on investments	(3,842)	-	-	(64)	-	(3,779)	-	-
Net assets released from restrictions and used for operations, medical education programs, capital purchases and other purposes	(28,676)	-	-	(30)	-	(28,639)	-	(7)
Decrease in temporarily restricted net assets	(7,408)	-	-	(73)	-	(7,328)	-	(7)
<b>Permanently restricted net assets</b>								
Contributions for medical education programs, capital purchases and other purposes	598	-	-	-	-	598	-	-
Increase in permanently restricted net assets	598	-	-	-	-	598	-	-
Increase (decrease) in net assets	60,153	1,843	(17,574)	55,630	7,234	(7,392)	16,509	3,903
Change in non-controlling interest	700	-	-	-	700	-	-	-
Net assets/shareholders' equity at beginning of year	5,452,393	(189,494)	610,675	4,467,918	172,606	185,134	60,298	145,256
Net assets/shareholders' equity at end of year	\$ 5,513,246	\$ (187,651)	\$ 593,101	\$ 4,523,548	\$ 180,340	\$ 177,742	\$ 76,807	\$ 149,159

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Balance Sheet  
(Dollars in Thousands)

December 31, 2015

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Connell Medical Center	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
<b>Assets</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ 178,296	\$ -	\$ 120,549	\$ 30,264	\$ 11,034	\$ 16,449	\$ -	\$ 10,553	\$ 5,896
Assets limited as to use	81,893	-	81,893	-	-	-	-	-	-
Patient accounts receivable, less allowances for uncollectible accounts	542,167	-	457,798	46,826	31,401	6,142	-	2,948	3,194
Accounts due from primary third-party payors	36,698	-	27,572	6,204	2,922	-	-	-	-
Accounts receivable from Advocate Health Care Network and subsidiaries	34,787	-	35,265	436	231	855	-	828	27
Intercompany receivables	-	(46,811)	28,283	11,073	6,759	696	(246)	774	168
Prepaid expenses, inventories and other current assets	175,725	-	153,125	15,720	6,690	190	-	178	12
Collateral proceeds received under securities lending program	19,097	-	19,097	-	-	-	-	-	-
<b>Total current assets</b>	<b>1,068,663</b>	<b>(46,811)</b>	<b>921,582</b>	<b>110,523</b>	<b>59,037</b>	<b>24,332</b>	<b>(246)</b>	<b>15,281</b>	<b>9,297</b>
<b>Assets limited as to use</b>									
Internally and externally designated investments limited as to use	4,371,790	-	4,078,378	146,699	122,439	24,274	-	21,604	2,670
Investments under securities lending program	18,403	-	18,483	-	-	-	-	-	-
Accounts receivable from Advocate Health Care Network and subsidiaries	175,060	-	175,060	-	-	-	-	-	-
Other noncurrent assets	139,728	-	139,003	-	725	-	-	-	-
Interest in health care and related entities	114,057	-	29,380	84,677	-	-	-	-	-
Reinsurance receivable	9,158	-	9,005	-	153	-	-	-	-
	<b>4,828,276</b>	<b>-</b>	<b>4,449,309</b>	<b>231,376</b>	<b>123,217</b>	<b>24,274</b>	<b>-</b>	<b>21,604</b>	<b>2,670</b>
<b>Property and equipment - at cost:</b>									
Land and land improvements	220,749	-	121,391	44,425	54,933	-	-	-	-
Buildings	2,614,697	-	2,129,632	239,979	244,343	743	-	743	-
Movable equipment	1,466,788	-	1,309,817	82,962	69,624	4,385	-	4,320	65
Construction-in-progress	552,281	-	534,844	9,710	8,227	-	-	-	-
	<b>4,855,015</b>	<b>-</b>	<b>4,095,684</b>	<b>377,076</b>	<b>377,127</b>	<b>5,128</b>	<b>-</b>	<b>5,063</b>	<b>65</b>
Less allowances for depreciation	2,403,164	-	2,158,727	134,359	105,282	4,756	-	4,705	51
	<b>2,451,851</b>	<b>-</b>	<b>1,936,957</b>	<b>242,677</b>	<b>271,845</b>	<b>372</b>	<b>-</b>	<b>358</b>	<b>14</b>
<b>Total assets</b>	<b>\$ 8,348,790</b>	<b>\$ (46,811)</b>	<b>\$ 7,307,348</b>	<b>\$ 584,576</b>	<b>\$ 454,199</b>	<b>\$ 48,978</b>	<b>\$ (246)</b>	<b>\$ 37,243</b>	<b>\$ 11,981</b>

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Balance Sheet (continued)  
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Cundell Medical Center	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
<b>Liabilities and net assets</b>									
<b>Current liabilities</b>									
Current portion of long-term debt	\$ 19,328	\$ -	\$ 18,480	\$ -	\$ 848	\$ -	\$ -	\$ -	\$ -
Long-term debt subject to short-term remarketing arrangements	126,045	-	126,045	-	-	-	-	-	-
Accounts payable and accrued expenses	357,923	-	314,213	19,302	11,941	12,467	-	10,618	1,849
Accrued salaries and employee benefits	376,565	-	344,980	14,955	11,338	5,292	-	4,435	857
Amounts due to primary third-party payors	303,837	-	212,921	39,512	44,352	7,052	-	7,003	49
Current portion of accrued insurance and claims costs	84,153	-	84,153	-	-	-	-	-	-
Notes and accounts payable to Advocate Health Care Network and subsidiaries	59,476	-	52,453	3,256	2,316	1,451	-	1,259	192
Intercompany payables	-	(46,811)	18,418	16,220	10,437	1,736	(246)	1,208	774
Obligations to return collateral under securities lending program	19,097	-	19,097	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>1,346,424</b>	<b>(46,811)</b>	<b>1,190,760</b>	<b>93,245</b>	<b>81,232</b>	<b>27,998</b>	<b>(246)</b>	<b>24,523</b>	<b>3,721</b>
<b>Noncurrent liabilities</b>									
Long-term debt, less current portion	1,530,504	-	1,501,836	-	28,668	-	-	-	-
Pension plan liabilities	28,739	-	19,938	-	8,801	-	-	-	-
Accrued insurance and claims cost, less current portion	670,838	-	670,838	-	-	-	-	-	-
Accrued losses subject to reinsurance recovery	9,158	-	9,005	-	153	-	-	-	-
Obligations under swap agreements, net of collateral posted	88,013	-	88,013	-	-	-	-	-	-
Other noncurrent liabilities	151,566	-	149,004	2,482	80	-	-	-	-
<b>Total liabilities</b>	<b>3,825,242</b>	<b>(46,811)</b>	<b>3,629,394</b>	<b>95,727</b>	<b>118,934</b>	<b>27,998</b>	<b>(246)</b>	<b>24,523</b>	<b>3,721</b>
<b>Net assets</b>									
Unrestricted	4,522,546	-	3,677,452	488,849	335,265	20,980	-	12,720	8,260
Temporarily restricted	1,002	-	1,002	-	-	-	-	-	-
<b>Total net assets</b>	<b>4,523,548</b>	<b>-</b>	<b>3,678,454</b>	<b>488,849</b>	<b>335,265</b>	<b>20,980</b>	<b>-</b>	<b>12,720</b>	<b>8,260</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,348,790</b>	<b>\$ (46,811)</b>	<b>\$ 7,307,848</b>	<b>\$ 584,576</b>	<b>\$ 454,199</b>	<b>\$ 48,978</b>	<b>\$ (246)</b>	<b>\$ 37,243</b>	<b>\$ 11,981</b>

