17-006 ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
FEB 15 2017
HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	NorthShore University HealthSystem Round Lake Beach Medical Clinics Building
Street Address:	legal description provided in lieu of street address
City and Zip Code:	Round Lake Beach 60073
County: Lake	Health Service Area VIII — Health Planning Area: A-09

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

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

Type of Ownership of Applicant/Co-Applicant

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

- 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:	

Post Permit Contact

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

Name:	Ms. Lisa Garcia
Title:	Vice President
Company Name:	NorthShore University HealthSystem
Address:	1301 Central Street Evanston, IL 60201
Telephone Number:	847/570-5048
E-mail Address:	lgarcia2@NorthShore.org
Fax Number:	847/570-5240

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Rollins Hook LLC c/o Lee & Associates

Address of Site Owner: 9450 W. Bryn Mawr Ave. Rosemont, IL 60018

Street Address or Legal Description of Site: legal description attached

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.

APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: NorthShore University HealthSystem

Address: 1301 Central Street Evanston, IL 60201

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

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

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

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

☐ 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.

NorthShore University HealthSystem intends to acquire vacant property located on the northwest corner of Rollins Road and Hook Drive in Round Lake Beach, Illinois (legal description attached), and upon approval of this Certificate of Need application, intends to construct a two-story medical clinics building (MCB). The MCB will be developed through the construction of approximately 35,000 square feet and will have surface parking for approximately 175 cars. The sole clinical services, per IHFSRB definitions, to be included in the MCB will be a general x-ray unit consisting of 353 square feet and a specimen collection and laboratory area of 291 square feet.

This is a non-substantive application because it does not address the establishment or discontinuation of any IDPH-designated category of service, and the services to be provided in the MCB will be limited to outpatients.

Exhibit A

Legal Description

THAT PART OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 15, TOWNSHIP 45 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE SOUTH 89 DEGREES 47 MINUTES 01 SECOND EAST ALONG THE NORTH LINE THEREOF, 503.40 FEET; THENCE SOUTHEASTERLY ALONG A NON-TANGENTIAL CURVE CONCAVE TO THE SOUTHWEST HAVING A RADIUS OF 288.08 FEET, AND A CHORD BEARING OF SOUTH 30 DEGREES 13 MINUTES 32 SECONDS EAST, 98.58 FEET; THENCE SOUTH 20 DEGREES 22 MINUTES 26 SECONDS EAST, 64.71 FEET; THENCE SOUTHWESTERLY 40.10 FEET ALONG A CURVE TO THE RIGHT, HAVING A RADIUS OF 25.00 FEET, AND A CHORD BEARING OF SOUTH 24 DEGREES 43 MINUTES 03 SECONDS WEST, 35.94 FEET; THENCE SOUTHWESTERLY ALONG THE NORTH LINE OF ROLLINS ROAD AS DEDICATED PER DOCUMENT 669432, RECORDED MAY 5, 1949 IN BOOK 922, PAGE 271, 155.58 FEET ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 5769.65 FEET, AND A CHORD BEARING Or SOUTH 68 DEGREES 12 MINUTES 13 SECONDS EAST, 155.57 FEET; THENCE SOUTH 67 DEGREES 26 MINUTES 43 SECONDS WEST ALONG SAID NORTH LINE OF ROLLINS ROAD, 450.72 FEET TO A POINT ON THE WEST LINE OF SAID SOUTHEAST QUARTER; THENCE NORTH 00 DEGREES 01 MINUTES 23 SECONDS EAST ALONG SAID WEST LINE, 411.03 FEET TO THE POINT OF BEGINNING, IN LAKE COUNTY, ILLINOIS.

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	$18,000	$165,000	$183,000
Site Survey and Soil Investigation	$300	$14,700	$15,000
Site Preparation	$9,100	$445,900	$455,000
Off Site Work	$14,900	$730,100	$745,000
New Construction Contracts	$155,180	$9,178,980	$9,334,160
Modernization Contracts			
Contingencies	$9,660	$514,440	$524,100
Architectural/Engineering Fees	$11,900	$438,100	$450,000
Consulting and Other Fees	$48,750	$926,250	$975,000
Movable and Other Equipment (not in construction contracts)	$1,052,089	$1,240,745	$2,292,834
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	$1,319,879	$13,654,215	$14,974,094
Sources of Funds:			
Cash and Securities	$1,319,879	$13,654,215	$14,974,094
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	$1,319,879	$13,654,215	$14,974,094

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 X Yes No
Purchase Price: $_1,630,000__
Fair Market Value: $_1,630,000__

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 $ _____.

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 ☐ Preliminary

X Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): __June 30, 2019 _____

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

not applicable, no hospital named as an applicant

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:		**CITY:**			
REPORTING PERIOD DATES:		**From:**		**to:**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:					

CERTIFICATION

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

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

This Application for Permit is filed on the behalf of _NorthShore University HealthSystem_* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Gerald P. Gallagher
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 8th day of February, 2017

Barbara M. Holland
Signature of Notary

Seal

OFFICIAL SEAL
BARBARA M HOLLAND
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/04/19

SIGNATURE

Mark R. Neaman
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 8th day of February, 2017

Barbara M. Holland
Signature of Notary

Seal

OFFICIAL SEAL
BARBARA M HOLLAND
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/04/19

*Insert EXACT legal name of the applicant

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

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

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

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

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

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

PURPOSE OF PROJECT

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

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

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

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

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

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

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

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Report.

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

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

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

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

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

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

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

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

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following::

    a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;

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

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

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Not applicable. No shell space included in project.

Provide the following information:

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

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

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

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

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

ASSURANCES:

Not applicable. No shell space included in project.

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

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

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
☐ **GENERAL X-RAY**	**0**	**1**
☐		
☐		

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

:

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) –	Need Determination – Establishment
Service Modernization	(c)(1) –	Deteriorated Facilities
		and/or
	(c)(2) –	Necessary Expansion
		PLUS
	(c)(3)(A) –	Utilization – Major Medical Equipment
		Or
	(c)(3)(B) –	Utilization – Service or Facility

APPEND DOCUMENTATION AS ATTACHMENT-34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent**
4. **The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.**

See Section 1120.130 Financial Waiver for information to be provided

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

Not applicable. Letters from bond rating agencies are provided.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

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

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

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

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

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

B. Conditions of Debt Financing

Not applicable. No debt is being incurred to fund project.

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

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

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

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

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

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

Not applicable due to nature of the project.

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

E. Total Effect of the Project on Capital Costs

Not applicable due to nature of the project.

