16-055

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

ORIGINAL

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

RECEIVED

DEC 2 8 2016

16-055

HEALTH FACILITIES & SERVICES REVIEW BOARD

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Franciscan Health Olympia Fields* Outpatient Surgery Project		
Street Address:	20201 South Crawford Avenue		
City and Zip Code:	Olympia Fields, IL 60461		
County: Cook	Health Service Area VII		Health Planning Area: A-04

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Franciscan Alliance, Inc.
Address:	1515 Dragoon Trail Mishawaka, IN 46544
Name of Registered Agent:	Megan Brennan
Name of Chief Executive Officer:	Kevin Leahy
CEO Address:	1515 Dragoon Trail Mishawaka, IN 46544
Telephone Number:	574/273-3844

Type of Ownership of Applicant/Co-Applicant

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

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

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact

[Person to receive ALL correspondence or inquiries)

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

Additional Contact

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

*PLEASE SEE NOTE ON FOLLOWING PAGE

/

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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County: Cook	Health Service Area VII		Health Planning Area: A-04

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

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Address:	1515 Dragoon Trail Mishawaka, IN 46544
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Fax Number:	847/776-7004

Additional Contact
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Name:	none
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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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Facility/Project Identification

Facility Name:	Franciscan Health Olympia Fields Outpatient Surgery Project		
Street Address:	20201 South Crawford Avenue		
City and Zip Code:	Olympia Fields, IL 60461		
County: Cook	Health Service Area VII		Health Planning Area: A-04

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

Exact Legal Name:	Franciscan Alliance, Inc. d/b/a Franciscan St. James Health-Olympia Fields
Address:	1515 Dragoon Trail Mishawaka, IN 46544
Name of Registered Agent:	Megan Brennan
Name of Chief Executive Officer:	Kevin Leahy
CEO Address:	1515 Dragoon Trail Mishawaka, IN 46544
Telephone Number:	574/273-3844

Type of Ownership of Applicant/Co-Applicant

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

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Fax Number:	847/776-7004

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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:	Allan Spooner
Title:	CEO
Company Name:	Franciscan Health Olympia Fields
Address:	20201 South Crawford Avenue Olympia Fields, IL 60461
Telephone Number:	847/747-4000
E-mail Address:	allan.spooner@franciscan alliance.org
Fax Number:	847/503-3270

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Franciscan Alliance, Inc.
Address of Site Owner: 1515 Dragoon Trail Mishawaka, IN 46544
Street Address or Legal Description of Site: 20201 Crawford Avenue Olympia Fields, IL **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:	Franciscan Alliance, Inc. d/b/a Franciscan St. James Health – Olympia Fields
Address:	1515 Dragoon Trail Mishawaka, IN 46544

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

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

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

Organizational Relationships

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

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

Flood Plain Requirements
[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org. This map must be in a readable format**. In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 **(http://www.hfsrb.illinois.gov)**.

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements
[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT
1. Project Classification
[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

X 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.

The applicants propose to construct a building on the Olympia Fields campus of Franciscan Health Olympia Fields Chicago Heights to deliver the vast majority of the hospital's outpatient surgical and endoscopy services. The proposed building will be located approximately 200 yards from the primary hospital structure, and consistent with applicable Medicare provisions, will operate as a department of the hospital.

The proposed project involves neither the establishment of an IDPH-identified "category of service" nor any inpatient services, and is therefore categorized as "non-substantive". The proposed project requires a Certificate of Need Permit due to the project's cost exceeding the capital expenditure threshold requiring CON review and Permitting.

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	TOTAL
Project Cost:			
Preplanning Costs	$ 78,720	$ 44,280	$ 123,000
Site Survey and Soil Investigation	12,800	7,200	20,000
Site Preparation	211,200	118,800	330,000
Off Site Work	1,240,320	697,680	1,938,000
New Construction Contracts	4,689,645	6,110,355	10,800,000
Modernization Contracts			
Contingencies	223,844	291,656	515,500
Architectural/Engineering Fees	598,400	336,600	935,000
Consulting and Other Fees	556,800	313,200	870,000
Movable and Other Equipment (not in construction contracts)	2,082,544	231,394	2,313,938
Bond Issuance Expense (project related)			
Net Interest Expense During Construction Period			
Fair Market Value of Leased Space or Equipment			
Other Costs to be Capitalized			
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	**$ 9,694,273**	**$ 8,151,165**	**$ 17,845,438**
Sources of Funds:			
Cash and Securities	$ 9,694,273	$ 8,151,165	$ 17,845,438
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 9,694,273**	**$ 8,151,165**	**$ 17,845,438**

Related Project Costs

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

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

The project involves the establishment of a new facility or a new category of service
☐ Yes X No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (includir operating deficits) through the first full fiscal year when the project achieves or exceeds the targ utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ 200,000 .

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable X Preliminary

☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): ___October 31, 2018__________

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

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

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

Are the following submittals up to date as applicable:

X Cancer Registry
X APORS
X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
X All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

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

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

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME:	**Franciscan St. James Health-Olympia Fields**		**CITY:**	**Olympia Fields**	
REPORTING PERIOD DATES:		**From: January 1, 2015**		**to: December 31, 2015**	
Category of Service	**Authorized Beds***	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds***
Medical/Surgical	133	6,242	20,379	None	133
Obstetrics	0	0	0	None	0
Pediatrics					
Intensive Care	25	326	4,460	None	25
Comprehensive Physical Rehabilitation	0	0	0	None	0
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	158	6,568	24,839	None	158

*Represents bed complement as of December 31, 2015. On March 29, 2016 Permit 16-005 was issued to change the hospital's bed complement to:

Medical/Surgical	157
Obstetrics	12
ICU	31
Comprehensive Physical Rehabilitation	14
	214

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.

CERTIFICATION

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

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

This Application for Permit is filed on the behalf of _Franciscan Alliance, 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.

Kevin D. Leahy
SIGNATURE

KEVIN D. LEAHY
PRINTED NAME

PRESIDENT/CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 22nd day of December, 2016

Alison M. Orozco
Signature of Notary

Seal

ALISON M OROZCO
NOTARY PUBLIC
SEAL
ST. JOSEPH COUNTY, STATE OF INDIANA
COMMISSION NO. 632583
MY COMMISSION EXPIRES 01-23-2020

*Insert EXACT legal name of the applicant

SIGNATURE

Allan M. Spooner
PRINTED NAME

South Suburban Chicago President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 22nd day of December, 2016

Margaret L Harris
Signature of Notary

Seal

OFFICIAL SEAL
MARGARET L HARRIS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:05/20/18

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PRESIDENT/CEO
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A M Spooner
SIGNATURE

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South Suburban Chicago President
PRINTED TITLE

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Margaret L. Harris
Signature of Notary

OFFICIAL SEAL
MARGARET L HARRIS
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*Insert EXACT legal name of the applicant

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

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Kevin D. Leahy
SIGNATURE

KEVIN D. LEAHY
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Allan M Spooner
SIGNATURE

Allan M. Spooner
PRINTED NAME

Board Suburban Chicago President
PRINTED TITLE

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Margaret L. Harris
Signature of Notary

Seal
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MARGARET L HARRIS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:05/20/18

*Insert EXACT legal name of the applicant

ALTERNATIVES

1) Identify <u>ALL</u> of the alternatives to the proposed project:

Alternative options <u>**must**</u> 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 <u>ATTACHMENT-13,</u> 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 <u>ATTACHMENT-14,</u> 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 <u>has established</u> 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 <u>ATTACHMENT-15,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Not applicable. Project does not involve shell space.

Provide the following information:

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

2. The anticipated use of the shell space, specifying the proposed GSF tot be allocated to each department, area or function;

3. Evidence that the shell space is being constructed due to
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data are available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-16,</u> 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 <u>ATTACHMENT-17,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

O. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐		
☐		
☐		

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

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) –	Need Determination – Establishment
Service Modernization	(c)(1) –	Deteriorated Facilities
		and/or
	(c)(2) –	Necessary Expansion
		PLUS
	(c)(3)(A) –	Utilization – Major Medical Equipment
		Or
	(c)(3)(B) –	Utilization – Service or Facility
APPEND DOCUMENTATION AS <u>ATTACHMENT-34,</u> 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:**

_$17,845,438_	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
______	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
______	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
______	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
______	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
______	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
______	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$17,845,438	**TOTAL FUNDS AVAILABLE**

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

IX. **1120.130 - Financial Viability**

Not applicable. Project will be funded entirely with cash and available securities.

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**

Not applicable. Project will be funded entirely with cash and available securities.

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. **Conditions of Debt Financing**

Not applicable. Project will be funded entirely with cash and available securities.

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

XI. Safety Net Impact Statement

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

NOT APPLICABLE. PROJECT IS SUBSTANTIVE AND DOES NOT INVOLVE DISCONTINUATION.

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

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

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

XII. Charity Care Information

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			
	2013	2014	2015
Net Patient Revenue	**$267,782,124**	**$269,415,801**	**$276,224,557**
Amount of Charity Care (charges)	$68,289,947	$25,024,978	$37,556,731
Cost of Charity Care	$14,182,329	$6,141,130	$9,216,422

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

File Number 5053-312-3

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

FRANCISCAN ALLIANCE, INC., INCORPORATED IN INDIANA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON OCTOBER 15, 1974, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 29TH *day of* NOVEMBER *A.D.* 2016 .

Authentication #: 1633402008 verifiable until 11/29/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 1

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 02/06/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER St. Francis Insurance Services, LLC Franciscan Alliance - RM Department 3510 Park Place West, Suite 200 Mishawaka ~~IN 46546~~	CONTACT NAME: PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS: INSURER(S) AFFORDING COVERAGE — NAIC # INSURER A: Hills Insurance Company, Inc.
INSURED Franciscan Alliance, Inc. Franciscan St. James Health 20201 South Crawford Avenue Olympia Fields IL 60461	INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY [X] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS-MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [X] POLICY [ ] PRO-JECT [ ] LOC			HLL-1033-12-IL	01/01/2012	01/01/2013	EACH OCCURRENCE $ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) $ MED EXP (Any one person) $ PERSONAL & ADV INJURY $ GENERAL AGGREGATE $ 3,000,000 PRODUCTS - COMP/OP AGG $ $
	AUTOMOBILE LIABILITY [ ] ANY AUTO [ ] ALL OWNED AUTOS [ ] SCHEDULED AUTOS [ ] HIRED AUTOS [ ] NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) $ BODILY INJURY (Per person) $ BODILY INJURY (Per accident) $ PROPERTY DAMAGE (Per accident) $ $
	[ ] UMBRELLA LIAB [ ] OCCUR [ ] EXCESS LIAB [ ] CLAIMS-MADE [ ] DED [ ] RETENTION $						EACH OCCURRENCE $ AGGREGATE $ $
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? [ ] (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A				-	WC STATU-TORY LIMITS / OTH-ER E.L. EACH ACCIDENT $ E.L. DISEASE - EA EMPLOYEE $ E.L. DISEASE - POLICY LIMIT $
A	Medical Malpractice			HLL-1033-12	01/01/2012	01/01/2013	Per Occurrence $1,000,000 Aggregate $3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

It is hereby agreed and understood that Franciscan St. James Health - Olympia Fields is an insured under the Hills Insurance Company, Inc.

CERTIFICATE HOLDER	CANCELLATION
Franciscan Alliance, Inc. Franciscan St. James Health 20201 South Crawford Avenue Olympia Fields IL 60461	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Robert Yaney

ACORD 25 (2010/05)

ATTACHMENT 2

File Number 5053-312-3

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

FRANCISCAN ALLIANCE, INC., INCORPORATED IN INDIANA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON OCTOBER 15, 1974, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

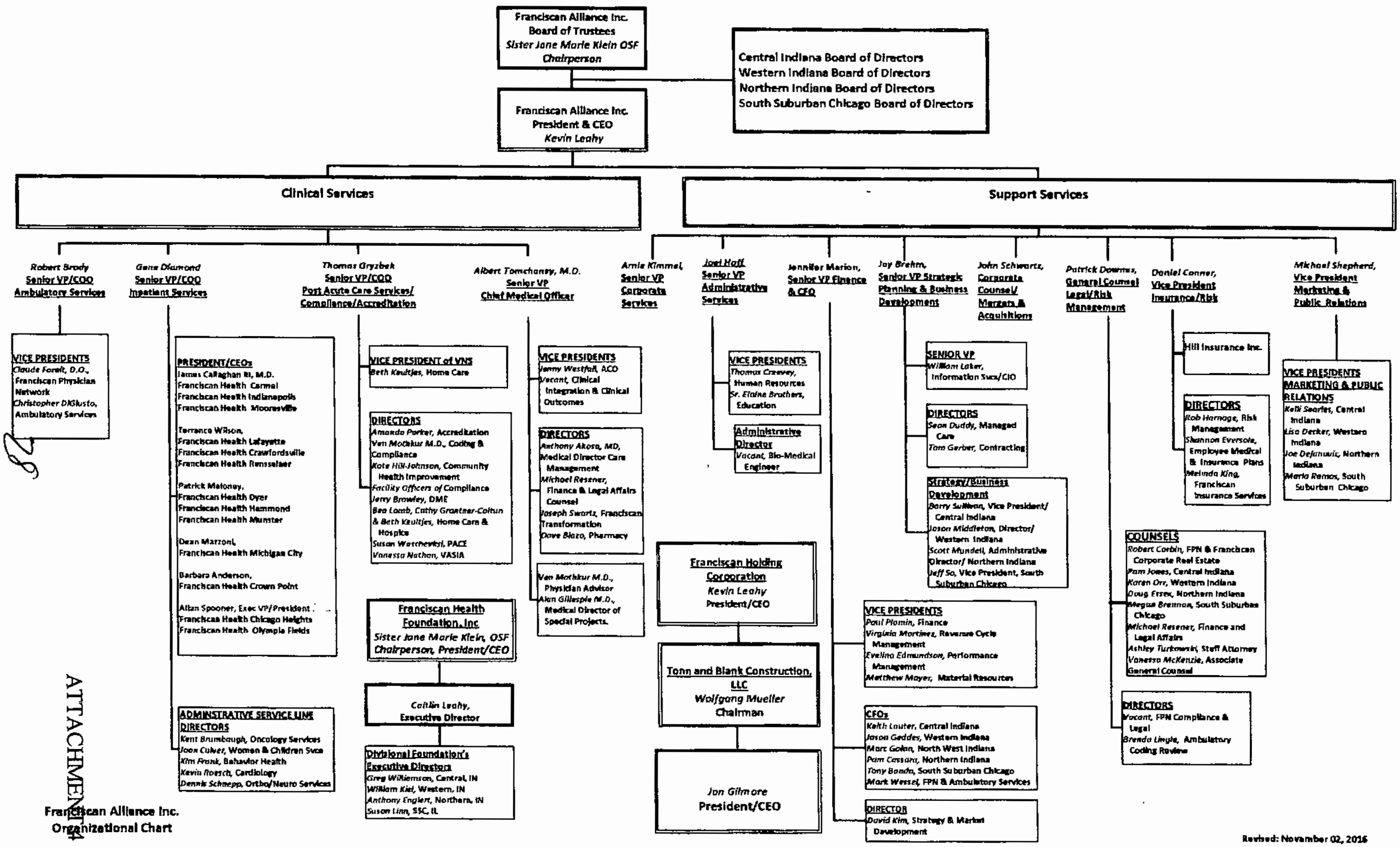
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 29TH *day of* NOVEMBER *A.D.* 2016 .