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets  
(Dollars in Thousands)

Year Ended December 31, 2015

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Condell Medical Center	Midwest Heart Specialists	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
<b>Unrestricted revenues, gains, and other support</b>										
Net patient service revenue	\$ 4,390,129	\$ -	\$ 3,491,022	\$ 461,141	\$ 342,263	\$ -	\$ 95,703	\$ -	\$ 71,594	\$ 24,109
Provision for uncollectible accounts	(190,941)	-	(148,549)	(19,779)	(20,651)	58	(2,020)	-	(1,640)	(380)
	4,199,188	-	3,342,473	441,362	321,612	58	93,683	-	69,954	23,729
Capitation revenue	357,366	-	357,232	96	-	-	238	-	238	-
Other revenue	295,396	(76,925)	339,136	18,601	10,929	-	3,655	(2,024)	5,521	158
	4,852,150	(76,925)	4,038,841	460,059	332,541	58	97,576	(2,024)	75,713	23,887
<b>Expenses</b>										
Salaries, wages and employee benefits	2,496,708	-	2,126,725	177,313	122,063	-	65,607	-	54,406	11,201
Purchased services and operating supplies	1,181,825	(71,400)	969,629	138,218	127,970	18	17,390	(2,024)	10,859	8,555
Contracted medical services	172,381	-	172,381	-	-	-	-	-	-	-
Insurance and claims costs	103,825	-	95,590	4,166	3,887	24	158	-	110	48
Other	352,056	(5,525)	291,777	33,162	23,819	16	8,807	-	7,755	1,052
Depreciation and amortization	227,050	-	191,947	17,535	17,378	-	190	-	182	8
Interest	45,329	-	42,918	-	2,411	-	-	-	-	-
	4,579,174	(76,925)	3,801,967	370,294	302,528	58	92,152	(2,024)	73,312	20,864
Operating income	272,976	-	147,874	89,665	30,013	-	5,424	-	2,401	3,023
<b>Nonoperating income (loss)</b>										
Investment (loss) income	(192,387)	-	(175,396)	(11,252)	(4,834)	14	(919)	-	(835)	(84)
Change in fair value of interest rate swaps	(2,597)	-	(2,597)	-	-	-	-	-	-	-
Loss on refinancing of debt	(9,721)	-	(9,721)	-	-	-	-	-	-	-
Other nonoperating items, net	(859)	-	(921)	97	50	101	(186)	-	(186)	-
Revenues in excess of (less than) expenses	67,412	-	(40,761)	78,510	25,229	115	4,319	-	1,380	2,939
<b>Unrestricted net assets</b>										
Net assets released from restrictions and used for capital purposes	14,908	-	11,170	3,409	329	-	-	-	-	-
Transfers in/from Advocate Health Care Network and subsidiaries	-	15,869	(6,280)	-	-	(9,589)	-	-	-	-
Postretirement benefit plan adjustments	(26,617)	-	(27,291)	-	774	-	-	-	-	-
Increase (decrease) in unrestricted net assets	55,703	15,869	(63,262)	81,919	26,332	(9,474)	4,319	-	1,380	2,939

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Condell Medical Center	Midwest Heart Specialists	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
Temporarily restricted net assets										
Realized gains on investments	\$ 21	\$ -	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized losses on investments	(64)	-	(64)	-	-	-	-	-	-	-
Net assets released from restrictions and used for operations, medical education programs, capital purchases and other purposes	(30)	-	(30)	-	-	-	-	-	-	-
Decrease in temporarily restricted net assets	(73)	-	(73)	-	-	-	-	-	-	-
Increase (decrease) in net assets	55,630	15,869	(63,335)	81,919	26,332	(9,474)	4,319	-	1,380	2,939
Net assets at beginning of year	4,467,918	(15,869)	3,741,789	406,930	308,933	9,474	16,661	-	11,340	5,321
Net assets at end of year	\$ 4,523,548	\$ -	\$ 3,678,454	\$ 488,849	\$ 335,265	\$ -	\$ 20,980	\$ -	\$ 12,720	\$ 8,260

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## Advocate Sherman Hospital and Subsidiaries

### Details of Consolidated Balance Sheet

*(Dollars in Thousands)*

December 31, 2015

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Advocate Sherman Hospital</u>	<u>Sherman West Court</u>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 11,661	\$ -	\$ 10,523	\$ 1,138
Patient accounts receivable, less allowances for uncollectible accounts	44,055	-	41,604	2,451
Amounts due from primary third-party payors	3,013	-	3,013	-
Accounts receivable from Advocate Health Care Network and subsidiaries	6,146	-	6,074	72
Intercompany receivables	-	(434)	434	-
Prepaid expenses, inventories and other current assets	10,132	-	10,132	-
<b>Total current assets</b>	<b>75,007</b>	<b>(434)</b>	<b>71,780</b>	<b>3,661</b>
<b>Assets limited as to use:</b>				
Internally and externally designated investments limited as to use	127,509	-	127,509	-
Intercompany receivables	-	(3,579)	3,579	-
Interest in health care and related entities	3,140	-	3,140	-
Reinsurance receivable	4,787	-	4,787	-
	<b>135,436</b>	<b>(3,579)</b>	<b>139,015</b>	<b>-</b>
<b>Property and equipment – at cost:</b>				
Land and land improvements	35,224	-	34,060	1,164
Buildings	243,694	-	241,132	2,562
Movable equipment	51,680	-	51,610	70
Construction-in-progress	5,273	-	5,262	11
	<b>335,871</b>	<b>-</b>	<b>332,064</b>	<b>3,807</b>
Less allowances for depreciation	54,053	-	53,544	509
	<b>281,818</b>	<b>-</b>	<b>278,520</b>	<b>3,298</b>
<b>Total assets</b>	<b>\$ 492,261</b>	<b>\$ (4,013)</b>	<b>\$ 489,315</b>	<b>\$ 6,959</b>