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

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

XI. Safety Net Impact Statement

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

Not applicable. Project is non-substantive and does not include 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	**$1,160,184,180**	**$1,246,634,301**	**$1,220,418,879**
Amount of Charity Care (charges)	$81,646,509	$77,829,670	$59,169,799
Cost of Charity Care	$24,314,576	$21,460,287	$15,298,468

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

Note: information provided above reflects the combined amounts for the four NorthShore University HealthSystem hospitals per technical assistance discussion with IHFSRB staff

File Number 0567-540-5

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

NORTHSHORE UNIVERSITY HEALTHSYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 04, 1891, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 17TH *day of* JANUARY *A.D.* 2017 .

Authentication #: 1701700940 verifiable until 01/17/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

Michael Cummings
Principal

200 South Wacker Drive
Suite 700
Chicago, IL 60606
www.colliers.com

PHONE: 312-612-5903
FAX: 312-612-5953

Colliers INTERNATIONAL

May 19, 2016

Rollins Hook, LLC
c/o Mr. A. Rick Scardino.
Lee & Associates
9450 W. Bryn Mawr Avenue
Suite 550
Rosemont, Illinois 60018

Re: NW Corner of Hook Road & Rollins Road, Round Lake Beach, Illinois

Dear Rick:

This letter of intent outlines the basic terms under which NorthShore University HealthSystem, an Illinois not-for-profit corporation ("Purchaser") is prepared to consider the acquisition of an approximately 3.734 acre parcel of land located at the NW corner of Hook Road & Rollins Road, Round Lake Beach, Illinois and legally described on **Exhibit A** attached hereto (the "Property") from the owner of record, who we understand is Rollins Hook, LLC, an Illinois limited liability company ("Seller") and to begin negotiations of a mutually acceptable agreement of purchase and sale ("Purchase Agreement").

Purchase Price; Earnest Money. a) The purchase price of the Property will be $10.00/gross square feet of land, subject to customary prorations and adjustments. The term "gross square feet of land" as used herein shall mean the total number of gross square feet of land within the Property, as determined by the Survey (as hereinafter defined).

Within five (5) business days of the execution of the Purchase Agreement, Purchaser shall deposit One Hundred Sixty-two Thousand Six Hundred Fifty and 00/100 Dollars ($162,650.00) in cash in a joint order escrow with a mutually acceptable title insurance company (the "Title Insurer"), under escrow instructions satisfactory to Seller and Purchaser, as earnest money. All interest on the earnest money shall accrue for the benefit of Purchaser. The earnest money will be credited to the Purchase Price at Closing. The earnest money shall constitute liquidated damages which shall be the sole remedy of Seller in the event of Purchaser's default under the Purchase Agreement.

Due Diligence Period. b) The Purchase Agreement will call for Seller to provide Purchaser with copies of the following, and such other information as may be specified in the Purchase Agreement: the latest property tax bills and value renditions; environmental reports concerning the Property; any governmental permits, licenses or approvals; surveys and site plans; existing title policy; any soils, engineering and other physical inspection reports on the Property; and materials relating to any litigation, condemnation or other proceedings affecting the Property. In addition, the Purchase Agreement will require Seller to obtain, at its expense, and deliver to Purchaser for its review a current title commitment and a current ALTA survey ("Survey") certified by an acceptable surveyor and in form and substance satisfactory to Purchaser.

(a) Purchaser will have a due diligence period ("Due Diligence Period") of sixty (60) days, commencing on the later of the date of (i) the full execution and delivery of the Purchase Agreement and (ii) Purchaser's receipt of the information referred to above (except for a current survey which will be

ATTACHMENT 2

provided within thirty (30) days after execution and delivery of the Purchase Agreement), to be satisfied in all respects with its review of the items described above, the physical condition of the Property, the condition of title to the Property and the Property's suitability for Purchaser's intended use. If Purchaser is not satisfied with the Property in its sole discretion, it may elect, on or before the expiration of the Due Diligence Period, to terminate the Purchase Agreement and recover its earnest money deposit and any earnings thereon.

(b) Purchaser, its agents and representatives shall have the right to inspect the Property and conduct tests thereon, including geotechnical and environmental studies, for the purpose of satisfying itself regarding the physical condition of the Property and its suitability for Purchaser's intended use thereof. Upon the completion of any such inspection or test, Purchaser shall restore the Property to its condition prior to such inspection or test. Purchaser shall indemnify, hold harmless and defend Seller from any claims by third parties arising from property damage or injury to persons resulting from Purchaser's entry onto the Property.

2. Approvals Period. Purchaser's obligation to purchase shall also be contingent upon Purchaser obtaining during the Approvals Period (defined below) all Approvals (hereinafter defined) which are necessary or desirable in Purchaser's sole judgment for Purchaser's ownership and intended use of the Property. The "Approvals Period" shall mean a period of one hundred and eighty (180) days after the end of the Due Diligence Period, as such Approvals Period may be extended as provided below. Such Approvals shall be subject only to those conditions and restrictions which are acceptable to Purchaser in its sole discretion. During the Due Diligence Period and the Approvals Period, Purchaser shall have the right to investigate, to make application for, to conduct meetings with and hearings before governmental officials and to take all such other actions as may be necessary to obtain its Approvals from applicable governmental authorities or other third parties. Seller shall cooperate with Purchaser's efforts to obtain such Approvals, including, if requested, joining any applications therefore and attending meetings upon Purchaser's request. If by the expiration of the Approvals Period, Purchaser has been diligently pursuing but has not obtained all Approvals desired by Purchaser, Purchaser shall have the right to extend the Approvals Period for up to two (2) consecutive additional periods of sixty (60) days each in order to obtain such Approvals. If at any time during the Approvals Period, Purchaser determines in its sole discretion that it will not be able to secure satisfactory Approvals, Purchaser shall have the right to terminate this Agreement and recover its earnest money deposit and any earnings thereon. The term "Approvals" shall be more fully defined in the Purchase Agreement but shall include all approvals, authorizations, licenses, permits and agreements of all governmental authorities and private third parties desired by Purchaser in connection with it development of the Property for its intended use including, without limitation, obtaining zoning classification or PUD designation suitable for Purchaser's intended use, approval of any variances, zoning amendments, special uses or other zoning or building code relief, entitlements, site plan approval, subdivision approval, building review board approval, signage approval, and that Purchaser is satisfied regarding the availability of building permits and the obtaining of any other similar permits or approvals for construction of Purchaser's intended use.