Authentication #: 1633402008 verifiable until 11/29/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

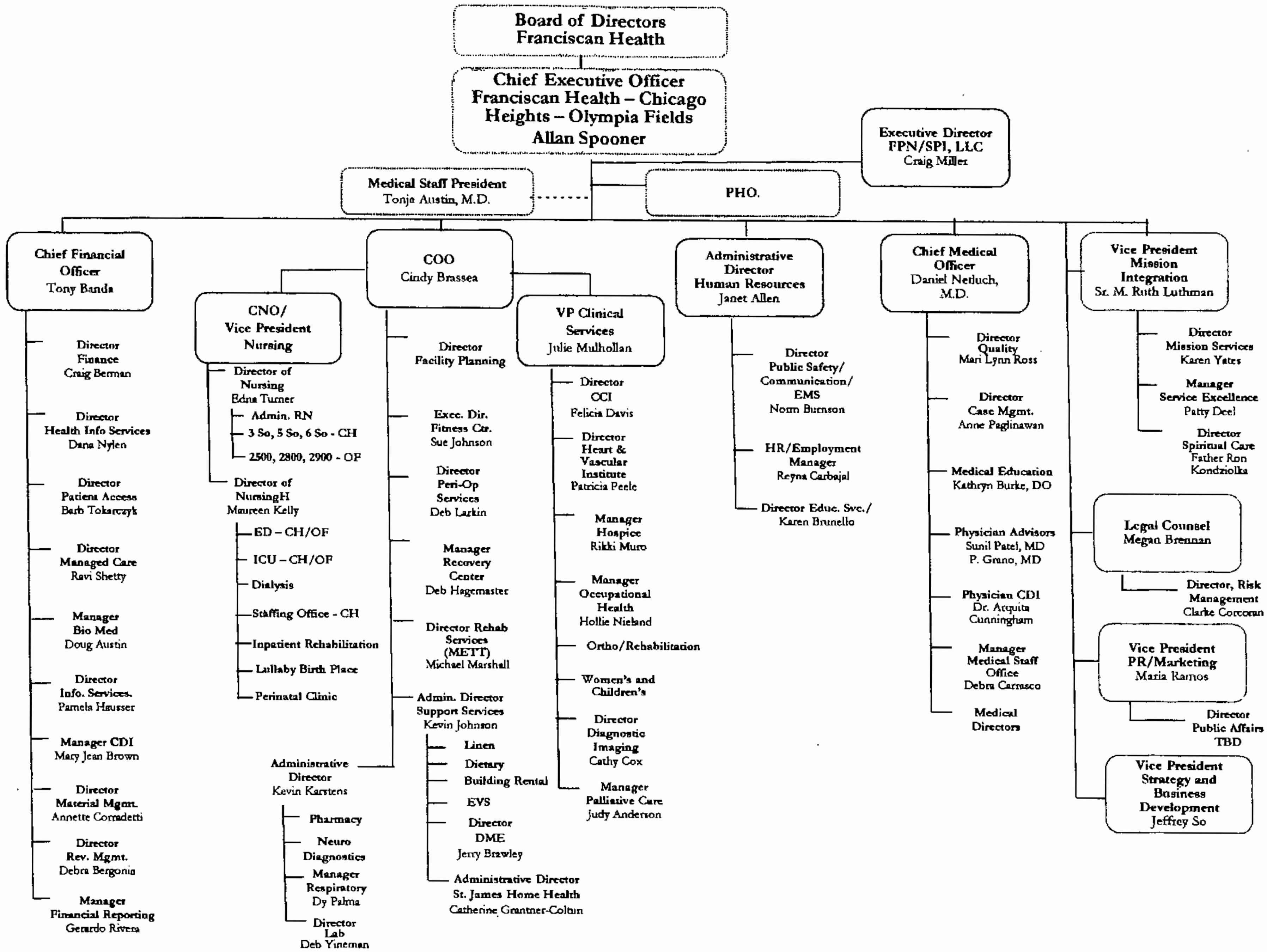
ATTACHMENT 3



Franciscan Alliance Inc.
Organizational Chart

ATTACHMENT 4

Revised: November 02, 2016



ATTACHMENT 4

29

November, 2016

NOTE: Organizational chart reflects only Senior Leadership and Directors except where Manager or other title reports directly to Vice President.

Franciscan HEALTH

December 21, 2016

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

Please be advised that Franciscan Alliance, Inc.'s Olympia Fields Campus, located at 20201 South Crawford Avenue, Olympia Fields, Illinois 60461 is not located in a flood plain, and construction on that site is consistent with Illinois Executive Order #2005-5.

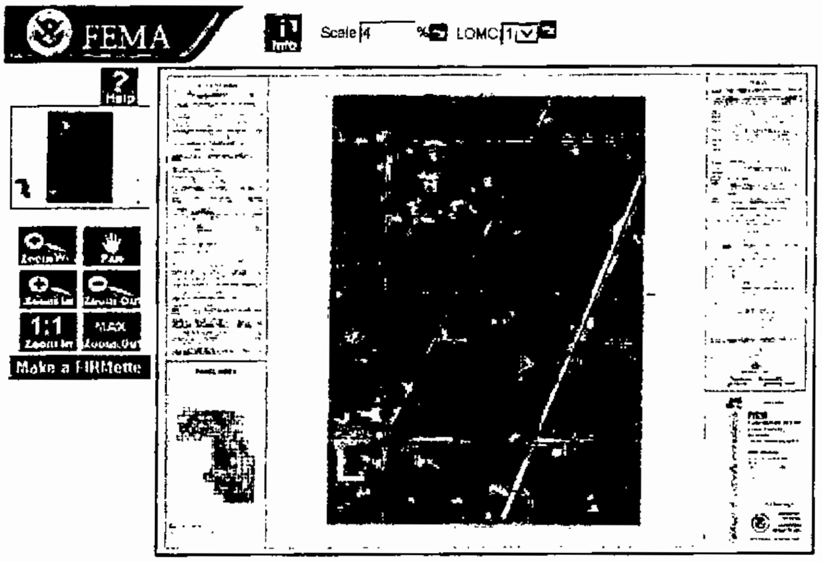
Sincerely,

Allan Spooner
President and CEO

Date: 12-21-2016

CHICAGO HEIGHTS
1423 Chicago Road
Chicago Heights, IL 60411
PH: 708 756 1000

OLYMPIA FIELDS
20201 South Crawford Avenue
Olympia Fields, IL 60461
PH: 708 747 4000



ATTACHMENT 5

31

Illinois Historic Preservation Agency

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

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

Cook County
Olympia Fields
CON - New Additions and Rehabilitation, Franciscan St. James Health - Olympia Fields
20201 Crawford Ave.
IHPA Log #019113015

December 9, 2015

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

Dear Mr. Axel:

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

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

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

If you have any further questions, please contact me at 217/785-5031.

Sincerely,

Rachel Leibowitz, Ph.D.
Deputy State Historic
Preservation Officer

ATTACHMENT 6

PROJECT COSTS AND SOURCES OF FUNDS

USES OF FUNDS

Preplanning Costs		
evaluation of alternatives	$ 25,000	
initial programming	$ 8,000	
cost estimating	$ 40,000	
environmental impact	$ 10,000	
misc/other	$ 40,000	
		$ 123,000
Site Survey & Soil Investigation		
soil investigation/load testing	$ 12,000	
surveys	$ 8,000	
		$ 20,000
Site Preparation		
grading & earthwork	$ 100,000	
exterior lighting & signage	$ 75,000	
landscaping	$ 75,000	
drainage	$ 30,000	
other/misc.	$ 50,000	
		$ 330,000
Off-Site Work		
pkg/walk-way/roadway paving	$ 878,000	
traffic signals	$ 150,000	
turn lanes	$ 180,000	
utilities-related	$ 580,000	
other/misc.	$ 150,000	
		$ 1,938,000
New Construction Contracts		
per ATTACHMENT 39C	$ 10,800,000	
		$ 10,800,000
Contingency		
allowance	$ 515,500	
		$ 515,500
Architectural/Engineering Fees		
design	$ 850,000	
document preparation	$ 20,000	
interface with agencies	$ 10,000	
project monitoring	$ 20,000	
other	$ 35,000	
		$ 935,000
Consulting and Other Fees		
Project Management	$ 340,000	
interior design	$ 40,000	
IT planning and consulting	$ 30,000	
CON-related	$ 90,000	

PROJECT COSTS AND SOURCES OF FUNDS

liturgical design consultant	$	30,000		
traffic planning/engineer	$	30,000		
medical equipment planning	$	80,000		
commissioning	$	60,000		
permits	$	80,000		
signage/graphics design	$	40,000		
other	$	50,000		
			$	870,000
Movable and Other Equipment				
please see attached itemization	$	2,150,000		
misc. <$1,000 (5%)	$	107,500		
delivery and set-up (2.5%)	$	56,438		
			$	2,313,938
PROJECT COST			**$**	**17,845,438**

<u>SOURCES OF FUNDS</u>

Cash and Securities	$	17,845,438

Medical Equipment Cost
Franciscan Health Olympia Fields
Surgery Project

Description	Number of Rooms/groups	Cost per Room	Total per Room
Operating Room			
Lights/Booms	3	$ 138,089	$ 414,266
Table	3	$ 50,000	$ 150,000
Computers	3	$ 20,106	$ 60,317
carts/tables	3	$ 20,729	$ 62,186
Sterile Core & Miscellanous			
Status Boards	2	$ 3,360	$ 6,720
Medical Refrigerator	2	$ 5,690	$ 11,379
Fluid Warmer	2	$ 27,960	$ 55,920
Blanket Warmer	2	$ 16,360	$ 32,720
Shelving/Racking	2	$ 28,640	$ 57,280
Scrub Sink	2	$ 4,000	$ 8,000
Flash Seterilizer	2	$ 16,000	$ 32,000
Endoscopy			
Lights/Boom	2	$ 138,089	$ 276,178
Computers/monitors	2	$ 22,538	$ 45,077
Stretcher	2	$ 6,400	$ 12,800
Fluid/Blanket Warmer	2	$ 46,400	$ 92,800
Defibrillator	2	$ 8,000	$ 16,000
carts/tables	2	$ 20,927	$ 41,854
Prep/Recovery			
Monitoring	20	$ 7,585	$ 151,696
Stretchers	20	$ 4,800	$ 96,000
Misc. Areas-Clinical			
3 Bay Sink	1	$ 19,396	$ 19,396
Ultrasonic	1	$ 17,834	$ 17,834
Washer	1	$ 141,506	$ 141,506
Tables	1	$ 6,400	$ 6,400
Shelving/cart	1	$ 12,536	$ 12,536
Steam Generator	1	$ 50,769	$ 50,769
Misc. Areas-Non-Clinical			$ 174,797
Misc. < $1,000 @ 5%			$ 102,322
			$ 2,148,753
Tax			$ 161,156
Delivery & Installation			$ 4,028.91
TOTAL			**$ 2,313,938**

ATTACHMENT 7

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet: Existing	Gross Square Feet: Proposed	Amount of Proposed Total Square Feet That is: New Const.	Modernized	As Is	Vacated Space	
Reviewable								
Surgery	$ 4,265,480			4,540				9694273
Endoscopy	$ 2,035,797			1,950				
Recovery-Stage 1	$ 630,128			850				
Recovery-Stage 2	$ 2,229,683			3,419				
Pre-Op	$ 533,185			748				
	$ 9,694,273			11,507				
Non-Reviewable								
Public Areas	$ 1,141,163			1,435				8151165
Administrative Areas	$ 1,304,186			2,346				
Storage	$ 652,093			1,679				
Mechanical	$ 1,222,675			1,714				
Circulation	$ 3,831,048			7,819				
	$ 8,151,165			14,993				
PROJECT TOTAL	**$ 17,845,438**			**26,500**				

ATTACHMENT 9

Franciscan HEALTH

December 21, 2016

Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

To Whom It May Concern:

In accordance with Review Criterion 1130.520.b.3, Background of the Applicant, I, as the President and CEO of the Olympia Fields and Chicago Heights Hospitals owned by Franciscan Alliance, Inc., herein submit this letter assuring the Illinois Health Facilities and Services Review Board that:

Franciscan Alliance, Inc. owns and Franciscan St. James Health owns and operates the IDPH-licensed hospitals. Neither Franciscan Alliance, Inc., nor any related entity conducting business in Illinois, has had any adverse actions against any Illinois health care facility owned or operated by it during the three (3) year period prior to the filing of this application.

Franciscan Alliance, Inc. authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1130.520.b.3 or to obtain any documentation or information which the State Board or Agency finds pertinent to this CON/COE application.

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

Sincerely,

Allan Spooner
President & CEO

CHICAGO HEIGHTS
1423 Chicago Road
Chicago Heights, IL 60411
PH: 708 756 1000

OLYMPIA FIELDS
20201 South Crawford Avenue
Olympia Fields, IL 60461
PH: 708 747 4000

FranciscanHealth.org

Illinois Department of PUBLIC HEALTH HF109761

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	CATEGORY	I.D. NUMBER
1/7/2017		0005074

General Hospital

Effective: 01/08/2016

Franciscan Alliance, Inc.
dba Franciscan St. James Health-Olympia Fields
20201 South Crawford Avenue
Olympia Fields, IL 60461

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

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 1/7/2017
Lic Number 0005074

Date Printed 12/7/2015

Franciscan Alliance, Inc.
dba Franciscan St. James Health-Oly
20201 South Crawford Avenue
Olympia Fields, IL 60461

FEE RECEIPT NO.

ATTACHMENT 11

Illinois Department of
PUBLIC HEALTH

HF110790

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	CATEGORY	I.D. NUMBER
6/30/2017		0002436

General Hospital

Effective: 07/01/2016

Franciscan Alliance, Inc.
dba Franciscan St. James Health-Chicago Heights
1423 Chicago Road

Chicago Heights, IL 60411

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DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 6/30/2017
Lic Number 0002436

Date Printed 5/3/2016

Franciscan Alliance, Inc.
dba Franciscan St. James Health-Chic
1423 Chicago Road
Chicago Heights, IL 60411

FEE RECEIPT NO.