Advocate Sherman Hospital and Subsidiaries

Details of Consolidated Balance Sheet (continued)  
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Sherman Hospital	Sherman West Court
<b>Liabilities and net assets</b>				
<b>Current liabilities:</b>				
Current portion of long-term debt	\$ 125	\$ -	\$ 125	\$ -
Current portion of intercompany long-term debt	6,195	(288)	6,195	288
Accounts payable and accrued expenses	13,343	-	12,924	419
Accrued salaries and employee benefits	12,867	-	12,323	544
Amounts due to primary third-party payors	36,481	-	36,481	-
Current portion of accrued insurance and claims costs	2,643	-	2,643	-
Notes and accounts payable to Advocate Health Care Network and subsidiaries	12,857	-	12,657	200
Intercompany payables	-	(146)	-	146
<b>Total current liabilities</b>	<b>84,511</b>	<b>(434)</b>	<b>83,348</b>	<b>1,597</b>
<b>Noncurrent liabilities:</b>				
Long-term debt, less current portion	880	-	880	-
Long-term intercompany debt, less current portion	-	(3,579)	-	3,579
Notes and accounts payable to Advocate Health Care Network and subsidiaries	252,852	-	252,852	-
Accrued insurance and claims cost, less current portion	64	-	64	-
Accrued losses subject to reinsurance recovery	4,787	-	4,787	-
Other noncurrent liabilities	8	-	8	-
	<b>258,591</b>	<b>(3,579)</b>	<b>258,591</b>	<b>3,579</b>
<b>Total liabilities</b>	<b>343,102</b>	<b>(4,013)</b>	<b>341,939</b>	<b>5,176</b>
<b>Net assets:</b>				
Unrestricted	149,021	-	147,238	1,783
Temporarily restricted	138	-	138	-
<b>Total net assets</b>	<b>149,159</b>	<b>-</b>	<b>147,376</b>	<b>1,783</b>
<b>Total liabilities and net assets</b>	<b>\$ 492,261</b>	<b>\$ (4,013)</b>	<b>\$ 489,315</b>	<b>\$ 6,959</b>

## Advocate Sherman Hospital and Subsidiaries

### Details of Consolidated Statement of Operations and Changes in Net Assets (Dollars in Thousands)

Year Ended December 31, 2015

	Consolidated	Eliminations	Advocate Sherman Hospital	Sherman West Court	Sherman Choice
<b>Unrestricted revenues, gains, and other support</b>					
Net patient service revenue	\$ 317,505	\$ -	\$ 306,278	\$ 11,227	\$ -
Provision for uncollectible accounts	(23,076)	-	(22,447)	(629)	-
	294,429	-	283,831	10,598	-
Other revenue	5,313	(429)	5,606	136	-
	299,742	(429)	289,437	10,734	-
<b>Expenses</b>					
Salaries, wages and employee benefits	126,418	-	119,488	6,930	-
Purchased services and operating supplies	108,346	(348)	106,093	2,601	-
Insurance and claims costs	2,886	-	2,610	276	-
Other	20,339	-	20,024	315	-
Depreciation and amortization	21,983	-	21,782	201	-
Interest	9,464	(81)	9,464	81	-
	289,436	(429)	279,461	10,404	-
Operating income	10,306	-	9,976	330	-
<b>Nonoperating income (loss)</b>					
Investment loss	(4,530)	-	(4,530)	-	-
Other nonoperating items, net	(1,933)	-	(1,933)	-	-
Revenues in excess of expenses	3,843	-	3,513	330	-
Net assets released from restrictions and used for capital purposes	67	-	67	-	-
Transfers to/from Advocate Health Care Network and subsidiaries	-	-	(25)	-	25
Increase in unrestricted net assets	3,910	-	3,555	330	25
<b>Temporarily restricted net assets</b>					
Net assets released from restrictions and used for operations, medical education programs, capital purchases and other purposes	(7)	-	(7)	-	-
Decrease in temporarily restricted net assets	(7)	-	(7)	-	-
Increase in net assets	3,903	-	3,548	330	25
Net assets at beginning of year	145,256	-	143,828	1,453	(25)
Net assets at end of year	<u>\$ 149,159</u>	<u>\$ -</u>	<u>\$ 147,376</u>	<u>\$ 1,783</u>	<u>\$ -</u>

Advocate Northside Health System and Subsidiaries

Details of Consolidated Balance Sheet  
(Dollars in Thousands)

December 31, 2015

	Consolidated	Eliminations	Advocate Northside Health System	HispanoCare, Inc.
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 30,264	\$ -	\$ 30,008	\$ 256
Patient accounts receivable, less allowances for uncollectible accounts	46,826	-	46,826	-
Amounts due from primary third-party payors	6,204	-	6,204	-
Accounts receivable from Advocate Health Care Network and subsidiaries	436	-	436	-
Intercompany receivables	11,073	(26)	11,097	2
Prepaid expenses, inventories and other current assets	15,720	-	15,720	-
Total current assets	<u>110,523</u>	<u>(26)</u>	<u>110,291</u>	<u>258</u>
Assets limited as to use:				
Internally and externally designated investments limited as to use	146,699	-	146,699	-
Interest in health care and related entities	84,677	-	84,677	-
	<u>231,376</u>	<u>-</u>	<u>231,376</u>	<u>-</u>
Property and equipment – at cost:				
Land and land improvements	44,425	-	44,425	-
Buildings	239,979	-	239,979	-
Movable equipment	82,962	-	82,955	7
Construction-in-progress	9,710	-	9,710	-
	<u>377,076</u>	<u>-</u>	<u>377,069</u>	<u>7</u>
Less allowances for depreciation	134,399	-	134,392	7
	<u>242,677</u>	<u>-</u>	<u>242,677</u>	<u>-</u>
Total assets	<u>\$ 584,576</u>	<u>\$ (26)</u>	<u>\$ 584,344</u>	<u>\$ 258</u>

Advocate Northside Health System and Subsidiaries

Details of Consolidated Balance Sheet (continued)  
*(Dollars in Thousands)*

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Advocate Northside Health System</u>	<u>HispanoCare, Inc.</u>
<b>Liabilities and net assets</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 19,302	\$ -	\$ 19,296	\$ 6
Accrued salaries and employee benefits	14,955	-	14,936	19
Amounts due to primary third-party payors	39,512	-	39,512	-
Notes and accounts payable to Advocate Health Care Network and subsidiaries	3,256	-	3,255	1
Intercompany payables	16,220	(26)	16,221	25
<b>Total current liabilities</b>	<u>93,245</u>	<u>(26)</u>	<u>93,220</u>	<u>51</u>
<b>Noncurrent liabilities:</b>				
Other noncurrent liabilities	2,482	-	2,482	-
	<u>2,482</u>	<u>-</u>	<u>2,482</u>	<u>-</u>
<b>Total liabilities</b>	<u>95,727</u>	<u>(26)</u>	<u>95,702</u>	<u>51</u>
<b>Net assets:</b>				
Unrestricted	488,849	-	488,642	207
<b>Total net assets</b>	<u>488,849</u>	<u>-</u>	<u>488,642</u>	<u>207</u>
<b>Total liabilities and net assets</b>	<u>\$ 584,576</u>	<u>\$ (26)</u>	<u>\$ 584,344</u>	<u>\$ 258</u>