3. Closing and Closing Costs. (a) Closing of the transaction contemplated by this letter of intent shall take place, upon not less than five (5) days prior written notice, within thirty (30) days after the expiration or Purchaser's waiver of the Approvals Period described in Paragraph 3 above (as it may be extended pursuant to Paragraph 3), or such other time as may be mutually agreed. At the closing, title to the Property will be conveyed to Purchaser subject only to real estate taxes not yet due and payable and such other exceptions to title as have been approved by Purchaser. At the closing, Seller will furnish to Purchaser at Seller's cost a policy of title insurance in the full amount of the purchase price issued by the Title Insurer, containing extended coverage and such other endorsements as Purchaser may reasonably require. Seller shall pay all transfer taxes, any stamp and documentary taxes, recording fees and similar

costs in connection with the transfer of the Property to Purchaser. Each party shall pay one-half of any escrow or closing fee.

(b) Income and expenses shall be apportioned between Seller and Purchaser as of the closing, with the day of closing being a day of income and expense to Purchaser. Purchaser shall receive a credit for expenses applicable to Seller's period of ownership and not paid as of closing, including general real estate taxes and assessments, whether or not then due and payable. Uncollected income shall not be prorated at Closing. If the actual amounts of such items are not known at Closing, such items shall be apportioned as of the Closing based on estimates and reprorated when the actual amounts are determined.

4. Representations and Warranties. Seller will make the customary representations and warranties expected of a seller of real estate similar to the Property, including without limitation due authorization, no conflicts, the absence of pending litigation, violations of applicable laws and ordinances, and the absence of hazardous materials on the Property.

5. Brokers. Colliers International has acted as a broker for Purchaser ("Purchaser's Broker") and Lee & Associates has acted as broker for Seller ("Seller's Broker") in the transaction described herein (collectively the "Brokers"). Seller shall pay the Brokers a commission in the amount agreed upon by Seller and Seller's Broker (which commission shall be shared between the Brokers pursuant to a separate agreement between the Brokers). Purchaser and Seller agree that there is no other broker, finder or intermediary with whom they have dealt in connection with this transaction, and agree to indemnify each other against all claims for fees, commissions or other compensation claimed to be due to any other broker, finder or intermediary with whom the indemnifying party may have dealt in connection with this transaction.

6. Confidentiality. The parties will maintain the confidentiality of the terms of the transaction, the identity of Purchaser and the contents of this letter and transaction documents, except that Purchaser may disclose the terms hereof to its consultants and advisors, and further may disclose such terms as are necessary or required to be disclosed in connection with its due diligence investigations and development approvals or by applicable law and rules of any exchange applicable to Purchaser or its affiliates. In addition, Purchaser may disclose the terms hereof to its investors and lenders.

7. Legal Effect. (a) Purchaser and Seller each acknowledge that a transaction of this type involves terms and conditions which have not yet been agreed upon and that this letter is in no way intended to be a complete or definitive statement of all the terms and conditions of the proposed transaction, but contemplates and is subject to the negotiation and execution of the Purchase Agreement. Except as provided in Paragraph 7 above and in subparagraph (b) below, neither Purchaser nor Seller will be legally bound in any manner or have any obligations to each other unless and until the Purchase Agreement has been executed by both parties. If the Purchase Agreement has not been executed by both parties on or before forty-five (45) days after the acceptance of this letter of intent by Seller, this letter of intent shall terminate and, except as provided in Paragraph 7 above and subparagraph (b) below, the parties shall have no further obligations hereunder.

(b) Until the earliest of forty-five (45) days after the acceptance of this letter of intent by Seller, the execution of the Purchase Agreement or the written termination of this letter of intent by Purchaser, Seller will not negotiate for nor make or accept any offers to purchase or sell the Property or any part thereof from any other person. The Purchase Agreement shall provide that the Seller will not solicit or accept any offers, whether or not binding, so long as the Purchase Agreement remains in effect.

(c) This letter of intent constitutes the entire understanding and agreement between the parties concerning the proposed transaction. The terms of this letter of intent may not be supplemented,

modified, or waived except by an express written instrument executed by both parties. This letter of intent shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8. Seller's Counsel. Purchaser will prepare a draft Purchase Agreement for review by Seller and its counsel. To expedite delivery of the draft Purchase Agreement, please complete the name, address, phone number and email address of Seller's legal counsel for this transaction:

_____
_____
_____
Telephone: _____
Email: _____

If the foregoing is acceptable, please evidence your acceptance by executing a copy of this letter and returning it to us on or before May 6, 2016. We look forward to working with you to successfully complete this transaction.

Very truly yours,

COLLIERS INTERNATIONAL, as agent for Purchaser

By: _____
Name: Michael Cummings

ACCEPTED AND AGREED TO:
Management/Marketing Services, Incorporated as agent for
ROLLINS HOOK, LLC