ATTACHMENT 11

PURPOSE OF PROJECT

The purpose of the proposed project is to improve access to outpatient surgery and endoscopy services and to provide those services in an efficient and contemporary outpatient environment. As such, the proposed project will improve the health care and well-being of the Southland patient population looking to Fránciscan Alliance, Inc. for those services.

The design of the surgical suite at Franciscan Alliance, Inc.'s Olympia Fields hospital ("the Olympia Fields hospital") requires the co-mingling of generally healthy outpatients with inpatients, with the associated difficulties being most apparent during the post-anesthesia recovery period. The proposed project will allow the desired separation of outpatients from inpatients, and will provide the ease of access typically only associated with ASTCs.

The service area of the Olympia Fields hospital following the service consolidation approved through Certificate of Need Permit 16-005 (projected to be completed in mid-2018) will consist of those ZIP Code areas that have traditionally provided a minimum of 2.0% of the inpatients to Franciscan Alliance Inc.'s Illinois hospitals. Those ZIP Code areas are identified in the table below.

ZIP Code	Primary Community	%	Cum. %
60411	Chicago Heights	27.0%	27.0%
60466	Park Forest	11.5%	38.5%
60443	Matteson	8.0%	46.5%
60471	Richton Park	6.2%	52.7%
60417	Crete	5.3%	58.0%
60475	Steger	4.2%	62.2%
60430	Homewood	3.6%	65.8%
60425	Glenwood	3.0%	68.8%
60461	Olympia Fields	3.0%	71.7%
60478	Country Club Hills	2.7%	74.4%
60401	Beecher	2.4%	76.8%
60449	Bedford Park	2.3%	79.1%
60484	University Park	2.0%	81.1%
	other, <2.0%	18.9%	100.0%

The goals of the proposed project are to make the proposed services available concurrent to the completion of Project 16-005, and to improve the patient satisfaction assessment of the hospital's outpatient surgery program.

ALTERNATIVES

Two alternatives to the proposed project were considered, with the primary determining factors being the hospital's ability to provide outpatient surgical and endoscopy services in a contemporary manner, and to be able to maintain the hospital's commitment to the care of all patients in need, regardless of payment source.

Establish an ASTC

The goal of providing outpatient surgical services in a contemporary fashion could be accomplished through the establishment of an ambulatory surgical treatment center ("ASTC"), either on the hospital campus, or on a remote site. Both of these options were evaluated, with the only comparative difference being the cost of acquiring property, if the off-site option was desired. The capital costs associated with doing so would be approximately 12% less than those of the proposed project. Staffing and other operating costs would be virtually identical to those being proposed, and quality and accessibility would be identical to that of the proposed project. Discussions with an ASTC management firm, however, revealed that the applicant's mission/openness to the provision of charity care and care to Medicaid recipients could not be realized with this alternative.

Unlike most ASTCs, the outpatient center will provide services to a payor mix similar to that of the communities it will serve. Operating under the hospital's admissions policies, the payor mix of the outpatient center is anticipated to include approximately 6% Medicaid and approximately 16% charity care, very similar to that of the hospital as a whole. The financial model and reimbursement associated with services provided in the ASTC setting would make that payor mix cost-prohibitive. With the revenue to be realized from the proposed model, the anticipated payor mix can be accommodated without jeopardizing the program's financial viability.

Continue with the Plan Originally Proposed

As originally proposed, endoscopy services would continue to be provided through a separate suite, not to be addressed through the proposed modernization program, two new operating rooms were to be added to the surgical suite, and major portions of the surgical suite and pre- and post-op surgical areas were to be renovated. As post CON-approval planning continued, it was determined that the contemporary outpatient surgery environment desired by the hospital could not be achieved if the footprint of the existing program was not expanded more than the minimal amount initially envisioned.

Had the hospital elected to proceed with this alternative, staffing costs (due primarily to redundancy) could be reduced by approximately $1.24M per year. Supply costs would not be effected. The capital costs associated with this alternative are approximately $3.1M.

Quality of care and access to services would not be impacted through the adopting of this alternative.

Selected Program

The proposed project—the construction of a building on the hospital's campus to house outpatient surgery and endoscopy services—is believed by the hospital to be the most practical approach to addressing the desired outcomes of providing outpatient services in a contemporary manner and to continue to accommodate the existing payor mix.

SIZE OF PROJECT

The square footage of the proposed project is necessary and not excessive. The sizes of the functional areas comprising the project were determined by a planning team consisting of hospital representatives, physicians, health care architects and the project management firm.

The project involves four functional areas having IHFSRB-adopted standards, with, as noted below, each of those areas are being planned consistent with the applicable standards.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Surgery	4,540	8,250	(3,710)	YES
Endoscopy	1,950	2,200	(250)	YES
Stage 1 Recovery	850	900	(50)	YES
Stage 2 Recovery	3,419	6,000	(2,581)	YES

ATTACHMENT 14

PROJECT SERVICES UTILIZATION

The proposed project involves two clinical services/functional areas having HFSRB-established utilization standards: surgery and endoscopy. Outpatient surgery will be provided through three "Class C" operating rooms, and outpatient endoscopy will be provided through two "Class B" procedure rooms. In both cases, the IHFSRB-established utilization standards will be met, as documented in the table below.

Dept./ Service	2014 Historical Utilization (Patient Days) (TREATMENTS)	PROJECTED UTILIZATION (hours) YEAR 1	YEAR 2	STATE STANDARD	MET STANDARD?
Outpt. Surgery	N/A	4,049	4,049	3,001+	YES
Outpt. Endoscopy	N/A	2,031	2,031	1,501+	YES

Franciscan Alliance, Inc. currently operates hospitals in Chicago Heights and Olympia Fields, Illinois. Through CON Permit 16-005, the Chicago Heights hospital will be discontinued, and it is fully anticipated by the applicants that a major portion of the outpatient surgery and outpatient endoscopy currently performed at the Chicago Heights hospital will re-locate to the Olympia Fields hospital. The utilization projections identified in the table above are based on 2015 historical utilization at the two Franciscan Alliance, Inc. hospitals. Please refer to ATTACHMENT 34 for further discussion of projected utilization.

Franciscan HEALTH

December 21, 2016

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom It May Concern:

I hereby attest that Franciscan Alliance, Inc. d/b/a Franciscan Health Olympia Fields Chicago Heights anticipates that by the end of the second year following the completion of the proposed project, the annualized utilization rate of the outpatient surgery and endoscopy services addressed in the Certificate of Need application to which this letter is attached will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

Sincerely,

Allan Spooner
President & CEO

CLINICAL SERVICES AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project involves the construction of a freestanding building--the outpatient center--on the Franciscan Alliance, Inc.'s Olympia Fields campus ("the Olympia Fields hospital") to house the Olympia Fields hospital's outpatient surgery and endoscopy programs, along with the associated support space. The services provided as a result of this project will function as hospital services, consistent with applicable Medicare limitations, as opposed to an ambulatory surgical treatment center ("ASTC"). Providing the services as a hospital-based outpatient program, rather than through an ASTC, allows the applicant to provide Medicaid and charity care services consistent with the applicant's mission and the payor mix of the communities served. The program will operate under the hospital's admissions policies, with the payor mix anticipated to include approximately 6% Medicaid and approximately 16% charity care, much higher than typically associated with ASTCs. Additional, primarily inpatient, services will be provided through the Olympia Fields hospital's existing surgical suite ("main surgical suite"); and an alteration to Permit 16-005 request has been filed with the IHFSRB addressing changes to the scope of that project. The table below includes (under # Proposed Key Rooms) ORs, endoscopic procedure rooms, and recovery stations proposed to be located in both the proposed facility and the main surgical suite.

Service	# Existing Key Rooms	# Proposed Key Rooms
Operating Rooms-Class C	7	9
Endoscopy Rooms-Class B	3	3
Recovery Stations-Stage 1	12	12
Recovery Stations-Stage 2	18	33

The Olympia Fields hospital's existing surgical suite consists of seven Class C operating rooms. Through Project 16-005, approval was granted to modernize the hospital's surgical suite, including the addition of two ORs, increasing the capacity from seven to nine ORs. Concurrent to the filing of this Application for Permit, and as noted above, Franciscan Alliance, Inc. is filing an alteration request for Permit 16-005, proposing a reduction in the scope of modernization to be undertaken relating to the hospital's main surgical suite and support areas. Upon the completion of the proposed project, the main surgical suite will consist of six ORs to be used as Class C operating rooms (with one designated for cardiovascular surgery and one designated for urological surgery), and one Class B endoscopy (procedure) room. An existing small operating room will be used as the Class B endoscopy room, and two additional smaller ORs will be decommissioned and used as non-clinical support space. The existing surgical suite will be used for inpatient surgical and inpatient endoscopic procedures, as well as a minimal number of outpatient procedures in those cases warranted by a patient's existing medical condition. The seven rooms (6 ORs and 1 endoscopy room) in the main surgical suite will be supported by seven Stage 1 and eighteen Stage 2 recovery stations.

The outpatient center will consist of three Class C operating rooms, two endoscopic procedure rooms, five Stage 1 recovery stations, and 15 Stage 2 recovery stations. In addition, the outpatient center will have three dedicated pre-op stations, with additional early morning pre-op requirements addressed through the use of Stage 2 recovery stations.

The proposed nine operating rooms and three endoscopic rooms are consistent with the number of rooms approved for the hospital through Permit 16-005.

The proposed project will, and is necessary to separate the outpatient/generally healthy patients from the inpatient population, and most importantly during the pre-and post-op processes, consistent with contemporary industry standards and practices, Franciscan Alliance, Inc. currently operates two Illinois hospitals, located approximately ten minutes apart, in Olympia Fields and Chicago Heights.

The Chicago Heights hospital has received a Certificate of Exemption (E-008-16) for the discontinuation of the hospital, with that discontinuation anticipated to occur in mid-2018. Upon the "discontinuation" of that facility, the hospital's ten operating rooms and two endoscopy rooms will be removed from service.

As part of the Olympia Fields hospital's expansion and modernization project referenced above, the determination has been made by the Permit holder and it's consultants and architects that the original plan, which included the modernization of 8,588 square feet of surgery and surgical support space as well as 4,800 sf of pre-op and recovery space is not practical. It is no longer believed that the surgical suite can maintain a high level of efficient operations during the modernization process, and it is no longer believed that sufficient space for the outpatient pre-op and recovery functions can be provided, given the existing design constraints of the building. As a result, the decision to segregate the inpatient surgical function from outpatient surgery (and endoscopy) has been made.

The proposed number of operating rooms and endoscopy rooms are reasonable, as discussed below, and the table below documents that historical utilization "supports" eight ORs and three endoscopy rooms, based on the assumptions that 80% of the Chicago Heights hospital's caseload will migrate to the Olympia Fields hospital upon the discontinuation of the Chicago Heights hospital, and that 10% of historical outpatients will be treated in the hospital's main surgical suite.

Operating Room & Endoscopy Room Need Assessment
--Based on 2015 Utilization--

Main Surgical Suite OR Requirements		Rooms
Cardiovascular Surgery		1
Urological Surgery		1
"General" inpt. hours from OF hospital	312	
"General" inpt. hours @80%-CH hospital	2,763	
OF hospital outpt. hours @ 10%	228	
CH hospital outpt. hours @ 80% & 10%	230	
	3,533	3
		5
Inpt. Endoscopy hours from OF hospital	388	
Inpt. Endoscopy hours @80%-CH hospital	249	
OF hospital outpt. Endoscopy hours @ 10%	197	
CH hospital outpt. Endoscopy hours @ 80% &10%	0	
	834	1

Outpatient Center OR Requirements		Rooms
Operating Rooms		
OF hospital hours @ 90%	2,048	
CH hospital hours @ 80% & 90%	2,001	
	4,049	3
Endoscopy Rooms		
OF hospital hours	1,777	
CH hospital hours @ 80%	254	
	2,031	2

The assessment above supports a main (primarily inpatient) surgical suite consisting of five operating rooms and one endoscopy room, and an outpatient center consisting of three operating rooms and two endoscopy rooms.

The Olympia Fields hospital's current surgical suite, contains two cardiovascular surgery ORs and five "general" ORs. While five ORs are supported in the main surgical suite through the above assessment, a complement of six is proposed: 1 cardiovascular OR, one urological surgery OR, and four, rather than three "general" ORs.

ATTACHMENT 34

An additional (fourth) "general" operating room is proposed for two primary reasons: to support the hospital's high-volume Emergency Department, and increase demand for surgical services resulting from improved access to primary care services provided by Franciscan Alliance, Inc.

The hospital operates an active Emergency Department ("ED"), with the ED's utilization projected to approach 65,000 annual visits by 2020. The applicants believe it imperative that the hospital provide reasonable access to operating rooms for this large number of ED patients. With only the three "general" OR's supported through the historical analysis provided above, reasonable access for ED patients, particularly during the morning and early afternoon hours, when the surgery suite is typically occupied by scheduled cases/patients, will be very limited with only three "general" ORs.

Increased access to Franciscan Alliance, Inc.-sponsored primary care services as the result of a number of initiatives will result in additional surgical cases at the hospital. First, during the past year, the hospital has added 53 physicians to its Medical Staff, including eighteen primary care physicians, four surgeons, and two gastroenterologists. (Three of the primary care physicians practice gynecology, and provide surgical services.) Second, the hospital serves as the primary teaching hospital for Midwestern University's Chicago College of Osteopathic Medicine, and four of the eight physicians completing their Family Practice residency in July 2015 joined the hospital's medical staff, three as full-time employees of Franciscan Alliance, Inc. The recruitment of 3-5 Family Practice physicians from subsequent graduating classes is anticipated. Third, Franciscan Alliance Inc.'s Chicago Heights urgent care center, which is a primary access point to physicians' services in the Southland, is planned to double in size and increase its hours of operation from sixteen to twenty-four hours a day. Fourth, upon the discontinuation of the Chicago Heights hospital, Franciscan Alliance will expand the scope of the primary care clinic operated on that campus. Each of these four initiatives will result in additional referred surgical cases to the hospital.

The significant impact that enhanced access to primary care services offered by the applicants and the addition of Franciscan Alliance, Inc.-employed physicians (and particularly primary care physicians) to the hospital's Medical Staff has on hospital usage, and, by virtue of that, surgical volume, is demonstrated by the relationship between admissions by employed physicians and total admissions. In 2014, 47.6% of the patients admitted to the two Franciscan Alliance, Inc. hospitals---less than half---were admitted by employed physicians. That rate increased by nearly a quarter, to 58.8% in 2015. A high percentage of these patients are initially exposed to the delivery system through the hospital EDs, the urgent care center and the primary care center, and subsequently come under the care of an employed primary care physician. As Franciscan Alliance, Inc. continues to employ physicians and continues to improve access to services, utilization of the Olympia Fields hospital, and, in turn, its surgical suite will continue to rise, supporting the need to provide OR capacity beyond that supported by historical utilization.