Advocate Northside Health System and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets  
(Dollars in Thousands)

Year Ended December 31, 2015

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Advocate Northside Health System</u>	<u>HispanoCare, Inc.</u>
<b>Unrestricted revenues, gains, and other support</b>				
Net patient service revenue	\$ 461,141	\$ -	\$ 461,141	\$ -
Provision for uncollectible accounts	(19,779)	-	(19,779)	-
	<u>441,362</u>	<u>-</u>	<u>441,362</u>	<u>-</u>
Capitation revenue	96	-	96	-
Other revenue	18,601	-	18,540	61
	<u>460,059</u>	<u>-</u>	<u>459,998</u>	<u>61</u>
<b>Expenses</b>				
Salaries, wages and employee benefits	177,313	-	177,137	176
Purchased services and operating supplies	138,218	-	138,177	41
Insurance and claims costs	4,166	-	4,166	-
Other	33,162	-	33,060	102
Depreciation and amortization	17,535	-	17,535	-
	<u>370,394</u>	<u>-</u>	<u>370,075</u>	<u>319</u>
Operating income (loss)	89,665	-	89,923	(258)
<b>Nonoperating income (loss)</b>				
Investment (loss) income	(11,252)	-	(11,253)	1
Other nonoperating items, net	97	-	97	-
Revenues in excess of (less than) expenses	<u>78,510</u>	<u>-</u>	<u>78,767</u>	<u>(257)</u>
<b>Unrestricted net assets</b>				
Net assets released from restrictions and used for capital purposes	3,409	-	3,409	-
Transfers to/from Advocate Health Care Network and subsidiaries	-	-	(200)	200
Increase (decrease) in unrestricted net assets	<u>81,919</u>	<u>-</u>	<u>81,976</u>	<u>(57)</u>
Unrestricted net assets at beginning of year	406,930	-	406,666	264
Unrestricted net assets at end of year	<u>\$ 488,849</u>	<u>\$ -</u>	<u>\$ 488,642</u>	<u>\$ 207</u>

Evangelical Services Corporation and Subsidiaries  
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Balance Sheet  
(Dollars in Thousands)

December 31, 2015

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 9,385	\$ -	\$ (17,564)	\$ 12,901	\$ 2,611	\$ 7,162	\$ 3,213	\$ 1,062
Patient accounts receivable, less allowances for uncollectible accounts	19,087	-	-	1,517	3,297	14,273	-	-
Accounts receivable from Advocate Health Care Network and subsidiaries	54,691	-	51,027	274	1,150	787	24	1,429
Intercompany receivables	-	(20,073)	19,373	372	162	51	32	83
Prepaid expenses, inventories and other current assets	21,623	-	13,286	125	1,397	6,778	37	-
<b>Total current assets</b>	<b>104,786</b>	<b>(20,073)</b>	<b>66,122</b>	<b>15,189</b>	<b>8,617</b>	<b>29,051</b>	<b>3,306</b>	<b>2,574</b>
<b>Assets limited as to use:</b>								
Internally and externally designated investments limited as to use	82,529	-	50,666	7,328	8,091	-	10,033	6,411
Intercompany receivables	-	(12,410)	12,410	-	-	-	-	-
Investments in subsidiaries	-	(176,322)	176,322	-	-	-	-	-
Other noncurrent assets	23,673	-	3,711	-	-	19,962	-	-
Interest in health care and related entities	23,919	-	8,105	-	-	1,854	-	13,960
	130,121	(188,732)	251,214	7,328	8,091	21,816	10,033	20,371
<b>Property and equipment - at cost:</b>								
Land and land improvements	15,219	-	6,138	1,004	-	8,077	-	-
Buildings	70,767	-	2,381	10,154	330	57,902	-	-
Movable equipment	62,010	-	8,243	16,693	8,127	28,947	-	-
Construction-in-progress	20,122	-	-	1,420	-	18,702	-	-
	168,118	-	16,762	29,271	8,457	113,628	-	-
Less allowances for depreciation	90,071	-	11,523	21,550	6,138	50,860	-	-
	78,047	-	5,239	7,721	2,319	62,768	-	-
<b>Total assets</b>	<b>\$ 312,954</b>	<b>\$ (208,805)</b>	<b>\$ 322,575</b>	<b>\$ 30,238</b>	<b>\$ 19,027</b>	<b>\$ 113,635</b>	<b>\$ 13,339</b>	<b>\$ 22,945</b>

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Evangelical Services Corporation and Subsidiaries  
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Balance Sheet (continued)  
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
<b>Liabilities and shareholders' equity</b>								
<b>Current liabilities:</b>								
Current portion of long-term debt	\$ 715	\$ -	\$ -	\$ -	\$ -	\$ 715	\$ -	\$ -
Current portion of intercompany long-term debt	-	(707)	-	-	-	707	-	-
Accounts payable and accrued expenses	31,924	-	18,177	1,709	844	10,414	667	113
Accrued salaries and employee benefits	12,259	-	3,433	638	607	7,580	1	-
Amounts due to primary third-party payors	2,909	-	-	-	713	2,196	-	-
Current portion of accrued insurance and claims costs	1,048	-	-	-	-	-	976	72
Notes and accounts payable to Advocate Health Care Network and subsidiaries	18,655	-	9,847	475	1,034	7,095	46	158
Intercompany payables	-	(19,366)	700	641	995	15,219	1,614	197
<b>Total current liabilities</b>	<b>67,510</b>	<b>(20,073)</b>	<b>32,157</b>	<b>3,463</b>	<b>4,193</b>	<b>43,926</b>	<b>3,304</b>	<b>540</b>
<b>Noncurrent liabilities:</b>								
Long-term debt, less current portion	7,988	-	-	-	-	7,988	-	-
Long-term intercompany debt, less current portion	-	(12,410)	-	-	-	12,410	-	-
Pension plan liability	615	-	431	89	95	-	-	-
Accrued insurance and claims cost, less current portion	7,799	-	-	-	-	4,194	3,407	198
Other noncurrent liabilities	48,502	-	44,004	-	-	4,498	-	-
	64,904	(12,410)	44,435	89	95	29,090	3,407	198
<b>Total liabilities</b>	<b>132,414</b>	<b>(32,483)</b>	<b>76,592</b>	<b>3,552</b>	<b>4,288</b>	<b>73,016</b>	<b>6,711</b>	<b>738</b>
<b>Shareholders' equity</b>								
Common stock	1	(5,163)	1	3,250	50	1,862	-	1
Additional paid-in capital	177,163	(203,145)	177,163	22,294	9,098	43,581	87,081	41,091
Non-controlling interest	1,362	-	-	-	-	1,362	-	-
Retained earnings (deficit)	2,014	31,986	68,819	1,142	5,591	(6,186)	(80,453)	(18,885)
<b>Total shareholders' equity</b>	<b>180,540</b>	<b>(176,322)</b>	<b>245,983</b>	<b>26,686</b>	<b>14,739</b>	<b>40,619</b>	<b>6,628</b>	<b>22,207</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 312,954</b>	<b>\$ (208,805)</b>	<b>\$ 322,575</b>	<b>\$ 30,238</b>	<b>\$ 19,027</b>	<b>\$ 113,635</b>	<b>\$ 13,339</b>	<b>\$ 22,945</b>