By: _____
Name: Monte C. Strusiner
Its: President
Date: May 19, 2016

ATTACHMENT 2

Exhibit A

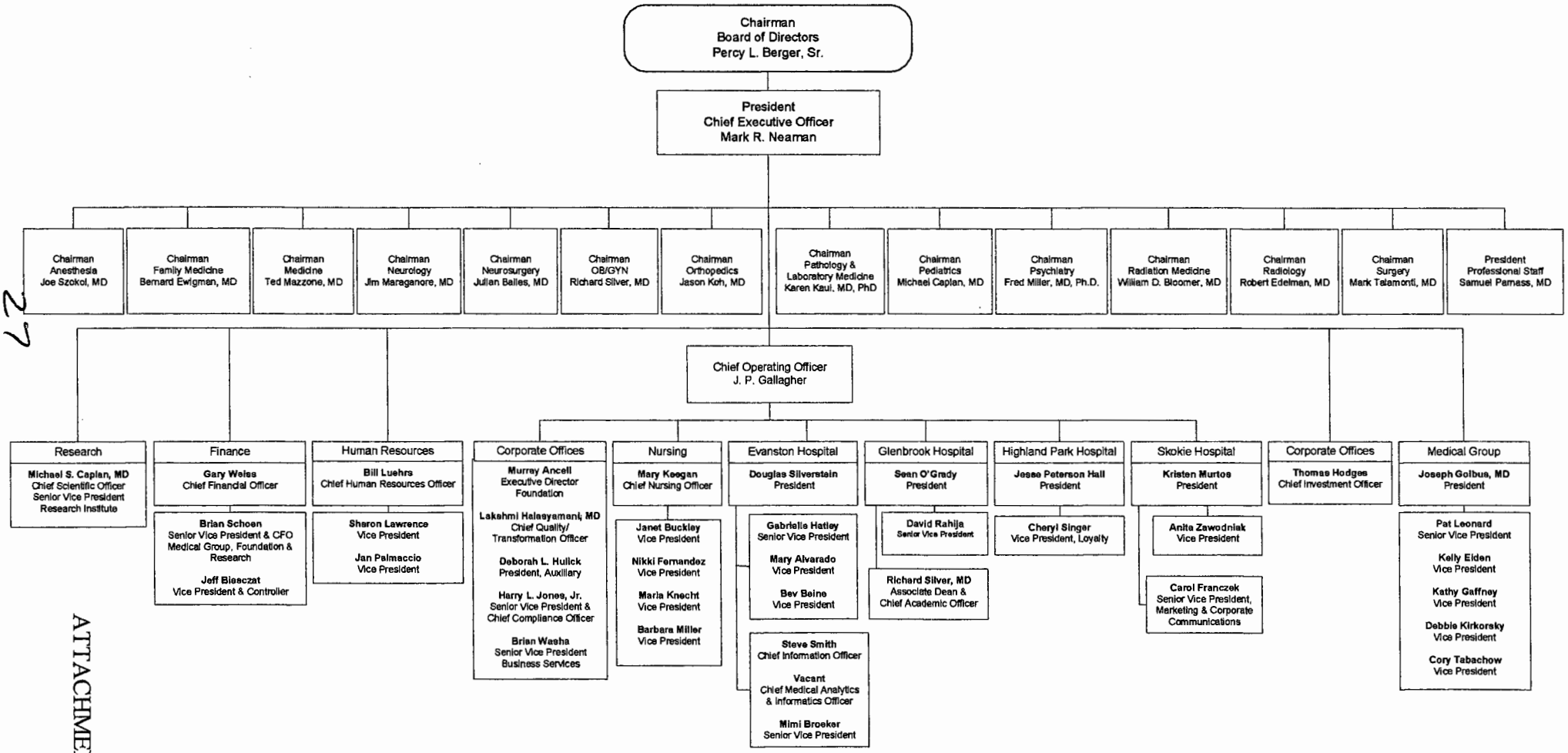
Legal Description

THAT PART OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 15, TOWNSHIP 45 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN. DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER; THENCE SOUTH 89 DEGREES 47 MINUTES 01 SECOND EAST ALONG THE NORTH LINE THEREOF. 503.40 FEET; THENCE SOUTHEASTERLY ALONG A NON-TANGENTIAL CURVE CONCAVE TO THE SOUTHWEST HAVING A RADIUS OF 288.08 FEET. AND A CHORD BEARING OF SOUTH 30 DEGREES 13 MINUTES 32 SECONDS EAST, 98.58 FEET; THENCE SOUTH 20 DEGREES 22 MINUTES 26 SECONDS EAST, 64.71 FEET; THENCE SOUTHWESTERLY 40.10 FEET ALONG A CURVE TO THE RIGHT, HAVING A RADIUS OF 25.00 FEET, AND A CHORD BEARING OF SOUTH 24 DEGREES 43 MINUTES 03 SECONDS WEST, 35.94 FEET; THENCE SOUTHWESTERLY ALONG THE NORTH LINE OF ROLLINS ROAD AS DEDICATED PER DOCUMENT 669432, RECORDED MAY 5, 1949 IN BOOK 922, PAGE 271, 155.58 FEET ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 5769.65 FEET, AND A CHORD BEARING Or SOUTH 68 DEGREES 12 MINUTES 13 SECONDS EAST, 155.57 FEET; THENCE SOUTH 67 DEGREES 26 MINUTES 43 SECONDS WEST ALONG SAID NORTH LINE OF ROLLINS ROAD. 450.72 FEET TO A POINT ON THE WEST LINE OF SAID SOUTHEAST QUARTER; THENCE NORTH 00 DEGREES 01 MINUTES 23 SECONDS EAST ALONG SAID WEST LINE, 411.03 FEET TO THE POINT OF BEGINNING, IN LAKE COUNTY, ILLINOIS.

ATTACHMENT 2

NorthShore University HealthSystem
Organization Chart

2016 – 2017



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ATTACHMENT 4

NorthShore
University HealthSystem

J.P. Gallagher, FACHE
Chief Operating Officer

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

(847) 570-5151
(847) 570-5179 Fax

jgallagher@northshore.org

February 8, 2017

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

To Whom It May Concern:

Please be advised that the site of the proposed medical clinics building proposed to be developed by NorthShore University HealthSystem at the junction of Rollins Road and Hook Drive in Round Lake Beach, Illinois is not located in a flood plain, and construction on that site is consistent with Illinois Executive Order #2005-5.