Franciscan Alliance, Inc. and Affiliates

Consolidated Financial Statements
December 31, 2015 and 2014

Attachment 37

Franciscan Alliance, Inc. and Affiliates
Index
December 31, 2015 and 2014

Page(s)

pwc

Independent Auditor's Report

Board of Trustees
Franciscan Alliance, Inc.
Mishawaka, Indiana

We have audited the accompanying consolidated financial statements of Franciscan Alliance, Inc. and Affiliates (collectively referred to as the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 our 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, we consider internal control relevant to the Corporation'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 Corporation'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. 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 financial position of the Corporation at December 31, 2015 and 2014 and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

May 3, 2016

PricewaterhouseCoopers LLP, One North Wacker, Chicago, IL 60606
T: (312) 298 2000, F: (312) 298 2001, www.pwc.com/us

Attachment 37

Franciscan Alliance, Inc. and Affiliates
Consolidated Balance Sheets
Years Ended December 31, 2015 and 2014
(In thousands)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 44,280	$ 55,757
Short-term investments	111,522	129,674
Patient accounts receivable, net of allowance for doubtful accounts of $21,940 in 2015 and $27,878 in 2014	329,476	298,524
Inventories of supplies	44,947	43,238
Other current assets	94,974	97,258
Total current assets	625,199	624,451
Board designated and other investments	2,260,299	2,246,231
Property, plant, and equipment, net	1,591,116	1,557,201
Investments in unconsolidated affiliates	16,855	18,522
Goodwill	24,541	24,541
Intangible assets, net of accumulated amortization of $11,369 in 2015 and $16,230 in 2014	3,058	6,608
Other assets	126,984	112,527
Total assets	$ 4,648,052	$ 4,590,081

	2015	2014
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 22,576	$ 23,693
Accounts payable and accrued expenses	275,322	261,554
Accrued payroll and related expenses	102,247	113,497
Estimated third-party payor settlements	25,110	25,172
Total current liabilities	425,255	423,916
Long-term debt, net of current portion	1,059,451	1,077,544
Fair value of interest rate swap contracts	83,274	84,986
Accrued pension liability	320,338	374,176
Estimated insurance liabilities	134,564	118,831
Other liabilities	57,035	49,635
Total liabilities	2,079,917	2,129,088
Net assets		
Unrestricted	2,504,543	2,392,237
Noncontrolling interests in consolidated affiliates	32,159	35,231
Total unrestricted net assets	2,536,702	2,427,468
Temporarily restricted	14,796	16,474
Permanently restricted	16,637	17,051
Total net assets	2,568,135	2,460,993
Total liabilities and net assets	$ 4,648,052	$ 4,590,081

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

Attachment 37

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Franciscan Alliance, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2015 and 2014
(In thousands)

	2015	2014
Unrestricted revenues, gains, and other support		
Patient service revenue, net of contractual allowances and discounts	$ 2,550,684	$ 2,510,108
Provision for doubtful accounts	(61,374)	(84,799)
Net patient service revenue	2,489,310	2,425,309
Capitation and premium revenue	110,122	109,029
Other operating revenue	171,657	182,781
Equity in losses of investments in unconsolidated affiliates	(41,126)	(1,223)
Net unrealized investment (losses) gains	(11,040)	2,260
Net assets released from restrictions used for operations	111	103
Total unrestricted revenues, gains, and other support	2,719,034	2,718,259
Operating expenses		
Salaries	1,020,966	972,967
Employee benefits	272,882	224,597
Physicians' fees	58,226	52,232
Utilities	40,827	45,202
Repairs and maintenance	42,528	44,452
Drugs and pharmaceuticals	139,163	128,482
Medical supplies	194,325	186,527
Insurance	46,077	32,564
Purchased services	265,774	257,361
Other supplies and expenses	309,276	368,266
Interest	33,918	35,726
Depreciation and amortization	153,033	154,154
Total operating expenses	2,576,995	2,502,530
Operating income	142,039	215,729
Other income (expense)		
Investment income	85,525	64,169
Net unrealized investment (losses) gains on trading securities	(120,972)	9,354
Net unrealized losses and periodic settlements on interest rate swap contracts	(11,645)	(40,397)
(Loss) gain on sale/disposal of assets	(87)	460
Net assets released from restrictions	2,417	3,351
Contributions	5,209	3,695
Other, net	(9,357)	(4,655)
Total other income (expense), net	(48,910)	35,977
Excess of revenues over expenses	$ 93,129	$ 251,706

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

Franciscan Alliance, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets (continued)
Years Ended December 31, 2015 and 2014
(In thousands)

	2015	2014
Unrestricted net assets, controlling interest		
Excess of revenues over expenses	$ 73,256	$ 234,914
Change in pension and postretirement benefits other than net periodic pension costs included in accrued pension liability	29,276	(293,541)
Acquisition of Jasper County Hospital (see Note 1)	5,878	-
Other, net	2,374	(1)
Contributions of property, plant, and equipment	145	250
Net assets released from restrictions used for purchase of property, plant, and equipment	1,377	4,890
Increase (decrease) unrestricted net assets, controlling interest	112,306	(53,488)
Unrestricted net assets, noncontrolling interest		
Excess of revenues over expenses	19,873	16,792
Distributions	(22,945)	(12,352)
(Decrease) increase in unrestricted net assets, noncontrolling interest	(3,072)	4,440
Temporarily restricted net assets, controlling interest		
Contributions	4,366	5,446
Investment income	61	132
Net assets released from restrictions	(2,518)	(3,454)
Net assets released from restrictions used for purchase of property, plant, and equipment	(1,377)	(4,890)
Net unrealized investment losses	(5)	(7)
Acquisition of Jasper County Hospital (see Note 1)	471	-
Other, net	(2,676)	(168)
Decrease in temporarily restricted	(1,678)	(2,941)
Permanently restricted net assets, controlling interest		
Contributions	192	115
Investment (losses) income	(133)	288
Net assets released from restrictions	(10)	-
Net unrealized investment gains	-	1
Other, net	(463)	(661)
Decrease in permanently restricted net assets, controlling interest	(414)	(257)
Increase (decrease) in net assets	107,142	(52,246)
Net assets, beginning of the year	2,460,993	2,513,239
Net assets, end of the year	$ 2,568,135	$ 2,460,993

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

Franciscan Alliance, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014
(In thousands)

	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	$ 107,142	$ (52,246)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of plant, property, and equipment	148,850	148,465
Amortization of bond discounts, deferred financing costs, and other intangible assets	4,183	5,689
Provision for doubtful accounts	61,374	84,799
Gain on sale of investments in unconsolidated affiliates	(1,464)	(16,639)
Loss on sale/disposal of assets	1,551	16,179
Net investment losses (gains)	46,488	(75,783)
Net unrealized (gains) losses on interest rate swap contracts	(1,712)	26,495
Distributions to noncontrolling interests in consolidated affiliates, net of contributions	22,945	12,352
Distributions from unconsolidated affiliates	6,675	5,769
Equity in losses of investments in unconsolidated affiliates	41,126	1,223
Restricted contributions and investment income	(4,486)	(5,981)
Change in pension and postretirement benefits other than net periodic pension costs included in accrued pension liability	(29,276)	293,541
Net assets acquired from Jasper County Hospital	(5,210)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(89,041)	(71,215)
Inventories of supplies	(581)	(5,302)
Other assets	(11,438)	(29,370)
Accounts payable and accrued expenses	35,836	35,157
Accrued payroll and related expenses	(11,250)	(2,959)
Estimated third-party payor settlements	(672)	(3,871)
Estimated insurance liabilities	15,733	5,545
Accrued pension liability	(24,562)	(26,634)
Other liabilities	7,400	3,055
Total adjustments	212,469	400,515
Net cash provided by operating activities	319,611	348,269
Cash flows from investing activities		
Purchases of investments	(4,943,712)	(5,927,429)
Proceeds from sale of investments	4,901,779	5,722,352
Purchases of property, plant, and equipment	(187,351)	(115,025)
Proceeds from sale of property, plant, and equipment	884	192
Acquisition of physician practices and other healthcare service organizations	-	(109)
Proceeds from sale of investments in unconsolidated affiliates	1,464	16,764
Capital contributions to investment in unconsolidated affiliates	(46,134)	(2,285)
Net cash used by investing activities	(273,070)	(305,540)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	-	50,000
Redemption of long-term debt	-	(50,000)
Principal payments on long-term debt	(25,118)	(22,972)
Redemption of long-term debt - Jasper County Hospital	(14,441)	-
Distributions to noncontrolling interests in consolidated affiliates, net of contributions	(22,945)	(12,352)
Restricted contributions and investment income	4,486	5,981
Net cash used by financing activities	(58,018)	(29,343)
Net (decrease) increase in cash and cash equivalents	(11,477)	13,386
Cash and cash equivalents, beginning of year	55,757	42,371
Cash and cash equivalents, end of year	$ 44,280	$ 55,757

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

1. Description of Organization and Mission

Organization

Franciscan Alliance, Inc. and Affiliates (collectively referred to as the "Corporation"), under the sponsorship of the Sisters of St. Francis of Perpetual Adoration, Inc., is an Indiana non-profit, Catholic health care system. The Corporation is dedicated to providing comprehensive health care services, including emergency, medical, surgical, behavioral, rehabilitative, and other health services in inpatient and outpatient settings; home health care services; and primary and specialty physician services to communities within four geographic regions in Indiana and Illinois (the "Health Centers"). Additionally, the Corporation has various accountable care organizations and physician hospital managed care networks, a non-profit foundation, and a number of support related divisions and affiliates including a corporate office, a consolidated information technology services division, various back office/management support organizations, a construction company, and a captive insurance company. The Corporation also has various investments in consolidated and unconsolidated affiliates (Note 10). The Corporation is incorporated as a not-for-profit corporation under the laws of Indiana and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code").

Acquisition of Jasper County Hospital – Effective August 31, 2015, Jasper County Hospital, Inc. ("Jasper County Hospital"), a critical access hospital in Rensselaer, Indiana contributed its net assets to Franciscan Health – Jasper County, Indiana, Inc. d/b/a Franciscan Healthcare Rensselaer ("FH Rensselaer"), an Indiana nonprofit corporation, whose sole corporate member is the Corporation. The transaction resulted in a contribution of excess of assets over liabilities of $6.3 million being recorded in the consolidated statements of operations and changes in net assets during 2015. The following table represents the balance sheet as of August 31, 2015 for FH Rensselaer:

Fair value of identifiable net assets:	(in thousands)
Cash and cash equivalents	$ 1,139
Patient accounts receivable, net of allowance for doubtful accounts	3,285
Inventory	1,128
Other current assets	1,200
Board designated and other investments	471
Property, plant, and equipment, net	22,101
Current portion of long-term debt	(565)
Accounts payable and accrued expenses	(5,905)
Estimated third-party payor settlements	(610)
Long-term debt due to the Corporation	(15,895)
Contribution of unrestricted and temporarily restricted net assets	$ 6,349

Mission
The Corporation's mission statement is as follows:

Continuing Christ's Ministry in Our Franciscan Tradition
Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay and continually works to enhance the health status of the communities in which it operates. As illustrated in the following summary of quantifiable community benefits, which has been prepared in accordance with the Catholic Health Association of the United States' policy document, the Corporation commits significant resources to provide services intended to benefit the poor and underserved with benefits measured at the total cost net of any offsetting revenues, donations, or other funds used to defray such costs.

	(Unaudited) 2015	2014
	(in thousands)	
Benefits for the poor and underserved		
Unreimbursed costs of Medicaid and other indigent care programs	$ 113,035	$ 89,926
Cost of charity care provided	76,199	91,268
Other benefits for the poor and underserved	3,457	5,434
Total benefits for the poor and underserved	192,691	186,628
Benefits for the broader community		
Subsidized health services	16,665	27,813
Health professions education	14,487	12,414
Community health improvement services	5,962	3,251
Financial and in-kind contributions	872	888
Research	1,277	1,384
Community building activities	1,198	913
Community benefit operations	486	226
Total benefits for the broader community	40,947	46,889
Total quantifiable community benefits	233,638	233,517
Unreimbursed costs of Medicare	230,910	237,326
Total quantifiable community benefits including unreimbursed costs of Medicare	$ 464,548	$ 470,843

Total quantifiable community benefits including unreimbursed costs of Medicare were approximately 18% and 19% of total operating expenses for the years ended December 31, 2015 and 2014, respectively.

The Corporation also provides a significant amount of uncompensated care to patients which is reported as provision for doubtful accounts in the consolidated statements of operations and changes in net assets and is not reported in the summary of quantifiable community benefits. During the years ended December 31, 2015 and 2014, the Corporation reported approximately $61.4 million and $84.8 million, respectively, as provision for doubtful accounts based on accumulated charges.

Benefits for the poor and underserved include the cost of providing programs and services to persons who are economically poor or are medically indigent and cannot afford to pay for health care services because they have inadequate resources and/or are uninsured or underinsured.

Benefits for the broader community include the costs of providing programs and services aimed at persons and groups for reasons other than poverty. These persons and groups may include needy populations that may not qualify as poor but need special services and support or broader populations who benefit from healthy community initiatives. These programs and services are not intended to be financially self-supporting.

Unreimbursed costs of Medicaid and other indigent care programs represent the cost (determined using a cost to charge ratio) of providing services to beneficiaries of public programs including State Medicaid and indigent care programs in excess of any payments received.

Charity care represents the cost (determined using a cost to charge ratio) of health care services, provided in accordance with the Corporation's charity care and uninsured patient discount policy, for which no or partial reimbursement will be received because of the recipient's inability to pay for those services, as further described in Note 2.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include emergency services, free standing community clinics, hospice care, behavioral health services, prenatal services, women's and children's services, palliative care, and parish nurse programs.

Health professions education includes the unreimbursed cost of training health professionals such as medical residents, nursing students, technicians, and students in allied health professions.

Community health improvement services are activities and services for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding, which is netted against any amounts reported. Some examples include health education, health fairs, free or low cost health screening, immunization services, prescription medication assistance programs, and other various community outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Financial and in-kind contributions are made by the Corporation on behalf of the poor and underserved to various community agencies. These amounts include funds used for charitable activities as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. In-kind services include hours donated by staff to the community while on work time, overhead expenses of space donated to community groups, and donations of food, equipment, supplies, and other direct costs.