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Evangelical Services Corporation and Subsidiaries  
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Statement of Operations and Shareholders' Equity  
(Dollars in Thousands)

Year Ended December 31, 2015

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
<b>Revenues</b>								
Net patient service revenue	\$ 197,288	\$ -	\$ -	\$ 21,805	\$ 24,142	\$ 151,627	\$ (200)	\$ (86)
Provision for uncollectible accounts	(6,154)	-	-	(852)	(2,686)	(3,542)	367	559
	191,134	-	-	20,953	21,456	148,085	167	473
Capitation revenue	53,940	-	-	-	1,747	52,193	-	-
Other revenue	50,595	(3,125)	38,084	144	4,044	8,312	-	3,136
	295,669	(3,125)	38,084	21,097	27,247	208,590	167	3,609
<b>Expenses</b>								
Salaries, wages and employee benefits	120,244	-	28,786	7,244	6,304	77,933	-	(23)
Purchased services and operating supplies	128,543	(3,125)	6,278	9,116	14,608	101,271	195	200
Contracted medical services	9,881	-	-	-	-	9,881	-	-
Insurance and claims costs	(2,973)	-	29	113	93	1,953	(4,661)	(500)
Other	17,387	-	3,176	983	1,518	11,618	95	(3)
Depreciation and amortization	9,139	-	208	1,459	598	6,874	-	-
Interest	305	(19)	-	-	-	324	-	-
	282,526	(3,144)	38,477	18,915	23,121	209,854	(4,371)	(326)
Operating income (loss)	13,143	19	(393)	2,182	4,126	(1,264)	4,538	3,935

Evangelical Services Corporation and Subsidiaries  
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Statement of Operations and Shareholders' Equity (continued)  
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
<b>Nonoperating income (loss)</b>								
Investment (loss) income	\$ (320)	\$ (19)	\$ (175)	\$ (8)	\$ (90)	\$ 68	\$ (4)	\$ (92)
Other nonoperating items, net	(5,589)	-	(834)	(1,191)	(1,668)	(1,156)	(536)	(204)
Net income (loss)	7,234	-	(1,402)	983	2,368	(2,352)	3,998	3,639
<b>Shareholders' equity</b>								
Transfers to/from Advocate Health Care Network and subsidiaries	-	(7,466)	10,000	(4,000)	(6,000)	7,466	-	-
Increase (decrease) in shareholders' equity	7,234	(7,466)	8,598	(3,017)	(3,632)	5,114	3,998	3,639
Change in non-controlling interest	700	-	-	-	-	700	-	-
Increase in non-controlling interest	700	-	-	-	-	700	-	-
Total change in shareholders' equity (deficit)	7,934	(7,466)	8,598	(3,017)	(3,632)	5,814	3,998	3,639
Shareholders' equity (deficit) at beginning of year	172,606	(168,856)	237,385	29,703	18,371	34,805	2,630	18,568
Shareholders' equity (deficit) at end of year	\$ 180,540	\$ (176,322)	\$ 245,983	\$ 26,686	\$ 14,739	\$ 40,619	\$ 6,628	\$ 22,207

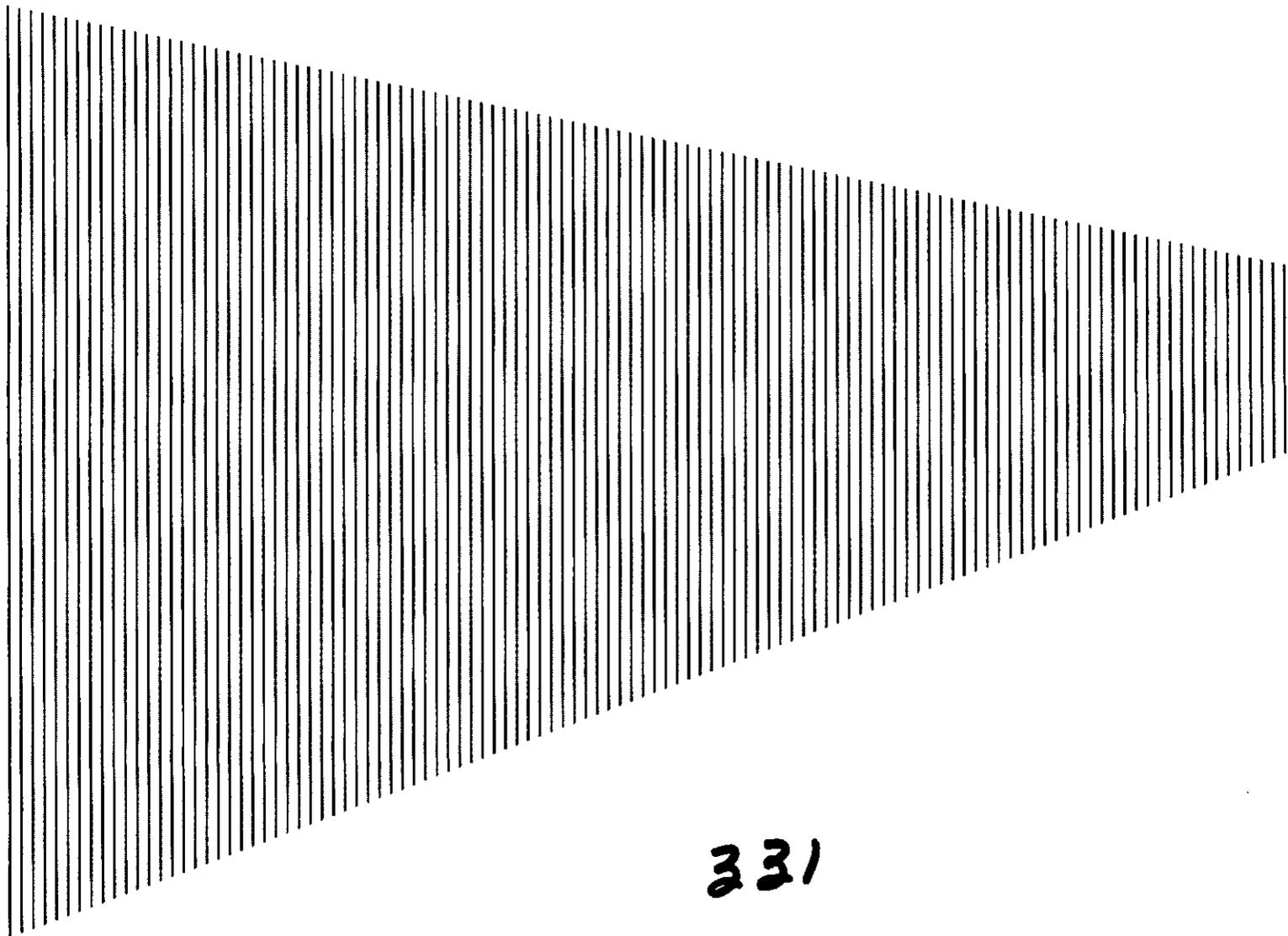
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# Appendix E