Sincerely,

Gerald P. Gallagher
Chief Operating Officer

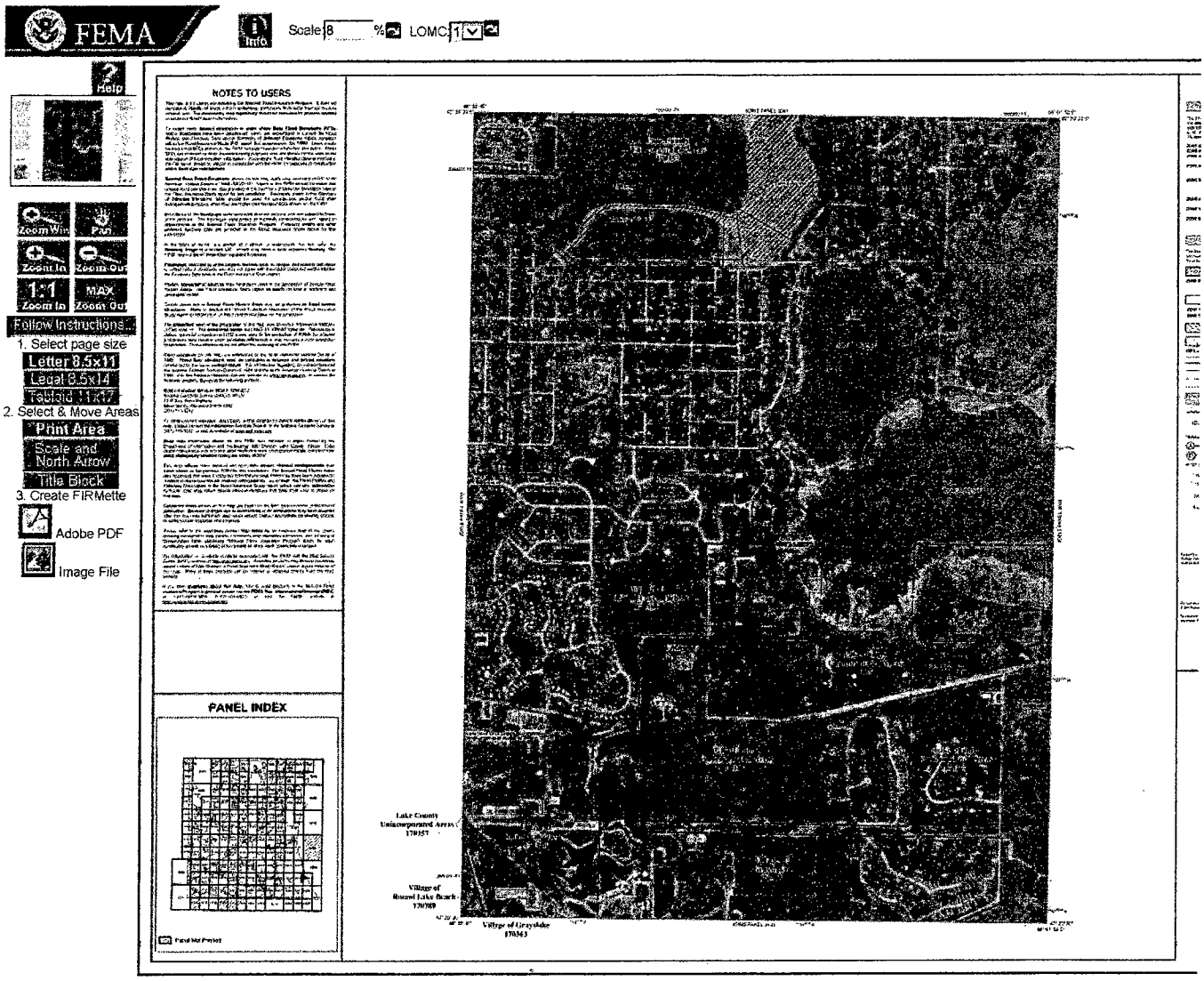
State of Illinois
County of Cook

This instrument was acknowledged before me on February 8th, 2017 by Gerald P. Gallagher.

Barbara M. Holland
Notary

OFFICIAL SEAL
BARBARA M HOLLAND
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/04/19

ATTACHMENT 5



ATTACHMENT 5

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

January 13, 2017

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

RE: Proposed Construction of a Medical Clinics Building
Round Lake Beach, Illinois

Dear Dr. Liebowitz:

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

The site is undeveloped property at the junction of Rollins Road and Hook Drive in Round Lake Beach (northwestern Lake County). I do not believe there to be any structures of historical significance in the vicinity. As can be seen from the enclosed pictures, the properties to the south (across Rollins Road) and the property to the east are undeveloped. A 1990's era housing development is across Hook Drive to the north, and a 1960's era small commercial building is to the west.

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

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

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

Sincerely,

Jacob M. Axel
President

enclosures (photographs and maps)

ATTACHMENT 6

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004

PROJECT COSTS SOURCES OF FUNDS

PROJECT COSTS				
Pre-Planning Costs				
Market Analyses	$	100,000		
Site Selection	$	25,000		
Misc./Other	$	58,000		
			$	183,000
Site Survey & Soil Investigation				
Site Survey	$	5,000		
Soil Investigation	$	10,000		
			$	15,000
Site Preparation				
Parking Lot	$	200,000		
Landscaping	$	80,000		
Exterior Lighting	$	125,000		
Misc./Other	$	50,000		
			$	455,000
Off-Site Work				
Walks/Drives	$	90,000		
Utilities	$	630,000		
Misc./Other	$	25,000		
			$	745,000
New Construction				
Per ATTACHMENT 39C			$	9,336,260
Construction Contingency				
Per ATTACHMENT 39C			$	522,000
Architectural & Engineering Fees				
Preliminary Renderings	$	20,000		
Design	$	300,000		
Reg. Agency Interaction	$	10,000		
Project Monitoring	$	25,000		
Reimburseables	$	25,000		
Misc./Other	$	70,000		
			$	450,000
Consulting and Other Fees				
Legal	$	175,000		
Zoning-Related	$	40,000		
CON-Related	$	40,000		
Reg. Approvals, other	$	30,000		
Project Management	$	300,000		
Interior Design	$	50,000		
Commissioning	$	60,000		
Const. Period Utilities	$	30,000		
Insurance	$	70,000		
Traffic Studies	$	60,000		
Equipment Planning	$	45,000		
Misc./Other	$	75,000		
			$	975,000
Moveable Equipment				
Attached Inventory	$	2,193,050		
Misc. Equip. @ 2.5%	$	54,826		
Delivery/Install. @ 2%	$	44,958		
			$	2,292,834
TOTAL COST				**$ 14,974,094**
Sources of Funds				
Cash and Securities			$	14,974,094
TOTAL SOURCES OF FUNDS				**$ 14,974,094**

ATTACHMENT 7

[redacted]

Conceptual Equipment Estimate

				Total
Signage				
Exterior Sign		$ 140,000.00	1	$ 140,000.00
Signs		$ 20,000.00	1	$ 20,000.00
Misc Equipment				
Keys, Locks, & Special Hardware		$ 10,000.00	1	$ 10,000.00
Video Conferencing System		$ 50,000.00	1	$ 50,000.00
Artwork				
In Room Art		$ 400.00	64	$ 25,600.00
Corridor Art		$ 650.00	30	$ 19,500.00
Plantings		$ 18,000.00	1	$ 18,000.00
Furniture				
Staff Lounge/ Conference- Table		$ 1,800.00	4	$ 7,200.00
Staff Lounge/Conference- Chairs		$ 400.00	12	$ 4,800.00
Keyboard Trays		$ 250.00	95	$ 23,750.00
CPU Holder		$ 250.00	35	$ 8,750.00
Monitor Mount		$ 250.00	95	$ 23,750.00
Task Chairs		$ 700.00	70	$ 49,000.00
Ped Files		$ 250.00	60	$ 15,000.00
Patient Side Chair		$ 650.00	72	$ 46,800.00
Office Set-up		$ 4,500.00	5	$ 22,500.00
Family Waiting Area Seating		$ 750.00	42	$ 31,500.00
Coffee Tables		$ 700.00	22	$ 15,400.00
Overhead Bin/Task Surface/ Light		$ 700.00	26	$ 18,200.00
Medical Equipment				
Exam Table		$ 2,000.00	30	$ 60,000.00
Powered Exam table		$ 7,500.00	5	$ 37,500.00
Patient Monitor		$ 2,500.00	0	$ -
Otoscope Integrated Wall System		$ 1,500.00	32	$ 48,000.00
Procedure Light		$ 6,500.00	2	$ 13,000.00
Exam Light		$ 1,000.00	32	$ 32,000.00
ADA Scale		$ 3,000.00	4	$ 12,000.00
Exam Scale		$ 350.00	32	$ 11,200.00
PAC's Station		$ 20,000.00	2	$ 40,000.00
General X-ray		$ 550,000.00	1	$ 550,000.00
C-arm		$ 85,000.00	0	$ -
PT Hand Tables		$ 300.00	0	$ -
PT BTE Equipment		$ 60,000.00	0	$ -
PT Treatment Tables		$ 6,000.00	0	$ -
PTAlter G		$ 55,000.00	0	$ -
PT Treadmill		$ 7,500.00	0	$ -
PT NU Step		$ 3,500.00	0	$ -
PTReformer		$ 15,000.00	0	$ -
PT Suspension System		$ 15,000.00	0	$ -
PT Bikes		$ 3,000.00	0	$ -
PT Total Gym		$ 11,000.00	0	$ -
PT Parallel Bars		$ 10,000.00	0	$ -
PT Traction Table		$ 10,000.00	0	$ -
Misc. Equipment		$ 80,000.00	1	$ 80,000.00
Installation Owner Furnished Equipment		$ 75,000.00	1	$ 75,000.00
Equipment				
Upright Refrig Freezer		$ 1,000.00	5	$ 5,000.00
Microwave		$ 1,000.00	1	$ 1,000.00
Coffee Maker		$ 750.00	2	$ 1,500.00
Ice Maker		$ 7,500.00	1	$ 7,500.00
Clean Supply Storage		$ 15,000.00	5	$ 75,000.00
Kan Ban Carts		$ 1,500.00	10	$ 15,000.00
Misc Equipment		$ 2,500.00	4	$ 10,000.00
Paper towel		$ 15.00	55	$ 825.00
Soap		$ 15.00	55	$ 825.00
Innerwireless		$ 3.50	0	$ -
Security Systems		$ 3.50	33700	$ 117,950.00
Communication/ IS				
Phones		$ 600.00	100	$ 60,000.00
Computers		$ 1,500.00	35	$ 52,500.00
Weiss		$ 1,500.00	70	$ 105,000.00
Printer/fax		$ 4,500.00	35	$ 157,500.00
Data Closet		$ 75,000.00	1	$ 75,000.00
Project Total				**$ 2,193,050.00**