Research includes the unreimbursed cost of clinical and community health research and studies on health care delivery.

Community building activities include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, provide leadership development skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments, and other costs associated with community benefit strategy and operations.

Unreimbursed costs of Medicare represent the cost (determined using a cost to charge ratio) of providing services primarily to elderly beneficiaries of the Medicare program in excess of any payments received.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all wholly owned, majority-owned, and controlled organizations with all significant transactions and accounts between affiliates eliminated in consolidation. Investments in affiliates where the Corporation owns less than or equal to 50% and does not have operational control are recorded under the equity method of accounting unless the Corporation's control or investment percentage is insignificant in which case the Corporation uses the cost method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances and a provision for doubtful accounts; recorded values of investments and goodwill; reserves for employee health costs and losses and expenses related to professional and general liabilities; and risks and assumptions for measurement of the pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of cash, treasuries, and other liquid marketable securities including interest bearing securities with original maturities of three months or less. Funds whose use is limited by Board designation or other restrictions are excluded. The carrying amount of cash and cash equivalents approximates fair value because of the short maturities of these instruments.

Short-Term Investments

Short-term investments primarily consist of certificates of deposit, treasuries, and other highly liquid interest bearing securities with original maturities extending longer than three months. Adequate liquidity is maintained within short-term investments to satisfy daily cash flow needs.

Inventories of Supplies

Inventories, consisting primarily of medical/surgical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first out method) or market value.

Board Designated, Other Investments, and Investment Income
Board designated investments represents investments set aside by the Corporation primarily for future purposes including capital expenditures, acquisitions, improvements, and amounts held for mission programs. The Corporation's Board of Trustees retains control of these investments and may, at its discretion and in certain circumstances, use them for other purposes. Assets limited as to use include assets under bond indenture and swap agreements, investments maintained for the payment of estimated insurance liabilities, and amounts contributed by donors with stipulated restrictions.

Substantially all of the Corporation's board designated and other investments are invested and managed by professional managers in accordance with agreed-upon investment and socially responsible investing guidelines and are held in custody with a financial institution.

Board designated and other investments are measured at fair value, classified as trading securities, and consist of: cash and cash equivalents; U.S. government, state, municipal, and agency obligations; other fixed income securities; equity securities; asset backed securities; index funds, exchange traded funds, and mutual funds; unregistered mutual funds; real estate investment trusts. Board designated and other investments also include alternative investments, consisting of investments in hedge funds, private credit and private equity investments, and real assets, which are generally measured based on their net asset value as a practical expedient for fair value that is further described in Note 4.

Investment earnings consist of dividends, interest, and realized gains and losses. In accordance with industry practice, investment earnings and unrealized gains and losses on assets limited as to use under bond indenture and swap agreements and estimated insurance liability funds are included in other operating revenue in the consolidated statements of operations and changes in net assets. Investment earnings and unrealized gains and losses from all other unrestricted investments and board designated funds are included in other income (expense) in the consolidated statements of operations and changes in net assets. Investment earnings and any associated unrealized gains and losses restricted for specified purposes by donor or legal requirements are recorded as temporarily or permanently restricted in the consolidated statements of operations and changes in net assets.

Board designated and other investments are exposed to various risks such as interest rate, market, liquidity, performance, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term may affect the amounts reported in the consolidated balance sheets and the consolidated statements of operations and changes in net assets.

Securities Lending Program
The Corporation participates in a securities lending program through its custodian whereby the Corporation lends a portion of its investments to various brokers in exchange for collateral for securities loaned, mostly on a short-term basis. Collateral provided by these brokers consists of cash and is maintained at levels approximating 102-105% of the fair value of the securities on loan, adjusted for any market fluctuations. The Corporation maintains effective control of loaned securities through its custodian during the term of the agreement so that the securities may be recalled at any time. Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed. At December 31, 2015 and 2014, the fair value of collateral for loaned securities provided on behalf of the Corporation was approximately $5.1 million while the liability associated with the obligation to repay such collateral was

approximately $5.1 and $5.2 million, respectively, with the net amount reported in board designated and other investments.

Fair Value Measurement

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets measured at fair value on a recurring basis in the Corporation's consolidated balance sheets include: cash and cash equivalents; U.S. government, state, municipal, and agency obligations; other fixed income securities; asset backed securities; index funds, exchange traded funds, and mutual funds; corporate and foreign income securities; various types of equity securities and mutual funds; hedge funds; private credit and private equity investments; real assets; and benefit plan assets.

Fair value measurements reflected in the consolidated financial statements conceptually represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial asset or liability.

Level 3 Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The categorization of fair value measurements by hierarchy level is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

The Corporation applies the guidance in Accounting Standards Codification 820-10-15-4, *Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)("ASU820")*. Under this guidance, the Corporation is permitted, as a practical expedient, to estimate the fair value of certain investments on the basis of the net asset value per share. In the normal course of business, the Corporation holds certain investments that qualify for the usage of this practical expedient. Fair value measurements of certain investments for which the measurement was based on net asset value ("NAV") or its equivalent as provided by an external manager are no longer required to be included within the fair value hierarchy leveling tables.

In the event that changes in the inputs used in the fair value measurements of an asset or liability results in a transfer of the fair value measurement to a different categorization (e.g., from Level 3 to Level 2), such transfers between fair value categories are recognized at the end of the reporting period.

Property, Plant, and Equipment
Property, plant, and equipment (including internal-use software) are recorded at cost if purchased or at fair value at the date of donation, if donated. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged to expense when incurred. Cost incurred in the development and installation of internal-use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post implementation stage. Upon sale or retirement of property, plant, and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the consolidated statements of operations and changes in net assets. Interest costs incurred during the period of construction or development of capital assets are capitalized as a component of the cost of acquiring those assets. Depreciation is provided over the estimated useful lives of the assets utilizing the straight-line method with a useful life range of between 3 to 60 years. Assets under capital lease obligations are amortized utilizing the straight-line method over the shorter of the lease term or estimated useful life of the asset. Amounts capitalized for internal-use software are amortized over the useful life of the developed asset following project completion.

A conditional asset retirement obligation is recorded for any legal obligation associated with the retirement of long-lived assets resulting from the acquisition, construction, development, and/or normal use of the underlying assets. The associated asset retirement costs are capitalized as part of the carrying amount of the underlying asset and depreciated over the asset's estimated useful life. The liability is accreted through charges to operating expense. If the conditional asset retirement obligation is settled for other than the carrying amount of the liability, a gain or loss on sale/disposal of assets is recognized. As of December 31, 2015 and 2014, conditional asset retirement obligations of approximately $22.3 million and $22.1 million, respectively, are included within accounts payable and accrued expenses and other liabilities in the consolidated balance sheets.

Goodwill and Intangible Assets
Goodwill represents the future economic benefits arising from assets acquired that are not individually identified nor separately recognized. Goodwill is not amortized but is subject to an annual impairment test as well as more frequent reviews whenever circumstances indicate a possible impairment may exist.

Intangible assets are comprised primarily of covenants not to compete, which are amortized on a straight-line basis over periods ranging from 2 to 5 years.

Asset Impairment
Property and Equipment – The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the asset, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets, or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates of fair value are based on appraisals, established market prices for comparable assets, internal estimates of future net cash flow, as well as other generally accepted valuation methodologies.

Deferred Financing Costs

Deferred financing costs incurred with the Hospital and Health System Revenue Bonds and Refunding Bonds are amortized using the bonds outstanding method. Costs associated with securing the direct pay letters of credit to support its variable rate demand bonds are amortized over the term of the associated liquidity facility. Costs associated with the issuance of direct placement bonds are amortized over the associated direct placement period. Deferred financing costs are included in other assets in the consolidated balance sheets.

Estimated Insurance Liabilities

The provision for estimated insurance liabilities includes actuarial estimates of the ultimate costs for both reported claims and claims incurred but not reported for professional liability, general liability, long-term disability insurance, excess workers' compensation, and amounts self-insured for allocated loss adjustment expenses.

Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

During 2015 and 2014, net assets of $3.9 million and $8.3 million, respectively, were released from donor restrictions by incurring expenses or capital expenditures satisfying the restricted purposes or by the passage of time.

Performance Indicator

The performance indicator is excess of revenues over expenses, which includes all changes in unrestricted net assets except for the change in pension and postretirement benefits other than net periodic pension costs which is included in accrued pension liability; contributions and distributions to noncontrolling interests in consolidated affiliates; contributions of excess of assets over liabilities of acquired entities; and 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).

Operating and Nonoperating Activities

The Corporation's primary mission is to meet the health care needs in the communities it is privileged to operate through a broad range of general and specialized health care services, including emergency, medical, surgical, behavioral, rehabilitative, and other health services in inpatient and outpatient settings; home health care services; and primary and specialty physician services. Additionally, the Corporation has various accountable care organizations and physician hospital managed care networks. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Corporation's primary mission are considered to be nonoperating activities.

Patient Accounts Receivable, Estimated Third-Party Payor Settlements, and Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments at amounts different from its established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered net of the provision for doubtful accounts and includes estimated retroactive revenue adjustments under reimbursement agreements with third-party payors and amounts received under various state Medicaid Hospital Assessment and Disproportionate Share Programs. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as additional information becomes available and as final settlements are determined.

Allowance for Doubtful Accounts

The collection of outstanding patient accounts receivable from government, managed care, and other third party payors and patients is the Corporation's primary source of cash. The Corporation's main collection risk relates to uninsured patient accounts and to patient accounts for which the third party payor has paid amounts in accordance with the applicable agreement, however the patient's responsibility, usually in the form of deductibles, copayments, and coinsurance payments, remains outstanding ("self-pay accounts"). The Corporation's patient accounts receivable is reduced by an allowance for amounts, primarily self-pay accounts, which could become uncollectible in the future. Throughout the year, the Corporation estimates this allowance based on the aging of its patient accounts receivable, historical collection experience, and other relevant factors. These factors include changes in the economy and unemployment rates, which have an impact on the number of uninsured and underinsured patients, as well as trends in health care coverage, such as the increased burden of deductibles, copayments, and coinsurance amounts to be paid by patients with insurance. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Corporation follows established procedures for placing certain past due patient balances with collection agencies, subject to the terms and certain restrictions on collection efforts as determined by the Corporation. Uncollectible patient accounts receivable are written off against the allowance for doubtful accounts with any subsequent recoveries being recorded against the provision for doubtful accounts.

Charity Care

As an integral part of its mission, the Corporation provides care to patients who meet certain criteria under its charity care and uninsured patient discount policy without charge or at amounts less than its established rates. The cost of charity care is determined based on each Health Center's total cost as a percentage of total charges and that ratio is applied to the charges incurred by patients qualifying for charity care under the Corporation's policy and is not included in net patient service revenue in the consolidated statements of operations and changes in net assets.

The estimated cost of charity care provided approximated $76.2 million and $91.3 million for the years ended December 31, 2015 and 2014, respectively (net of $0.14 million received to subsidize charity care services). The Corporation maintains records to identify and monitor the level of charity it provides.

Capitation and Premium Revenue

The Corporation has certain Health Centers that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on an annual basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees.

Certain of the Corporation's Health Centers have entered into capitation agreements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's Health Centers are financially responsible for services provided to health plan members by other health care providers. Capitation revenue is recognized during the period for which the Health Centers are obligated to provide services to health plan enrollees under capitation contracts.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services under capitation and premium arrangements. Capitation and premium arrangement reserves are classified within accounts payable and accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Actual claims experience may differ from estimated liabilities due to variances in estimated and actual utilization of health care services, charge amounts, and other factors. As settlements are made and estimates revised, any differences are reflected in current operations. The Corporation limits a portion of its liabilities through stop-loss reinsurance.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health records ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers who adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments. The Corporation recognizes income related to these incentive payments using a grant accounting model that is based upon when the Corporation has reasonable assurance that it will comply with any designated conditions set forth by Medicare and Medicaid and that the dollars will be received. For the years ended December 31, 2015 and 2014, approximately $8.7 million and $16.6 million, respectively, of EHR incentive income was recognized and is included in other operating revenue in the consolidated statements of operations and changes in net assets. The Corporation's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. Additionally, Medicare EHR incentive payments are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were initially calculated. The Corporation has incurred and will continue to incur both capital expenditures and operating expenses in order to implement certified EHR technology and to meet meaningful use requirements. The timing of expense recognition to implement the Corporation's certified EHR technology may not correlate with the receipt of incentive payments and recognition of EHR incentive revenue.

Income Taxes
The Corporation has established its status as an organization exempt from income taxes under Code Section 501(c)(3) and the laws of the states in which it operates. Certain divisions and affiliates are subject to federal and state income taxes; however, such amounts are not material to the consolidated financial statements.

Derivative Financial Instruments
Derivative financial instruments consist of interest rate swap contracts that are measured at fair value. The Corporation accounts for any changes in the fair value of derivative financial instruments in other income (expense) in the consolidated statements of operations and changes in net assets. The Corporation has reflected the fair value of its interest rate swap contracts as a long-term liability on the consolidated balance sheets (Note 7).

Consolidated Statements of Cash Flows
Supplemental disclosure of cash flow information and noncash investing and financing activities are summarized as follows:

Cash paid for interest, net of amounts capitalized, amounted to $35.2 million and $35.9 million for the years ended December 31, 2015 and 2014, respectively.

Cash paid for income taxes approximated $3.1 million and $.21 million for the years ended December 31, 2015 and 2014, respectively.

Included in accounts payable and accrued expenses and other liabilities at December 31, 2015 and 2014 are approximately $3.2 million and $31.1 million, respectively, of costs related to construction in progress and for the acquisition of property, plant, and equipment (including internal-use software).

Adopted Accounting Pronouncements
On December 31, 2015, the Corporation adopted Accounting Standard Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU removes the previous requirement to categorize all investments whose fair value is measured using the net asset value per share practical expedient from the fair value hierarchy disclosure table. The Corporation's early adoption of this guidance resulted in updates to the fair value disclosure presented in Notes 4 and 8.

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08, *Reporting Discontinued Operations* and *Disclosures of Disposal of Components of an Entity*, which requires that a disposal of a component of an entity or a group of components of an entity be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when it meets the criteria to be classified as held for sale, or is disposed of by sale or other than by sale. It also requires an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections on the consolidated balance sheets. Adoption of ASU 2014-08 was effective for the Corporation beginning January 1, 2015. The Corporation's adoption of this guidance did not have an impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. This guidance requires entities to measure most inventories at the lower of cost or net realizable value. This guidance is effective for the Corporation beginning January 1, 2017. The Corporation's early adoption of this guidance did not have a material impact on its consolidated financial statements.