## **SURGICAL CARE AFFILIATES, INC.**



Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Surgical Care Affiliates, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows present fairly, in all material respects, the financial position of Surgical Care Affiliates, Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2015). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded all 2015 business combinations from its assessment of internal control over financial reporting as of December 31, 2015 because these entities were acquired by the Company in purchase business combinations during 2015. We have also excluded all 2015 business combinations from our audit of internal control over financial reporting. The acquired entities are consolidated subsidiaries of the Company whose total assets and net operating revenues represent 5.2% and 7.7%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2015.

/s/ PricewaterhouseCoopers LLP  
Birmingham, Alabama  
February 22, 2016

**SURGICAL CARE AFFILIATES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par value amount)

	DECEMBER 31, <u>2015</u>	DECEMBER 31, <u>2014</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 79,269	\$ 8,731
Restricted cash	26,116	24,073
Accounts receivable, net of allowance for doubtful accounts (2015 — \$17,045; 2014 — \$10,448)	129,659	100,529
Receivable from nonconsolidated affiliates	46,949	72,030
Prepays and other current assets	32,850	30,170
Current assets related to discontinued operations	19	1,959
Total current assets	314,862	237,492
Property and equipment, net of accumulated depreciation (2015 — \$99,678; 2014 — \$99,111)	296,831	209,642
Goodwill	1,061,088	902,391
Intangible assets, net of accumulated amortization (2015 — \$48,495; 2014 — \$35,270)	109,188	84,262
Deferred debt issue costs	7,472	5,383
Investment in and advances to nonconsolidated affiliates	216,111	194,610
Other long-term assets	1,787	4,311
Assets related to discontinued operations	59	9,344
<b>Assets held for sale</b>	408	—
Total assets (a)	\$ 2,007,806	\$ 1,647,435
Current portion of long-term debt	\$ 32,503	\$ 24,690
Accounts payable	37,419	31,717
Accrued payroll	37,802	29,199
Accrued interest	4,173	234
Accrued distributions	37,175	29,134
Payable to nonconsolidated affiliates	77,683	104,519
Other current liabilities	30,938	26,747
Current liabilities related to discontinued operations	368	2,280
Current liabilities held for sale	26	—
Total current liabilities	258,087	248,520
Long-term debt, net of current portion	858,044	665,119
Deferred income tax liability	44,339	131,020
Other long-term liabilities	31,587	19,683
Liabilities related to discontinued operations	28	683
Total liabilities (a)	1,192,085	1,065,025
Commitments and contingent liabilities (Note 17)		
Noncontrolling interests — redeemable (Note 10)	21,989	15,444
<b>Equity</b>		
Surgical Care Affiliates' equity		
Common stock, \$0.01 par value, 180,000 shares authorized, 39,690 and 38,648 shares outstanding, respectively	397	386
Additional paid in capital	442,678	419,088
Accumulated deficit	(60,814)	(176,135)
Total Surgical Care Affiliates' equity	382,261	243,339
Noncontrolling interests — non-redeemable	411,471	323,627
Total equity	793,732	566,966
Total liabilities and equity	\$ 2,007,806	\$ 1,647,435

(a) Our consolidated assets as of December 31, 2015 and December 31, 2014 include total assets of a variable interest entity ("VIE") of \$167.8 million and \$117.5 million, respectively, which can only be used to settle the obligations of the VIE. Our consolidated total liabilities as of December 31, 2015 and December 31, 2014 include total liabilities of the VIE of \$41.0 million and \$23.8 million, respectively, for which the creditors of the VIE have no recourse to us, with the exception of \$4.0 million and \$3.4 million of debt guaranteed by us at December 31, 2015 and December 31, 2014, respectively. See further description in Note 4, *Variable Interest Entities*.

*See Notes to Consolidated Financial Statements.*

**SURGICAL CARE AFFILIATES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	2015	YEAR-ENDED DECEMBER 31, 2014	2013
Net operating revenues:			
Net patient revenues	\$ 971,422	\$ 788,048	\$ 731,584
Management fee revenues	61,011	58,914	40,469
Other revenues	19,057	17,774	13,610
Total net operating revenues	1,051,490	864,736	785,663
Equity in net income of nonconsolidated affiliates	49,867	32,564	23,364
Operating expenses:			
Salaries and benefits	351,029	297,174	270,929
Supplies	221,392	177,853	170,174
Other operating expenses	161,854	124,870	127,701
Depreciation and amortization	66,225	52,663	41,450
Occupancy costs	36,480	29,390	25,544
Provision for doubtful accounts	17,195	14,051	14,208
Impairment of intangible and long-lived assets	625	610	—
Loss (gain) on disposal of assets	1,886	(232)	123
Total operating expenses	856,686	696,379	650,129
Operating income	244,671	200,921	158,898
Interest expense	42,111	32,785	60,202
HealthSouth option expense	11,702	—	—
Debt modification expense	5,032	—	—
Loss on extinguishment of debt	544	—	10,333
Interest income	(367)	(174)	(215)
(Gain) loss on sale of investments	(3,982)	(7,633)	12,330
Income from continuing operations before income tax expense	189,631	175,943	76,248
(Benefit) provision for income taxes	(84,778)	9,439	12,320
Income from continuing operations	274,409	166,504	63,928
Loss from discontinued operations, net of income tax expense	(784)	(9,355)	(9,330)
Net income	273,625	157,149	54,598
Less: Net income attributable to noncontrolling interests	(158,304)	(125,169)	(105,942)
Net income (loss) attributable to Surgical Care Affiliates	\$ 115,321	\$ 31,980	\$ (51,344)
Basic net income (loss) per share attributable to Surgical Care Affiliates:			
Continuing operations attributable to Surgical Care Affiliates	\$ 2.95	\$ 1.07	\$ (1.33)
Discontinued operations attributable to Surgical Care Affiliates	\$ (.02)	\$ (.24)	\$ (.29)
Net income (loss) per share attributable to Surgical Care Affiliates	\$ 2.93	\$ 0.83	\$ (1.62)
Basic weighted average shares outstanding	39,360	38,477	31,688
Diluted net income (loss) per share attributable to Surgical Care Affiliates:			
Continuing operations attributable to Surgical Care Affiliates	\$ 2.85	\$ 1.03	\$ (1.33)
Discontinued operations attributable to Surgical Care Affiliates	\$ (.02)	\$ (.23)	\$ (.29)
Net income (loss) per share attributable to Surgical Care Affiliates	\$ 2.83	\$ 0.80	\$ (1.62)
Diluted weighted average shares outstanding	40,734	39,958	31,688