Cost Space Requirements

				Amount of Proposed Total Square Feet			
		Gross Square Feet			That is:		
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Lab/Specimen Collection	$ 404,301		353	353			
X-Ray/Imaging	$ 973,316		291	291			
Total	$ 1,377,617		644	644			
Non-Reviewable							
Physicians' Offices	$ 6,798,239		16,556	16,556			
Public Areas/Waiting	$ 989,010		2,400	2,400			
Staff Support Areas	$ 299,482		800	800			
Admin/Mtg/Conference	$ 3,623,731		9,500	9,500			
Elevator/Stairs	$ 208,917		480	480			
Storage	$ 673,834		1,800	1,800			
Mechanical	$ 1,003,264		2,620	2,620			
Total	$ 13,596,477		34,156	34,156			
PROJECT TOTAL	**$ 14,974,094**		**34,800**	**34,800**			

ATTACHMENT 9

NorthShore
University HealthSystem

J.P. Gallagher, FACHE
Chief Operating Officer

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

(847) 570-5151
(847) 570-5179 Fax

jgallagher@northshore.org

February 8, 2017

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

Dear Ms. Avery:

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

1. NorthShore University HealthSystem has not had any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application and

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

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

Sincerely,

Gerald P. Gallagher
Chief Operating Officer

State of Illinois
County of Cook

This instrument was acknowledged before me on February 8th, 2017 by Gerald P. Gallagher.

OFFICIAL SEAL
BARBARA M HOLLAND
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/04/19

Barbara M. Holland
Notary

ATTACHMENT 11

Illinois Department of
PUBLIC HEALTH

HF112002

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

12/31/2017		0000646

General Hospital

Effective: 01/01/2017

Evanston Hospital
2650 Ridge Avenue
Evanston, IL 60201

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2017

Lic Number 0000646

Date Printed 10/26/2016

Evanston Hospital

2650 Ridge Avenue
Evanston, IL 60201

FEE RECEIPT NO.

ATTACHMENT 11

Illinois Department of
PUBLIC HEALTH

HF112056

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2017		0005587

General Hospital

Effective: 01/01/2017

NorthShore University HealthSystem
dba Skokie Hospital
9600 Gross Point Road

Skokie, IL 60076

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2017

Lic Number 0005587

Date Printed 10/26/2016

NorthShore University HealthSystem
dba Skokie Hospital
9600 Gross Point Road
Skokie, IL 60076

FEE RECEIPT NO.

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ATTACHMENT 11

Illinois Department of PUBLIC HEALTH HF112055

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

12/31/2017		0005066

General Hospital

Effective: 01/01/2017

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

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. [illegible]

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2017

Lic Number 0005066

Date Printed 10/26/2016

Highland Park Hospital

777 Park Avenue West
Highland Park, IL 60035

FEE RECEIPT NO.

ATTACHMENT 11

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ATTACHMENT 11

Illinois Department of PUBLIC HEALTH

HF112043

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

12/31/2017		0003483

General Hospital

Effective: 01/01/2017

Glenbrook Hospital
2100 Pfingsten Road
Glenview, IL 60025

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2017

Lic Number 0003483

Date Printed 10/26/2016

Glenbrook Hospital

2100 Pfingsten Road
Glenview, IL 60025

FEE RECEIPT NO.

The Joint Commission

January 28, 2015

Re: # 7343
CCN: #140010
Program: Hospital
Accreditation Expiration Date: November 08, 2017

Mark R. Neaman
CEO
NorthShore University HealthSystem
1301 Central Street, Suite 300
Evanston, Illinois 60201

Dear Mr. Neaman:

This letter confirms that your November 03, 2014 - November 07, 2014 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on January 08, 2015 and January 20, 2015, The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of November 08, 2014.