Forthcoming Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under this guidance, there is a requirement for lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. This guidance is effective for the Corporation beginning January 1, 2019. The Corporation is evaluating the impact this guidance may have on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-14, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date,* which defers the effective date of the FASB's revenue standard, ASU 2014-09, *Revenue From Contracts With Customers,* by one year for all entities and permits early adoption on a limited basis. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Given the deferral, this guidance is now effective for the Corporation beginning January 1, 2018. The Corporation is evaluating the impact this guidance may have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* This guidance requires debt issuance costs to be presented as a direct deduction from the related debt rather than as an asset. This guidance is effective for the Corporation beginning January 1, 2016. As of December 31, 2015, the Corporation expects that the adoption of this guidance will result in a reduction to total assets and total liabilities in the consolidated balance sheets by approximately $7.6 million.

In January 2015, the FASB issued ASU 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* This guidance eliminates the concept of extraordinary items in the presentation of the financial statements while broadening the separate disclosure of transactions which are unusual in nature, infrequent in occurrence, or both. This guidance is effective for the Corporation beginning January 1, 2016. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern,* which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. This guidance is effective for the Corporation beginning January 1, 2017. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

Reclassifications
Certain reclassifications were made to prior year balances to conform to current year presentation.

3. Net Patient Service Revenue, Patient Accounts Receivable, and Concentration of Credit Risk

The Corporation has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Acute inpatient, outpatient services, and home health services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain services are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries. Professional services rendered by physicians are paid based on the Medicare allowable fee schedule. One of the Corporation's Health Centers was granted Critical Access Status by Medicare and is paid based upon a cost plus reimbursement methodology with final settlement determine after submission of an annual cost report. In addition to these payment methodologies, Medicare has various voluntary accountable care organization ("ACO") value based reimbursement programs available to qualifying providers.

In September 2014, the Corporation ended its participation in the Pioneer ACO program which is a limited shared savings / shared risk model sponsored by the Centers for Medicare and Medicaid Innovation ("CMMI"). After achieving shared savings in its first year of participation in the Pioneer ACO program, the Corporation did not generate shared savings in the second or third years and it recorded a $6.89 million shared loss liability as of December 31, 2014. In 2015, CMMI provided a final Pioneer ACO participation reconciliation for performance years two and three amounting to a $3.97 million shared loss liability which was lower than estimated due to the Corporation attaining higher quality scores. As a result of this change in estimate, other operating expense as reflected on the consolidated statements of operations and changes in net assets decreased by $2.92 million for the year ended December 31, 2015. Effective January 1, 2015, the Corporation migrated to the Centers for Medicare and Medicaid Services ("CMS") Medicare Shared Savings Program ("MSSP") Track 1, which does not have downside risk.

During 2015 and 2014, the Corporation also participated in the CMS MSSP reimbursement program with various unrelated health care providers. The Corporation and these unrelated health care providers have not received the CMS MSSP performance reconciliation for the 2015 participation year and as such have not recorded any gainsharing for the year ended December 31, 2015. The savings generated in the 2014 participation year did not exceed the established minimum savings rate and as such no shared savings were recorded in the consolidated statements of operations and changes in net assets for the year ended December 31, 2014.

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

One of the Corporation's Health Centers qualifies as a State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospital ("DSH"). This Health Center qualified as a DSH provider under Indiana code 12-15-16-1, and, as such, is eligible to receive DSH payments linked to the State's fiscal year, which differs from the Corporation's fiscal year. The amount of these additional DSH funds is dependent on regulatory approval by agencies of the federal and state governments, and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. The Corporation records such amounts as revenue when payments are received or based upon data from the State of Indiana that payments are determinable and probable of receipt. For the years ended December 31, 2015 and 2014, the

Corporation recognized unrestricted revenue of approximately $38.3 million and $14.5 million, respectively, related to the DSH program in the consolidated statements of operations and changes in net assets.

The Corporation's Indiana Health Centers participate in the State of Indiana's Hospital Assessment Fee ("HAF") program. The HAF program is a supplemental reimbursement program designed to help providers offset a portion of the cost of providing care to Medicaid and indigent patients. The HAF program is funded by a combination of federal and state resources and fees levied on hospital providers. The HAF program was initially effective until June 30, 2013, and was subsequently renewed on March 21, 2014 to continue through June 30, 2017 with a retroactive effective date of July 1, 2013. For the year ended December 31, 2015, the Corporation's Indiana Health Centers recognized supplemental HAF reimbursement of $68.7 million. For the year ended December 31, 2014, the Corporation's Indiana Health Centers recognized $119.9 million of supplemental HAF reimbursement of which approximately $42.0 million related to the year ended December 31, 2013. The supplemental HAF reimbursement is recorded as a component of net patient service revenue in the consolidated statements of operations and changes in net assets. For the year ended December 31, 2015, the Corporation's Indiana Health Centers recognized HAF fees of $47.1 million. For the year ended December 31, 2014, the Corporation's Indiana Health Centers recognized $82.9 million of HAF fees of which $30.3 million was related to the year ended December 31, 2013. The HAF fees are recognized as a component of other supplies and expenses in the consolidated statement of operations and changes in net assets.

The Corporation's Illinois Health Centers are obligated under Illinois Public Act 95-859 to participate in the State of Illinois' Hospital Assessment Program ("HAP") that assists in financing the State's Medicaid Program. This supplemental reimbursement program has been renewed by the State and CMS since its inception in 2004 with the most recent renewal, which only required the State's approval, to extend the program through June 30, 2018. For the years ended December 31, 2015 and 2014, the Corporation's Illinois Health Centers recognized supplemental HAP reimbursement of $21.3 million, which is a component of net patient service revenue in the consolidated statements of operations and changes in net assets. For the years ended December 31, 2015 and 2014, the Corporation's Illinois Health Centers recognized HAP fees of $13.3 million and $13.0 million, respectively, which is a component of other supplies and expenses in the consolidated statement of operations and changes in net assets.

On January 9, 2015, CMS approved an additional Illinois Medicaid supplemental hospital payment program for services provided to individuals who qualify as a Medicaid beneficiary under the Affordable Care Act ("ACA"). The program is retroactive to March 1, 2014 and expires on June 30, 2018. For the year ended December 31, 2015, the Corporation's Illinois Health Centers recognized supplemental ACA reimbursement of $7.9 million, (approximately $3.2 million related to the year ended December 31, 2014).

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

Like Medicare, commercial insurance companies are entering into various fee-for-value reimbursement programs with qualifying providers. In 2015 and 2014, the Corporation participated in various commercial ACO reimbursement programs in which the Corporation receives a care management fee per ACO participant and the opportunity to receive limited gainsharing revenue based upon its performance as compared to established quality and efficiency benchmarks. For the year ended December 31, 2015, the Corporation recorded $3.6 million of gainsharing revenue in other operating revenue in the consolidated statements of operations and changes in net assets related to its' 2014 commercial ACO performance. The Corporation did not record gainsharing revenue for the year ended December 31, 2015 related to that participation year, since it did not receive a final performance reconciliation from these commercial ACO payors.

Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the established charges for services and estimated total payments to be received from third-party payors.

A summary of gross patient service revenue, by payor, for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Medicare	36 %	37 %
Medicare managed care	9	8
Medicaid	8	8
Medicaid managed care	6	5
Other third-party payors	37	37
Self-pay	3	4
Other	1	1
	100 %	100 %

The Corporation grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2015 and 2014, is as follows:

	2015	2014
Medicare	18 %	21 %
Medicare managed care	7	5
Medicaid	8	10
Medicaid managed care	3	2
Other third-party payors	52	48
Self-pay	10	12
Other	2	2
	100 %	100 %

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory action including fines, penalties, and/or exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates may change in the near term. Net patient service revenue (decreased)/increased by approximately ($0.2) million and $2.0 million for the years ended December 31, 2015 and 2014, respectively, due to changes in estimates related to prior-year settlements with third party payors.

4. Short-Term, Board Designated, and Other Investments

Short-term investments represent highly liquid investments with maturities extending longer than three months. Adequate liquidity is maintained within short-term investments to satisfy daily cash flow needs.

Board designated investments represents investments set aside by policy of the Corporation primarily for future purposes including capital expenditures, acquisitions, improvements and amounts held for mission programs. Assets limited as to use include assets under bond indenture and swap agreements, investments maintained for the payment of estimated insurance liabilities, and amounts contributed by donors with stipulated restrictions.

The composition of short-term, board designated, and other investments, at December 31, 2015 and 2014, is as follows:

	2015	2014
	(in thousands)	
Short-term investments	$ 111,522	$ 129,674
Board designated investments		
Funded depreciation and other Board projects	2,046,192	2,012,310
Other designated investments	1,691	1,751
	2,047,883	2,014,061
Assets limited as to use		
Estimated insurance liability funds	152,354	170,363
Assets under bond indenture and swap agreements	31,505	30,505
Other restricted investments	28,557	31,302
	212,416	232,170
Short-term, board designated and other investments	2,371,821	2,375,905
Less short-term investments	111,522	129,674
Board designated and other investments, classified as noncurrent	$ 2,260,299	$ 2,246,231

Short-term, board designated, and other investments at December 31, 2015 and 2014, consist of the following:

	2015	2014
	(in thousands)	
Cash and cash equivalents	$ 186,188	$ 142,151
U.S. government, state, municipal, and agency obligations	378,195	324,113
Other fixed income securities	298,930	251,596
Equity securities	476,695	472,269
Asset-backed securities	258,694	188,709
Index funds, exchange traded funds, and mutual funds	9,232	6,402
Unregistered mutual funds	232,425	487,055
Real estate investment trusts	3,579	1,926
Hedge funds	331,062	297,228
Private credit	21,942	24,441
Private equity	75,637	85,709
Real assets	99,242	94,306
	$ 2,371,821	$ 2,375,905

The following tables present the fair value hierarchy of the valuation techniques utilized to determine the fair value of the Corporation's short-term, board designated, and other investments as of December 31, 2015 and 2014:

Asset category	Level 1	Level 2 (in thousands)	Balance as of December 31, 2015
Cash and cash equivalents	$ 186,188	$ -	$ 186,188
U.S. government, state, municipal, and agency obligations	324,071	54,124	378,195
Other fixed income securities	-	298,930	298,930
Equity securities	476,695	-	476,695
Asset-backed securities	-	258,694	258,694
Real estate investment trusts	3,579	-	3,579
	$ 990,533	$ 611,748	1,602,281
Investments measured at net asset value			769,540
Total investments at fair value as of December 31, 2015			$ 2,371,821

Asset category		Level 1		Level 2 (in thousands)		Balance as of December 31, 2014
Cash and cash equivalents	$	142,151	$	-	$	142,151
U.S. government, state, municipal, and agency obligations		266,922		57,191		324,113
Other fixed income securities		-		251,596		251,596
Equity securities		472,269		-		472,269
Asset-backed securities		-		188,709		188,709
Real estate investment trusts		1,926		-		1,926
	$	883,268	$	497,496		1,380,764
Investments measured at net asset value						995,141
Total investments at fair value as of December 31, 2014					$	2,375,905

Certain investments categorized within Level 2 are not traded in active markets but are measured using pricing sources such as broker quotes or using models with externally verifiable inputs, such as relevant interest or exchange rates.

There were no significant transfers to or from Levels 1 and 2 during the years ended December 31, 2015 and 2014.

The following table summarizes the Corporation's investments calculated on a NAV per share basis (or its equivalent), the unfunded commitments, and the associated redemption provisions:

		Fair Value (in thousands)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Index funds, exchange funds, and mutual funds	$	9,232	$	-	Monthly	1 day
Unregistered mutual funds		232,425		-	Monthly	1 day
Hedge funds		331,062		-	Monthly, quarterly, annually	5 - 180 days
Private credit		21,942		11,241	Not currently redeemable	
Private equity		75,637		23,468	Not currently redeemable	
Real assets		99,242		34,797	Monthly, quarterly, not currently redeemable	45 days
	$	769,540	$	69,506		

Unregistered mutual funds include funds that primarily invest in domestic and international equities and short-term government, investment grade, high yield, and mortgage-related fixed income securities. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Hedge funds include absolute return and directional hedge funds. Absolute return hedge funds pursue multiple strategies to diversify risks and reduce volatility while directional hedge funds utilize market movement, trends, and inconsistencies when selecting securities across a variety of markets. Directional hedge funds are usually less exposed to the overall market and are likely to include long equity positions hedged with short positions to cancel out short-term uncertainty. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Private credit includes investments that are secured by high quality assets or backed by a senior claim on stable cash flows. Investments in this asset class will be made opportunistically during periods of broad market or security specific distress. The fair values of the investments in this class have been estimated using the NAV of the Corporation's ownership interest in the partners' capital. Investments within these funds cannot be currently redeemed. After the expiration of the investment period, distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 2 to 6 years. However, the individual investments that will be sold have not yet been determined.

Private equity includes funds that invest globally using strategies that include leveraged buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. The fair values of the investments in this class have been estimated using the NAV of the Corporation's ownership interest in the partners' capital. Investments within these funds cannot be currently redeemed. After the expiration of the investment period, distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 5 years. However, the individual investments that will be sold have not yet been determined.

Real assets include energy and energy-related investments and private real estate funds that invest in both U.S. and international commercial real estate. Energy and energy-related investment exposure mainly relate to oil and gas properties which include exploration, production, processing, servicing, or transportation of oil, natural gas, and other hydrocarbon fuels. Private real estate investment strategies include core, value-add, and opportunistic real estate which typically seek to earn a return over inflation. The fair values of the investments in this class have been estimated using the NAV of the Corporation's ownership interest in the partners' capital. Investments representing approximately 96% of the value of the investments in this class cannot be redeemed because the investments include redemption restrictions that range from 1 to 11 years after acquisition. After the expiration of the investment period, distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 4 years. However, the individual investments that will be sold have not yet been determined.

Investment returns including net unrealized gains (losses) included in the consolidated statements of operations and changes in net assets for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
	(in thousands)	
Unrestricted revenues, gains, and other support		
Investment income in other operating revenue	$ 6,700	$ 4,234
Net unrealized investment (losses) gains	(11,040)	2,260
	(4,340)	6,494
Other income (expense)		
Investment income	85,525	64,169
Net unrealized investment (losses) gains on trading securities	(120,972)	9,354
	(35,447)	73,523
Temporarily restricted net assets, controlling interest		
Investment income	61	132
Net unrealized investment losses	(5)	(7)
	56	125
Permanently restricted net assets, controlling interest		
Investment (loss) income	(133)	288
Net unrealized investment gains	-	1
	(133)	289
	$ (39,864)	$ 80,431

5. Property, Plant, and Equipment

A summary of property, plant, and equipment at December 31, 2015 and 2014, is as follows:

	2015	2014
	(in thousands)	
Land and land improvements	$ 147,308	$ 140,208
Buildings and building equipment	1,356,532	1,332,154
Departmental equipment	1,353,179	1,272,898
Construction in progress	89,939	65,358
	2,946,958	2,810,618
Less accumulated depreciation	1,355,842	1,253,417
	$ 1,591,116	$ 1,557,201

At December 31, 2015, the remaining contractual commitments on construction in progress is approximately $32.3 million and will be financed by a combination of cash flow from operations, existing funds, and bond proceeds (see Note 14).