*See Notes to Consolidated Financial Statements.*

SURGICAL CARE AFFILIATES, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (In thousands)

	YEAR-ENDED DECEMBER 31,		
	2015	2014	2013
Net income	\$ 273,625	\$ 157,149	\$ 54,598
Other comprehensive income:			
Unrealized income (loss) on interest rate swap	—	—	847
Amounts reclassified from accumulated other comprehensive loss	—	—	7,480
Total other comprehensive income	—	—	8,327
Comprehensive income	273,625	157,149	62,925
Comprehensive income attributable to noncontrolling interests	(158,304)	(125,169)	(105,942)
Comprehensive income (loss) attributable to Surgical Care Affiliates	<u>\$ 115,321</u>	<u>\$ 31,980</u>	<u>\$ (43,017)</u>

*See Notes to Consolidated Financial Statements.*

**SURGICAL CARE AFFILIATES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In thousands)

	Common Stock		Additional	Contributed	Accumulated	Accumulated	Total	Noncontrolling	Total
	Shares	Amount	Paid in Capital	Capital	Comprehensive Loss	Deficit	Surgical Care Affiliates Equity	Interests- Non-redeemable	Equity
Balance at December 31, 2012	—	\$ —	\$ —	\$ 313,153	\$ (8,327)	\$ (157,309)	\$ 147,517	\$ 172,494	\$ 320,011
Member distributions	—	—	—	(74,900)	—	—	(74,900)	—	(74,900)
Net (loss) income	—	—	—	—	—	(51,344)	(51,344)	81,804	30,460
Other comprehensive income	—	—	—	—	8,327	—	8,327	—	8,327
Conversion from LLC to INC (Note 1)	30,286	303	240,447	(240,750)	—	—	—	—	—
Issuance of stock from the initial public offering, net of offering costs	7,857	79	171,798	—	—	—	171,877	—	171,877
Stock options exercised	23	—	285	—	—	—	285	—	285
Stock compensation	—	—	421	2,303	—	—	2,724	—	2,724
Net change in equity related to amendments in agreements with noncontrolling interests (Note 10)	—	—	—	—	—	—	—	1,050	1,050
Net change in equity related to purchase of ownership interests	—	—	468	194	—	—	—	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—
Change in distribution accrual	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—
Balance at December 31, 2013	38,166	\$ 382	\$ 413,419	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net income	—	—	—	—	—	—	—	—	—
Issuance of stock pursuant to teammate equity plans	482	4	1,866	—	—	—	—	—	—
Stock compensation	—	—	4,126	—	—	—	—	—	—
Net change in equity related to purchase of ownership interests	—	—	(323)	—	—	—	—	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—
Change in distribution accrual	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—
Balance at December 31, 2014	38,648	386	\$ 419,088	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net income	—	—	—	—	—	—	—	—	—
Issuance of stock pursuant to teammate equity plans	716	8	6,636	—	—	—	—	—	—
HealthSouth stock option	326	3	11,699	—	—	—	—	—	—
Stock compensation	—	—	8,519	—	—	—	—	—	—
Net change in equity related to amendments in agreements with noncontrolling interests (Note 10)	—	—	—	—	—	—	—	(504)	(504)
Net change in equity related to purchase of ownership interests	—	—	(3,264)	—	—	—	(3,264)	86,284	83,020
Contributions from noncontrolling interests	—	—	—	—	—	—	—	6,276	6,276
Change in distribution accrual	—	—	—	—	—	—	—	(8,352)	(8,352)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(125,660)	(125,660)
Balance at December 31, 2015	39,690	\$ 397	\$ 442,678	\$ —	\$ —	\$ (60,814)	\$ 382,261	\$ 411,471	\$ 793,732

See Notes to Consolidated Financial Statements.

**SURGICAL CARE AFFILIATES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	2015	YEAR-ENDED DECEMBER 31, 2014	2013
<b>Cash flows from operating activities</b>			
Net income	\$ 273,625	\$ 157,149	\$ 54,598
Loss from discontinued operations	784	9,355	9,330
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for doubtful accounts	17,195	14,051	14,208
Depreciation and amortization	66,225	52,663	41,450
Amortization of deferred issuance costs	1,352	2,954	3,891
Impairment of long-lived assets	625	610	—
Realized (gain) loss on sale of investments	(3,982)	(7,633)	12,330
Loss (gain) on disposal of assets	1,886	(232)	123
Equity in net income of nonconsolidated affiliates	(49,867)	(32,564)	(23,364)
Distributions from nonconsolidated affiliates	56,263	50,773	50,505
Deferred income tax	(86,185)	8,556	15,410
Stock compensation	8,519	4,126	2,724
Change in fair value and loss on de-designation of interest rate swap	336	485	8,314
Loss on extinguishment of debt	544	—	10,333
HealthSouth option expense	11,702	—	—
Payment of deferred interest	—	—	(14,785)
Debt call premium paid	—	—	(5,000)
(Increase) decrease in assets, net of business combinations			
Accounts receivable	(31,066)	(18,692)	(20,000)
Other assets	18,576	(66,709)	8,230
(Decrease) increase in liabilities, net of business combinations			
Accounts payable	(10,740)	4,709	3,679
Accrued payroll	6,476	2,404	6,143
Accrued interest	3,939	(213)	(13,263)
Other liabilities	(19,450)	34,261	9,064
Other	(332)	(722)	(251)
Net cash used in operating activities of discontinued operations	(3,219)	(4,750)	(8,085)
Net cash provided by operating activities	263,206	210,581	165,584
<b>Cash flows from investing activities</b>			
Capital expenditures	(44,760)	(37,304)	(36,838)
Proceeds from sale of business	6,884	2,711	1,276
Proceeds from disposal of assets	2,303	1,302	5,880
Proceeds from sale of equity interests of nonconsolidated affiliates	20,512	2,344	4,587
Proceeds from sale of equity interests of consolidated affiliates in deconsolidation transactions	—	2,375	2,069
Decrease in cash related to conversion of consolidated affiliates to equity interests	(37)	(30)	(116)
Net change in restricted cash	(1,543)	1,062	1,886
Net settlements on interest rate swap	(1,449)	(1,539)	(2,921)
Business acquisitions, net of cash acquired 2015 - \$2,711; 2014 - \$2,527; 2013 - \$6,131	(112,794)	(122,165)	(54,499)
Purchase of equity interests in nonconsolidated affiliates	(35,642)	(36,032)	(766)
Return of equity method investments in nonconsolidated affiliates	2,284	2,555	2,592
Other	(3,224)	(3,791)	—
Net cash provided by investing activities of discontinued operations	11,000	—	16
Net cash used in investing activities	\$ (156,466)	\$ (188,512)	\$ (76,834)