The Joint Commission is also recommending your organization for continued Medicare certification effective November 08, 2014. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Boffa Surgical Group - NorthShore Medical Group
2222 West Division Ave, Suite 335, Chicago, IL, 60610

Boffa Surgical Group - NorthShore Medical Group
7447 West Talcott, Suite 221, Chicago, IL, 60631

Cardiovascular Institute (CVI)
9650 Gross Point Road, Suite 4900, Skokie, IL, 60076

Deerfield Medical Group Offices
49 South Waukegan Road, Deerfield, Deerfield, IL, 60015

Dermatology - Old Orchard

The Joint Commission

9933 Woods Drive, Skokie, IL, 60077

Des Plaines Internal Medicine
9301 Golf Road, Suite 302, Des Plaines, IL, 60016

Evanston Medical Office Building
1000 Central Street, Evanston, IL, 60201

Evanston Township High School Clinic
1600 Dodge Ave, Evanston, IL, 60201

Glenbrook Hospital Ambulatory Care Center
2180 Pfingsten Road, Glenview, IL, 60026

Glenbrook Medical East
1007 Church St., Suite 100, Evanston, IL, 60201

Glenbrook Medical West
211 Waukegan Road Suite 200, Northfield, IL, 60093

Glenbrook Professional Building
d/b/a NorthShore Medical Group
2050-2100 Pfingsten Rd., Glenview, IL, 60025

Gurnee Ambulatory Care Center
7900 Rollins Road, Gurnee, IL, 60031

Gurnee Pediatrics
6475 Washington St. Suite 103, Gurnee, IL, 60031

Lake Bluff North
101 Waukegan Road, Suite 1200, Lake Bluff, IL, 60044

Lake Forest Internal Medicine
810 Waukegan Rd, Lake Forest, IL, 60045

Medical Imaging
1182 Northbrook Court, Northbrook, IL, 60062

Medical Offices Bannockburn
2151 Waukegan Road Suite 160, Bannockburn, IL, 60015

Morton Grove Cardiology
9000 Waukegan Road, Morton Grove, Morton Grove, IL, 60053

Mount Prospect Primary Care
1329 Wolf Road, Mount Prospect, IL, 60056

North Shore Medical Group - Ravinia
1777 Green Bay Road, Suite 201, Highland Park, IL, 60035

NorthShore Medical Group - Family Practice
1162 Maple Ave, Mundelein, IL, 60060

NorthShore Medical Group - Lake Bluff
71 Waukegan Road, Lake Bluff, IL, 60044

NorthShore Orthopedics Institue
2501 Compass Drive, Suite 125, Glenview, Glenview, IL, 60026

NorthShore Orthopedics Institute
680 Lake Shore Drive, Chicago, IL, 60611

NorthShore University HealthSystem Glenbrook Hospital
2100 Pfingsten Road, Glenview, IL, 60025

NorthShore University HealthSystem Highland Park Hospital
777 Park Avenue West, Highland Park, IL, 60035

NorthShore University HealthSystem Evanston Hospital
2650 Ridge Avenue, Evanston, IL, 60201

NorthShore University HealthSystem Skokie Hospital
9600 Gross Point Road, Skokie, IL, 60076

NS - Lincolnwood Primary Care
6810 N. McCormick, Lincolnwood, IL, 60712

NS - Medical Group
767 Park Avenue West, Highland Park, IL, 60035

NS - Medical Group - Skokie Cardiology
9669 Kenton Avenue, Skokie, IL, 60076

NS - Vernon Hills
830 West End Court, Vernon Hills, IL, 60061

NS at Nordstrom
77 Old Orchard Shoppping Center, Skokie, IL, 60077

The Joint Commission

NS Dermatology
1160 Park Ave West, Highland Park, Highland Park, IL, 60035

NS Highland Park Primary Care
757 Park Avenue West, Highland Park, IL, 60035

NS Highland Park Specialty Care Center
757 Park Avenue West, Highland Park, IL, 60035

NS Medical Group
650 Lake Cook Road, Buffalo Grove, IL, 60089

NS Medical Group - Deerpath Physician Group
731 S. IL Route 21, Suite 130, Gurnee, IL, 60031

NS Medical Group - Glenview
1435 Waukegan Road, Glenview, IL, 60025

NS Medical Group Plastics/ENT
501 Skokie Blvd, Northbrook, IL, 60062

NS Medical Group-Eye & Vision Center
1000 Central Street, Suite 610, Evanston, IL, 60201

NS Northbrook Family Medicine
1885 Shermer Road, Northbrook, IL, 60062

NS Primary Care
15 Tower Court, Gurnee, IL, 60031

NS Rehabilitation Service
1000 Central Street, Evanston, IL, 60201

NS Rehabilitation Services, Evanston Athletic Club
1729 Benson Ave, Evanston, IL, 60201

NS Rehabilitation Services, Highland Park Hospital Fitness
1501 Busch Pkwy, Buffalo Grove, IL, 60089

NS Rehabilitation Services, Old Orchard
9977 Woods Drive, Skokie, IL, 60077

NS Rehabilitation Services, Park Center
2400 Chestnut, Glenview, IL, 60026

The Joint Commission

NS Rehabilitation Services, Pediatric Therapy Clinic
9811 Woods Drive, Skokie, IL, 60077

Park Center Specialty Suite
2400 Chestnut Ave Suite A, Glenview, IL, 60026

Prairie Glen Primary Care
2550 Compass Drive, Glenview, IL, 60026

Professional Building
d/b/a ENH Medical Group/Psychiatry
909 Davis Street, Evanston, IL, 60201

Professional Building
9977 Woods Dr., Skokie, IL, 60077

Psychiatry- Glenview
2300 Lehigh, Suite 215, Glenview, IL, 60025

Skokie Ambulatory Care Center
9650 Gross Point Road, Skokie, IL, 60076

Vernon Hills Specialty Care Center
225 N Milwaukee Ave, Vernon Hills, IL, 60061

Wilmette Primary Care
1515 Sheridan Road, Suite 31A, Wilmette, IL, 60091

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

Sincerely,

Mark Pelletier

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

PURPOSE OF PROJECT

The proposed project is limited to the establishment of a Medical Clinics Building (MCB) in Round Lake Beach, Illinois. The MCB will provide office space, when fully staffed, for 20-24 primary care physicians, using those offices on a full-time basis. In addition, other specialists will use the offices on a more limited/rotational basis. As a result of this project's locating physicians in Round Lake Beach, the health care and well-being of area residents of the northwestern quadrant of Lake County, Illinois will be improved. This area generally includes the communities and rural areas located to the south of the Illinois/Wisconsin state line, to the east of the Lake/McHenry county line, north of routes 60/137, and west of route 45.

It is anticipated that the vast majority of patients using the proposed MCB will be residents of one of the six ZIP Code areas identified below.

60002	Antioch/Old Mill Creek
60020	Fox Lake/Volo
60030	Grays Lake, Gages Lake/Hainesville
60041	Ingleside/Volo
60046	Lake Villa/Lindenhurst
60073	Round Lake/Round Lake Beach/Round Lake Heights

The goal of the proposed project is to provide contemporary and easily accessible office space for NorthShore Medical Group physicians. Upon the opening of the MCB, that goal, as it relates to the market area identified above, will be met.

ALTERNATIVES

Due to the limited nature of the proposed project and the applicant's need to improve access to Northshore University HealthSystem physicians for residents of northwestern Lake County, aside from the selection of an alternative site, other alternatives were not considered. Had a different site in the area been selected, the capital cost associated with the alternative project would likely be either higher or lower than that of the proposed project, the quality of care provided would be identical to that of the proposed project, and access and associated operating costs would have been similar to those associated with the proposed project.