Certain leases for facilities and medical equipment are accounted for as capital leases. These leases expire in various years through 2024 and are included in property, plant, and equipment on the consolidated balance sheets. The amortization of assets under capital leases is included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets.

6. Long-Term Debt

Long-term debt at December 31, 2015 and 2014, consists of the following:

	Year of Final Maturity	Interest Rate Range over Life of Bonds		2015	2014
				(in thousands)	
Tax Exempt Hospital and Health System Revenue and Refunding Bonds					
Fixed rate term and serial bonds					
Series 2009	2039	4.000% - 5.375%		$ 210,295	$ 213,010
Series 2008C	2032	5.000% - 5.500%		250,815	258,085
Series 2006E, insured	2041	5.125% - 5.250%		84,675	84,675
Less: bond discounts and premiums, net				(3,024)	(3,225)
Total fixed rate term and serial bonds				$ 542,761	$ 552,545
		Interest Rate Range 2015	Interest Rate Range 2014		
Variable rate direct placement bonds					
Series 2012A	2048	0.97% - 1.02%	0.96% - 0.97%	$ 75,000	$ 75,000
Series 2012B	2015	0.82% - 0.84%	0.81% - 0.82%	-	2,050
Series 2014A	2048	0.89% - 0.94%	0.88% - 0.89%	50,000	50,000
Total variable rate direct placement bonds				$ 125,000	$ 127,050
Variable rate demand bonds, subject to seven-day put provision supported by direct pay bank letters of credit					
Series 2008A	2041	0.01% - 0.13%	0.03% - 0.13%	$ 79,650	$ 80,895
Series 2008B	2041	0.01% - 0.12%	0.04% - 0.13%	79,540	80,790
Series 2008F	2048	0.01% - 0.12%	0.01% - 0.12%	45,200	45,200
Series 2008G	2048	0.01% - 0.12%	0.01% - 0.12%	45,250	45,250
Series 2008H	2048	0.01% - 0.12%	0.03% - 0.14%	63,895	63,895
Series 2008I	2037	0.02% - 0.11%	0.03% - 0.13%	39,240	40,270
Series 2008J	2037	0.01% - 0.12%	0.01% - 0.12%	39,250	40,275
Total variable rate demand bonds				$ 392,025	$ 396,575
Other debt					
Capital lease obligations (excluding imputed interest of $2,810 and $3,700 at December 31, 2015 and 2014, respectively)				$ 20,004	$ 21,720
Other				2,237	3,347
Total other debt				22,241	25,067
Total long-term debt				1,082,027	1,101,237
Less current portion of long-term debt				(22,576)	(23,693)
Long-term debt, net of current portion				$ 1,059,451	$ 1,077,544

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Scheduled principal payments on long-term debt are as follows:

Years ended December 31	Fixed and Variable Rate Bonds	Capital Lease Obligations & Other (in thousands)	Total
2016	$ 15,735	$ 6,841	$ 22,576
2017	18,165	7,564	25,729
2018	18,990	2,940	21,930
2019	19,905	1,341	21,246
2020	20,815	798	21,613
Thereafter	969,200	2,757	971,957
	$ 1,062,810	$ 22,241	$ 1,085,051

Total interest costs incurred on the long-term debt less capitalized interest are as follows:

	2015 (in thousands)	2014
Interest costs incurred	$ 34,801	$ 36,455
Less capitalized interest	883	729
Interest expense included in operating income	$ 33,918	$ 35,726

The fair value of the Corporation's long-term debt at December 31, 2015 and 2014 approximates $1.153 billion and $1.166 billion, respectively. The fair values of the Corporation's underlying tax exempt Hospital and Health System Revenue Bonds and Refunding Bonds are based on current traded values for similar types of borrowings which are considered Level 2 inputs as described in Note 2.

Obligated Group and Designated Group Affiliates and Other Requirements - The Corporation has long-term debt outstanding under a Master Trust Indenture dated November 1, 1997, as amended and supplemented ("AMTI"). The AMTI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the AMTI are general, direct obligations of the Corporation and any future members of the Franciscan Alliance, Inc. Obligated Group ("Obligated Group"). All members of the Obligated Group are jointly and severally liable with respect to the payment of each obligation issued under the AMTI. In addition, the AMTI provides that certain affiliates of the Corporation may be designated as Designated Group Affiliates from time to time and the Corporation covenants to cause each of its Designated Group Affiliates to pay, loan, or otherwise transfer to the Obligated Group such amounts necessary to pay the obligations issued under the AMTI. The Designated Group Affiliates are not members of the Obligated Group and are not directly liable for payments on the obligations. The Corporation has granted a security interest in its unrestricted receivables, among others, for the benefit of the owners of the obligations. The AMTI includes covenants which require the Corporation to maintain a minimum debt service coverage ratio of 1.10 and limit the Corporation's ability to encumber certain of its assets. As of December 31, 2015 and 2014, the Corporation was in compliance with the terms of the AMTI and there were no other Obligated Group members nor any Designated Group Affiliates.

Issuance, Refunding, and Redemption of Long-Term Debt – In February 2016, the Corporation issued $285.0 million of its Series 2016A and B fixed rate tax exempt revenue and refunding bonds. The Series 2016A bond proceeds of $200.0 million, together with other funds, are being used to finance or reimburse the costs of construction, acquisition, renovation and equipping certain capital assets of the Corporation and to pay related cost of issuance. The Series 2016B bond proceeds of $85.0 million were used to refund the outstanding principal amount of the Corporation's Series 2006E fixed rate bonds and to pay the related cost of issuance. The refunding of the Series 2006E bonds was considered a legal defeasance and will result in a $8.9 million loss on refunding that will be recognized in the Corporation's 2016 consolidated statements of operations and changes in net assets. In June 2014, the Corporation fully redeemed its Series 2008E variable rate demand bonds of $50 million and issued in the same amount its Series 2014A variable rate direct placement bonds.

Variable Rate Demand Bonds – Included in the Corporation's debt is approximately $392.0 million of variable rate demand bonds, Series 2008A, Series 2008B, and Series 2008F through Series 2008J. The Corporation has entered into irrevocable letters of credit with multiple financial institutions to secure bond repayment and interest obligations associated with its variable rate demand bonds, which amount to $397.4 million. These liquidity facilities are available to the Corporation should the obligations be presented for redemption and not remarketed. There were no draws made on the letters of credit as of December 31, 2015. Additionally, these facilities (if utilized) generally have repayment terms for bonds held by the letter of credit banks that amortize ratably over 3 to 5 years, depending on the facility used. Termination dates for the various liquidity facility agreements have expiration dates extending from October 2017 through October 2018. Since the liquidity facilities expire beyond one year from the Corporation's balance sheet date and the Corporation has the intent to continually renew these liquidity facilities, the variable rate demand bonds are classified as long-term debt and are disclosed in accordance with the stated maturities.

7. Other Liabilities and Commitments

Interest Rate Swap Contracts – The Corporation utilizes interest rate swaps to manage interest rate risk associated with its variable rate bonds. Cash payments on the interest rate swap contracts totaled $13.4 million and $13.9 million for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the interest rate swap contracts were in a liability position with a fair value of approximately $83.3 million and $85.0 million, respectively. The fair value of the Corporation's interest rate swap contracts are based on observable inputs, such as interest rates and credit risk spreads, that fall within Level 2 of the hierarchy of fair value inputs as described in Note 2. Certain of the Corporation's interest rate swap agreements include collateral funding requirements based on the market value of these contracts. At December 31, 2015 and 2014, the Corporation had posted $31.5 million and $30.5 million, respectively, to satisfy its collateral funding obligations on these contracts which are included in assets under bond indenture and swap agreements within board designated and other investments on the consolidated balance sheets.

Operating Leases – The Corporation leases various facilities, equipment, and software. Total rental expense under operating leases approximated $43.4 million and $42.3 million for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments under operating leases as of December 31, 2015 that have initial or remaining lease terms in excess of one year are as follows:

	(in thousands)
Years ended December 31	
2016	$ 39,857
2017	38,894
2018	36,115
2019	35,060
2020	34,884
Thereafter	76,581
	$ 261,391

8. Retirement Benefits

Prior to 2014, the Corporation had various retirement programs in place due to acquisitions it made over the years. Effective January 1, 2014, the Corporation amended its retirement program to have all employees (except for those from two of its Health Centers and its construction company) covered by one comprehensive retirement program that administers benefits under different tracks. Under track A, future employer-provided retirement benefits are provided entirely through the defined benefit pension plan. Under track B, future employer-provided retirement benefits are provided through both the defined benefit pension plan and the defined contribution benefit plan. Effective September 1, 2015, the Corporation further amended its retirement program for all new employees so that employer-provided retirement benefits will be provided entirely through the defined contribution benefit program (track C). These three retirement tracks administered under one comprehensive retirement program include similar benefit levels in aggregate even though they are delivered through different retirement plan types.

Noncontributory Defined Benefit Pension Plan – As discussed above, the Corporation has a qualified, noncontributory defined benefit pension plan covering eligible employees in retirement tracks A and B. The plan provides defined benefits based on years of service and final average salary. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants. Because the noncontributory defined benefit pension plan has church plan status as defined in the Employee Retirement Income Security Act of 1974 ("ERISA"), funding in accordance with ERISA is not required. The Corporation's funding policy for the qualified plan, which is reviewed annually and may be adjusted as needed, is to fund the normal service cost based on the accumulated benefit obligation for the plan's year and amortize any under or over funding over a ten year period.

In 2015 and 2014, the Corporation offered a voluntary lump sum payout to certain eligible participants to receive a full distribution of their pension benefits during the program window. To be eligible, a participant must have terminated employment and had a benefit value less than $100,000 and $25,000 for the program offered in 2015 and 2014, respectively. As a result of these programs, the plan's projected benefit obligation decreased by $59.0 million in 2015 and by $28.0 million in 2014. For the years end December 31, 2015 and 2014, the Corporation recognized settlement losses of $0.6 million and $0.9 million, respectively in the consolidated statements of operations and changes in net assets.

The Corporation's measurement date for all pension calculations is December 31.

The change in projected benefit obligation, change in plan assets, and funded status of the Corporation's pension plans as of December 31, 2015 and 2014, are as follows:

	2015	2014
	(in thousands)	
Change in benefit obligation		
Benefit obligation, beginning of year	$ 1,577,378	$ 1,218,238
Service cost	47,747	35,388
Interest cost	63,957	63,569
Plan amendments	1,906	(1,198)
Plan settlements	(2,256)	(3,297)
Actuarial (gain) loss	(128,933)	323,950
Benefits paid	(92,829)	(59,272)
Benefit obligation, end of year	1,466,970	1,577,378
Change in plan assets		
Fair value of plan assets, beginning of year	1,199,109	1,102,282
Actual (loss) gain on plan assets	(38,048)	106,170
Employer contributions	80,398	53,226
Plan settlements	(2,256)	(3,297)
Benefits paid	(92,829)	(59,272)
Fair value of plan assets, end of year	1,146,374	1,199,109
Funded status	$ (320,596)	$ (378,269)
Amounts recognized in the consolidated balance sheets		
Current liabilities	$ (258)	$ (4,093)
Noncurrent liabilities	(320,338)	(374,176)
Total amount recognized	$ (320,598)	$ (378,269)

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows:

	Net Gain (Loss)	Prior Service Cost	Total
		(in thousands)	
December 31, 2013	$ (137,176)	$ 16,441	$ (120,735)
Amounts reclassified into net periodic benefit cost	4,768	(825)	3,943
Amounts arising during the year	(297,484)	-	(297,484)
December 31, 2014	$ (429,892)	$ 15,616	$ (414,276)

	Net Gain (Loss)	Prior Service Cost (in thousands)	Total
December 31, 2014	$ (429,892)	$ 15,616	$ (414,276)
Amounts reclassified into net periodic benefit cost	29,585	(4,095)	25,490
Amounts arising during the year	3,786	-	3,786
December 31, 2015	$ (396,521)	$ 11,521	$ (385,000)

The following are estimated amounts to be amortized from unrestricted net assets into net periodic pension cost in the next fiscal year. Unrecognized prior service cost/credit is amortized on a straight line basis over the average remaining service period of participants who are expected to receive a benefit and are active at the date of the plan amendment.

	(in thousands)
Unrecognized prior service cost	$ 2,012
Unrecognized loss	(29,028)
Total amount expected to be amortized from unrestricted net assets in 2016	$ (27,016)

The accumulated benefit obligation ("ABO") at December 31, 2015 and 2014 was $1.37 billion and $1.47 billion, respectively. The following information is provided for plans with an ABO in excess of plan assets at December 31, 2015 and 2014:

	2015	2014
	(in thousands)	
Projected benefit obligation	$ 1,466,970	$ 1,577,378
ABO	1,371,878	1,467,380
Fair value of plan assets	1,146,374	1,199,109

Components of net periodic pension cost for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
	(in thousands)	
Service cost	$ 47,747	$ 35,388
Interest cost	63,957	63,569
Expected return on plan assets	(87,099)	(79,704)
Amortization of prior service cost	(2,190)	(2,024)
Amortization of net loss	29,012	3,908
Net periodic pension cost included in operating expenses	51,427	21,137
Plan settlement loss recognized in other income (expense)	573	861
Net periodic pension cost	$ 52,000	$ 21,998

The following weighted-average assumptions were used to determine the Corporation's benefit obligations and net periodic pension cost for the years ended December 31:

	2015	2014
Benefit obligation		
Discount rate	4.59 %	4.19 %
Rate of compensation increase	4.70 %	4.50 %
Net periodic pension cost		
Discount rate	4.19 %	5.25 %
Expected rate of return on plan assets	7.16 %	7.15 %
Rate of compensation increase	4.70 %	4.70 %

In developing the expected rate of return on plan assets assumption, the Corporation considered the historical returns and the expectation for future returns on each asset class, as well as the target asset allocation of the pension investment portfolio. The rate of return on plan assets assumption also considers investment and administrative expenses.

The discount rate assumption reflects the yield of a portfolio of high quality bonds matched against the timing and amount of projected future benefit payments as of the measurement date.