**SURGICAL CARE AFFILIATES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	YEAR-ENDED DECEMBER 31,		
	2015	2014	2013
<b>Cash flows from financing activities</b>			
Borrowings under line of credit arrangements and long-term debt, net of issuance costs	\$ 728,310	\$ 35,646	\$ 417,678
Payment of debt acquisition costs	(3,238)	—	(5,700)
Proceeds from issuance of shares pursuant to IPO, net of offering costs	—	—	171,877
Principal payments on line of credit arrangements and long-term debt	(614,468)	(31,083)	(527,634)
Principal payments under capital lease obligations	(9,042)	(8,225)	(7,552)
Distributions to noncontrolling interests of consolidated affiliates	(150,529)	(113,432)	(102,975)
Contributions from noncontrolling interests of consolidated affiliates	6,276	17,452	4,758
Proceeds from sale of equity interests of consolidated affiliates	5,933	5,593	7,864
Repurchase of equity interests of consolidated affiliates	(6,124)	(8,726)	(5,612)
Distributions to unit holders	—	—	(74,900)
Proceeds from teammate equity plans	12,054	5,820	453
Tax payments on options and awards	(5,409)	—	—
Other	—	(2,189)	—
<b>Net cash used in financing activities</b>	<b>(36,237)</b>	<b>(99,144)</b>	<b>(121,743)</b>
<b>Change in cash and cash equivalents</b>	<b>70,503</b>	<b>(77,075)</b>	<b>(32,993)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,731</b>	<b>85,829</b>	<b>118,618</b>
<b>Cash and cash equivalents of discontinued operations at beginning of period</b>	<b>37</b>	<b>14</b>	<b>178</b>
<b>Less: Cash and cash equivalents of discontinued operations at end of period</b>	<b>(2)</b>	<b>(37)</b>	<b>26</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 79,269</b>	<b>\$ 8,731</b>	<b>\$ 85,829</b>
<b>Supplemental cash flow information</b>			
Cash paid during the year for interest	\$ 37,615	\$ 31,173	\$ 62,167
Cash paid during the year for income taxes	1,021	753	493
<b>Supplemental schedule of noncash investing and financing activities</b>			
Property and equipment acquired through capital leases and installment purchases	18,640	9,722	21,329
Goodwill attributable to sale of surgery centers	2,503	752	10,062
Net investment in consolidated affiliates that became equity method facilities	164	1,848	5,356
Noncontrolling interest associated with conversion of consolidated affiliates to equity method affiliates	1,750	3,886	747
Contributions (non-cash) from noncontrolling interests of consolidated affiliates	—	5,225	—
Accrued capital expenditures at end of period	3,976	3,457	2,341
Equity interest purchase in nonconsolidated affiliates via withheld distributions	5,259	—	—

*See Notes to Consolidated Financial Statements.*

**SURGICAL CARE AFFILIATES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in tables are in thousands of U.S. dollars unless otherwise indicated)

Unless the context otherwise indicates or requires, the terms "Surgical Care Affiliates," "we," "us," "our" and "Company" refer to Surgical Care Affiliates, Inc. and its subsidiaries.

**NOTE 1 — DESCRIPTION OF BUSINESS**

*Nature of Operations and Ownership of the Company*

Surgical Care Affiliates, Inc., a Delaware corporation, was converted from a Delaware limited liability company, previously named ASC Acquisition LLC, to a Delaware corporation on October 30, 2013. Pursuant to the conversion, every 10.25 outstanding membership units of ASC Acquisition LLC were converted into one share of common stock of Surgical Care Affiliates, and options to purchase membership units of ASC Acquisition LLC were converted into options to purchase shares of common stock of Surgical Care Affiliates at a ratio of 10.25 membership units of ASC Acquisition LLC underlying such options to each one share of common stock of Surgical Care Affiliates underlying such converted options. In connection with the conversion, the exercise prices of such converted options were adjusted accordingly. Upon conversion, each outstanding restricted equity unit of ASC Acquisition LLC was converted into one restricted stock unit of Surgical Care Affiliates. All share and per share amounts reflect these conversion amounts throughout these financial statements.

We were formed primarily to own and operate a network of multi-specialty ambulatory surgery centers ("ASCs") and surgical hospitals in the United States of America. We do this through our direct operating subsidiary, Surgical Care Affiliates, LLC ("SCA"). For a portion of the periods covered by our financial statements, the Company was a Delaware limited liability company named ASC Acquisition LLC. As of December 31, 2015, the Company operated in 33 states and had an interest in and/or operated 185 ASCs, seven surgical hospitals and one sleep center with 11 locations, with a concentration of facilities in California, Texas, Indiana, Florida and New Jersey. Our ASCs and surgical hospitals primarily provide the facilities, equipment and medical support staff necessary for physicians to perform non-emergency surgical and other procedures in various specialties, including orthopedics, ophthalmology, gastroenterology, pain management, otolaryngology (ear, nose and throat, or "ENT"), urology and gynecology, as well as other general surgery procedures. At our ASCs, physicians perform same-day surgical procedures. At our surgical hospitals, physicians perform a broader range of surgical procedures, and patients may stay in the hospital for several days.

*Business Structure*

Our business model is focused on building strategic relationships with physicians, health plans and health systems to acquire, develop and optimize facilities in an aligned economic model that enables better access to high-quality care at lower cost. As of December 31, 2015, we owned and operated facilities in partnership with approximately 2,800 physician partners. The facilities in which we hold an ownership interest are owned by general partnerships, limited partnerships ("LP"), limited liability partnerships ("LLP") or limited liability companies ("LLC") in which a subsidiary of the Company typically serves as the general partner, limited partner, managing member or member. We account for our 193 facilities as follows:

	AS OF DECEMBER 31, 2015
Consolidated facilities (1)	104
Equity method facilities	68
Managed-only facilities	21
Total facilities	193

(1) As of December 31, 2015, we consolidated sixteen facilities as Variable Interest Entities ("VIE") (see Note 4).

*Basis of Presentation*

The Company maintains its books and records on the accrual basis of accounting, and the accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such financial statements include the assets, liabilities, revenues and expenses of all wholly owned subsidiaries and majority-owned subsidiaries over which we exercise control and, when applicable, entities in which we have a controlling financial interest.

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