As of December 31, 2014, the Corporation adopted the Society of Actuaries RP-2014 Mortality Tables. The new actuarial tables updated longevity expectations related to the pension plans.

The Corporation's pension investment policy considers the long-term nature of the asset pool as well as the liabilities it is designated to fund. In 2014, the Corporation modified its pension investment policy to utilize a liability driven investment strategy to better hedge against interest rate risk on investments and volatility of the pension liability given changes in the discount rate. The Corporation considers the risk and return characteristics of the various asset classes available to institutional investors and seeks guidance from outside investment advisors. The Corporation has established the following targeted asset allocation that categorizes assets into de-risking assets (cash and core fixed income assets) and return seeking/growth assets (equity securities and multi-strategy hedge fund of funds) given different levels of the pension plans' funded status.

Pension PlanFunded Status	De-Risking Assets	Return Seeking/Growth Assets
85%-90%	46%	54%
90%-95%	61%	39%
95%-100%	77%	23%
100%+	95%	5%

For the years ended December 31, 2015 and 2014, the funded status of the Corporation's pension plans were 78% and 76%, respectively, when measured on a projected benefit obligation basis. The Corporation's asset allocation as of December 31, 2015 and 2014 was as follows:

	Percentage of Plan Assets	
	2015	**2014**
De-Risking Portfolio	46%	47%
Return Seeking/Growth Portfolio	54%	53%
	100%	100%

Assets are invested to achieve a rate of return consistent with the policy allocation targets which significantly contributes to meeting the current and future obligation of the plan and helps to ensure solvency of the plan over time. It is expected that this objective can be achieved through a well-diversified asset portfolio and an emphasis on long-term capital appreciation as a primary source of return. The plan utilizes a multi-manager structure of complementary investment styles and classes with manager performance judged over an investment market cycle which is generally 3 to 5 years. Plan assets are exposed to risk and fluctuations in market value from year to year. To minimize risk, each manager is required to maintain adequate portfolio diversification to insulate the plan assets from substantial loss in any single security or market sector. Asset allocation is reviewed every quarter and rebalanced as necessary.

Cash Flows
During 2016, the Corporation anticipates making contributions of approximately $26.3 million to fund the normal service cost in accordance with its standard funding policy and $50 million to fund the first year of a two year, $100 million total supplemental pension funding commitment approved by the Corporation's Board.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	(in thousands)
2016	$ 47,645
2017	52,465
2018	66,085
2019	67,163
2020	69,558
Years 2021-2025	419,339

The following tables summarize the Corporation's pension assets, measured at fair value as of December 31, 2015 and 2014, respectively.

Asset category	Level 1	Level 2 (in thousands)	Balance as of December 31, 2015
Cash and cash equivalents	$ 34,646	$ -	$ 34,646
U.S. government, state, municipal, and agency obligations	67,386	43,034	110,420
Other fixed income securities	-	394,537	394,537
Equity securities	433,105	-	433,105
Asset-backed securities	-	1,496	1,496
Real estate investment trusts	4,344	-	4,344
	$ 539,481	$ 439,067	978,548
Investments measured at net asset value			167,826
Total investments at fair value as of December 31, 2015			$ 1,146,374

Asset category	Level 1	Level 2 (in thousands)	Balance as of December 31, 2014
Cash and cash equivalents	$ 64,810	$ -	$ 64,810
U.S. government, state, municipal, and agency obligations	89,565	44,213	133,778
Other fixed income securities	-	384,913	384,913
Equity securities	439,601	-	439,601
Asset-backed securities	-	1,853	1,853
Real estate investment trusts	7,880	-	7,880
	$ 601,856	$ 430,979	1,032,835
Investments measured at net asset value			166,274
Total investments at fair value as of December 31, 2014			$ 1,199,109

There were no significant transfers to or from Levels 1 and 2 during the years ended December 31, 2015 and 2014.

Defined Contribution Benefit Plans - The Corporation sponsors various defined contribution benefit plans covering eligible employees. These employees may contribute a portion of their pre-tax and/or after-tax compensation to the plans, in accordance with specified guidelines. In addition to any discretionary contributions, these plans provide for established contribution percentages up to certain limits for eligible employees. Contribution expense for the years ended December 31, 2015 and 2014 aggregated $21.4 million and $12.4 million, respectively.

9. Liability Insurance and Contingencies

The Corporation has a comprehensive risk management and insurance program designed to safeguard its assets and properties. Hills Insurance Company, Inc. ("Hills Inc."), the wholly owned captive insurance subsidiary of the Corporation, provides certain professional and general liability coverage for the Health Centers and its other corporate entities. Hills has limited its exposure by purchasing reinsurance and excess insurance coverage. In the unlikely event that any of the excess insurance coverages fail, the Corporation would be liable for such defaults, however the Corporation purchases its excess insurance policies from highly rated insurance companies to mitigate that risk. In addition, the Corporation is self-insured for its employee health, long-term disability, and workers' compensation employee benefit programs.

The estimated insurance liabilities provide for reported losses and for losses incurred but not reported based on projections by independent actuaries using information provided by the Corporation's management. The estimated insurance liabilities, which consist of professional liability, general liability, long-term disability insurance, workers' compensation, and amounts self-insured for allocated loss adjustment expenses, approximated $152.5 million and $135.8 million on an undiscounted basis at December 31, 2015 and 2014, respectively.

From time to time, the Corporation is subject to various legal proceedings and claims arising in the ordinary course of business. Although the outcome of these claims cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material adverse effect on the Corporation's financial condition, results of operations, or cash flow.

Hospitals and health facilities, including those operated by the Corporation, are subject to numerous legal, regulatory, environmental, professional and private licensing, and certification and accreditation requirements. Also, the laws and regulations governing the Medicare, Medicaid, and other governmental health care programs that the Corporation participates in are extremely complex and subject to interpretation, making compliance an ongoing challenge for health care organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and other related matters. Allegations concerning possible violations of regulations can result in the imposition of significant fines and penalties and significant repayment of billed and collected revenues for patient services. The Corporation maintains a compliance program designed to educate its employees and to prevent, detect, and correct possible violations.

In 2015, a vendor of the Corporation experienced a data breach that included protected health information of certain of the Corporation's patients. In response to the data breach, the Corporation worked with the vendor to meet the Corporation's notice requirements under applicable privacy laws.

10. Noncontrolling Interests in Consolidated Affiliates and Investments in Unconsolidated Affiliates

The Corporation is involved in various health service entity joint ventures that support the Corporation's mission whose operations have been included in the consolidated financial statements.

Noncontrolling Interests in Consolidated Affiliates
The Corporation's consolidated financial statements include all assets, liabilities, revenues, and expenses of less than 100% owned entities that it controls. Accordingly, the Corporation has

recorded the noncontrolling interests in the earnings and equities of such entities in its consolidated financial statements.

Investments in Unconsolidated Affiliates

The Corporation has investments in entities that are recorded under the cost or equity method of accounting.

At December 31, 2015 and 2014, the Corporation had a 33%, economic interest in Alverno Clinical Laboratories, LLC ("ACL, LLC"), an Indiana limited liability company created to direct, operate, maintain, and manage a centralized clinical laboratory in Hammond, Indiana supporting the Corporation and an unrelated healthcare system. The Corporation is also an owner of Alverno Provena Hospital Laboratories, LLC ("APHL"), a non-profit cooperative corporation created to direct, operate, maintain, and manage the on-site laboratories of the owners' health centers. Governance of ACL, LLC and APHL (collectively referred to as the "Laboratories") is shared between the health system members. The Corporation accounts for its investment in ACL, LLC under the equity method, which approximated $4.6 million and $4.3 million at December 31, 2015 and 2014, respectively. The Corporation's capital account in APHL approximates $50,000 at both December 31, 2015 and 2014.

The Corporation had a 7%, economic interest in Preferred Professional Insurance Corporation ("PPIC") which provided professional liability insurance and other related services to physicians and other health care providers associated with its owners. In 2014, the owners of PPIC elected to sell the organization which resulted in the Corporation recording a $16.6 million gain on sale of investment in this unconsolidated affiliate for the year ended December 31, 2014 which is recorded in other income in the consolidated statements of operations and changes in net assets. As a condition of sale, PPIC needed to establish an escrow to cover any losses related to breach of representation or warranty, nonperformance of any covenant or agreement, or actions against PPIC by a PPIC shareholder. During 2015, the Corporation received a $1.5 million release from escrow payment which is recorded in other income in the consolidated statements of operations and changes in net assets for the year ended December 31, 2015. Subsequent to December 31, 2015, the Corporation received an additional $2.0 million release from escrow payment that will be recorded in other income in the 2016 consolidated statements of operations and changes in net assets.

The Corporation has a 34.5% ownership interest in Advantage Health Solutions, Inc. ("Advantage Health"), an Indiana based, provider-owned health plan. Advantage Health provides prepaid comprehensive health services to enrollees through contracted networks that are primarily compensated on a capitated basis and facilitated a Medicare Advantage plan. In November 2015, Advantage Health launched an orderly process to discontinue its Medicare Advantage business as of January 1, 2016 which had covered approximately 22,000 Medicare Advantage beneficiaries. Also, Advantage Health is in discussions to sell its non-Medicare Advantage business. To facilitate Advantage Health's transition, its board appointed a corporate transition and strategy consultant who is acting as the new chief executive officer. Advantage Health is working closely with the Indiana Department of Insurance regarding the orderly transition of coverage for the beneficiaries. The Corporation has recorded losses of $45.6 million and $4.1 million in Advantage Health for the years ended December 31, 2015 and 2014, respectively, in equity losses of investments in unconsolidated affiliates in the consolidated statements of operations and changes in net assets.

The Corporation's share of the equity in losses of investments in unconsolidated affiliates accounted for on the equity method is approximately $41.1 million and $1.2 million for the years ended December 31, 2015 and 2014, respectively, which is included in total unrestricted revenues, gains, and other support in the consolidated statements of operations and changes in net assets.

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method as of and for the periods ended December 31 is as follows:

	2015	2014
	(in thousands)	
Total assets	$ 141,470	$ 157,873
Total liabilities	103,577	95,393
Net assets	37,893	62,480
Total unrestricted revenues, gains, and other support	743,137	740,219
Deficiency of revenues over expenses	(68,365)	(1,002)

11. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	2015	2014
	(in thousands)	
Capital needs and equipment	$ 1,290	$ 3,059
Medical education programs	4,565	4,473
Health care operations and patient services	6,044	5,148
Other restrictions - spiritual care and mission related activities	2,897	3,794
	$ 14,796	$ 16,474

Permanently restricted net assets of approximately $16.6 million and $17.1 million at December 31, 2015 and 2014, respectively, are restricted investments to be held in perpetuity with the income expendable to support the Corporation's mission.

12. Related Party Transactions

The Corporation's Health Centers incurred clinical laboratory charges from the Laboratories of approximately $64.5 million and $65.0 million for the years ended December 31, 2015 and 2014, respectively, which is included in purchased services in the consolidated statements of operations and changes in net assets. The Corporation provides information technology services, central procurement and disbursement services, and rents the core lab facilities to the Laboratories for which the Corporation has recorded approximately $4.3 million and $3.7 million for the years ended December 31, 2015 and 2014, respectively, as other operating revenue on the consolidated statements of operations and changes in net assets.

13. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
	(in thousands)	
Health care services	$ 2,033,749	$ 1,980,525
General, administrative, and other nonhealth care services	543,246	522,005
Total operating expenses	$ 2,576,995	$ 2,502,530

14. Subsequent Events

The Corporation has evaluated events and transactions subsequent to December 31, 2015 through May 3, 2016, the date the consolidated financial statements were issued.

Franciscan HEALTH

I hereby attest that the total estimated project costs and related costs associated with the outpatient surgery and endoscopy project proposed to be developed on Franciscan Alliance, Inc.'s Olympia Fields Campus will be funded in total with cash and equivalents, potentially including investment securities, unrestricted funds, received pledge receipts, and funded depreciation.

Allan Spooner
President & CEO

Subscribed and sworn to before me this
21st day of December, 2016

Margaret L Harris
Notary Public

OFFICIAL SEAL
MARGARET L HARRIS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:05/20/18

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	A	B	C	D	E	F	G	H	Total
	Cost/Sq. Ft.		DGSF		DGSF		New Const. $	Modernization $	Costs
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)
Reviewable									
Surgery	$ 407.55		4,540				$ 1,850,264		$ 1,850,264
Endoscopy	$ 407.55		1,950				$ 794,717		$ 794,717
Recovery-Stage 1	$ 407.55		850				$ 346,415		$ 346,415
Recovery-Stage 2	$ 407.55		3,419				$ 1,393,404		$ 1,393,404
Pre-OP	$ 407.55		748				$ 304,845		$ 304,845
	$ 407.55		11,507				$ 4,689,645		$ 4,689,645
Contingency	$ 19.45						$ 223,844		$ 223,844
	$ 427.00						$ 4,913,489		$ 4,913,489
Non-Reviewable									
Public Areas	$ 407.55		1,435				$ 584,830		$ 584,830
Administrative Areas	$ 407.55		2,346				$ 956,106		$ 956,106
Storage	$ 407.55		1,679				$ 684,272		$ 684,272
Mechanical	$ 407.55		1,714				$ 698,536		$ 698,536
Circulation	$ 407.55		7,819				$ 3,186,611		$ 3,186,611
	$ 407.55		14,993				$ 6,110,355		$ 6,110,355
Contingency	$ 19.45						$ 291,656		$ 291,656
	$ 427.00						$ 6,402,011		$ 6,402,011
TOTAL	$ 427.00		26,500				$ 11,315,500		$ 11,315,500

ATTACHMENT 39C

PROJECCTED OPERATING COST and

TOTAL EFFECT OF PROJECT on CAPITAL COSTS

Franciscan Alliance, Inc. - Olympia Fields campus			
Year 2			
Adjusted Patient Days:		**76,959**	
Operating Cost per Adjusted Patient Day:			**Total Hospital**
	Salaries & Benefits:		$ 118,392,578
	Medical Supplies:		$ 27,730,673
	Total		$ 146,123,251
per Adjusted Patient Day:			$ 1,898.72
Capital Cost per Adjuested Patient Day:			**Total Hospital**
	Depreciation & Amortization:		$ 13,969,000
	Interest		$ 5,877,000
	Total		$ 19,846,000
per Adjusted Patient Day:			$ 257.88

ANTICIPATED PAYOR MIX

The anticipated payor mix of patients anticipated to utilize the outpatient surgery and endoscopy services addressed by this project is based on the historical utilization of outpatient services at the Olympia Fields and Chicago Heights hospitals, and consists of the following:

Medicare:	22%
Medicaid:	6%
Private Insurance:	55%
Self Pay/Other:	1%
Charity Care	16%

ATTACHMENT 39F