SIZE

The proposed medical clinics building will be developed through new construction. The physicians' offices/waiting areas, the specimen collection function and the imaging service will be located on the first floor. The remainder of functions, as identified in ATTACHMENT 9, are generally located on the second floor.

The only area in the MCB having an IHFSRB-identified space standard is the imaging area, which will provide one general x-ray unit. That area has been planned consistent with the IHFSRB space standard.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Gen'l Radiology	291	1,300	(1,009)	YES

PROJECT SERVICES UTILIZATION

The proposed project includes two clinical services, both of which are typical to medical clinics buildings, and are provided in support of the physicians' practices located in the MCB. Those services are a laboratory/specimen collection area, and a single general radiology unit.

The IDPH does not have a utilization standard for laboratories, and the applicant estimates that 15,000 specimens will be collected during the first year following the MCB's opening (2019), and that approximately 18,000 specimens will be collected in subsequent years. Approximately 4,000 imaging studies are anticipated to be performed during the first year following the MCB's opening (2019), and the applicant estimates that approximately 5,000 studies will be performed in subsequent years. As noted above, only one general radiology unit will be provided, and therefore, consistent with IHFSRB practices, the minimum utilization standard is not applicable.

Dept./ Service	2014 Historical Utilization* (Patient Days) (TREATMENTS)	PROJECTED UTILIZATION* (examinations) YEAR 1	YEAR 2	STATE STANDARD	MET STANDARD?
general radiology	N/A	4,000	5,000	8,000	N/A

ATTACHMENT 15

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed medical clinics building will include two clinical services that are not designated by IDPH as being "categories of service": specimen collection/laboratory and general radiology.

The primary purpose of these two clinical areas, as is the primary purpose of the entire project, is to improve the manner in which physicians' office services are accessible to residents of northwestern Lake County.

Utilization projections of the two clinical services are provided in ATTACHMENT 15, and are based on the applicant's medical group's experience. The first year following the MCB's opening will include a ramp-up period, with that ramp up period anticipated to conclude in late 2019.

The clinical services identified above are intended to support the practices of the physicians officed in the MCB, and as a result, no material impact on other providers of these services is anticipated.

S&P Global
Ratings

RatingsDirect®

Illinois Finance Authority NorthShore University HealthSystem; System

Primary Credit Analyst:
Brian T Williamson, Chicago (1) 312-233-7009; brian.williamson@spglobal.com

Secondary Contact:
Suzie R Desai, Chicago (1) 312-233-7046; suzie.desai@spglobal.com

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Rationale

Outlook

Enterprise Profile

Financial Profile

Related Criteria And Research

Illinois Finance Authority
NorthShore University HealthSystem; System

Credit Profile		
Illinois Fin Auth, Illinois		
NorthShore Univ Hlth Sys, Illinois		
Series 2010		
Long Term Rating	AA/Positive	Affirmed

Rationale

S&P Global Ratings affirmed its 'AA' long-term rating on the Illinois Finance Authority's series 2010 revenue refunding bonds, issued for NorthShore University HealthSystem (NorthShore). The outlook is positive.

At the same time, S&P Global Ratings affirmed its 'AA/A-1+' rating on the authority's series 1995 and 2001C bonds and its 'AA/A-1' rating on the authority's series 1996 and 2001B bonds, also issued for NorthShore. The short-term components of the ratings on the variable-rate demand bonds are based on standby bond purchase agreements from JPMorgan Chase Bank N.A. expiring on Nov. 15, 2017 (series 2001B) and Oct. 10, 2016 (series 1996) and from Wells Fargo Bank N.A. expiring on Nov. 15, 2016 (series 1995 and 2001C).

S&P Global Ratings also affirmed its 'AANR' rating on the authority's $150 million series, 1990A, 1992, and 1998 bonds, also issued for NorthShore. These ratings reflect the long-term rating on NorthShore and the repurchase of these bonds by NorthShore. Although these bonds are technically outstanding, NorthShore holds them internally and they are not on the system's financial statements. NorthShore is not remarketing these bonds to external investors, so no short-term rating component is required. Management reports that any future reoffering of these bonds to external investors would most likely be accompanied by some type of credit or liquidity support, and we would assign a short-term rating component at that time. The rating also reflects $75 million of unrated commercial paper that is supported by a letter of credit from Northern Trust.

The 'AA' long-term rating on NorthShore's debt continues to reflect our assessment of NorthShore's integrated business model with four hospitals, a large employed physician group, and a large outpatient presence in a demographically favorable service area. The aforementioned, coupled with continued improving operations over the past two fiscal years and stable cash on hand, supports the rating. NorthShore is continuing to invest in ambulatory sites as it expands its reach while focusing on leveraging technology such as its electronic medical record. Finally, NorthShore has worked with various partners as it looks to enhance the care that it provides as a large research facility and seeks paths by which it can provide this care at a lower cost.

At the time of our previous review, NorthShore had announced an agreement to merge with Advocate Health Care Network to form Chicagoland's largest health care system. We maintain that the merger would position it for continued success and further enterprise and financial profile improvement. However, the Federal Trade Commission

(FTC) opposes the merger. Both systems have challenged the FTC's ruling that the merger not move forward. A court hearing on the matter was held in early April, and NorthShore expects that another 60 days could pass before a decision is made on the merger of the two entities.

The 'AA' rating further reflects our view of NorthShore's:

- Management team that continues to execute on its strategic plan,
- Balance sheet that has continued to improve,
- Good market presence in the competitive local market, and
- Prudent cost savings initiatives that should help to sustain the historical level of operations.

Partly offsetting the above strengths, in our view, is management's ability to move forward with plans as it awaits judgment on the pending merger with Advocate.

The 'AA' rating is based on our view of NorthShore's group credit profile (i.e., the system as a whole). A general obligation pledge of the corporation secures the bonds. This pledge, which includes all of the system's hospitals, is augmented by a pledge of the contribution agreements executed by the restricted affiliates. The main affiliate not securing the bonds is the NorthShore Physician Associates Inc. However, S&P Global Ratings includes all of the affiliates in its analysis. NorthShore has no swap agreements outstanding.

Outlook

The positive outlook continues to reflect our view of NorthShore's strong enterprise and financial profiles. The outlook also reflects our view of the pending merger if the FTC's challenge is overturned during the outlook period.

Upside scenario

A higher rating, over the two-year outlook period, is possible if NorthShore achieves its budget for fiscal 2016 and continues operational success into fiscal 2017. Also, if the merger is approved, we could raise the rating if the new system demonstrates immediate success as it works through the consolidation.

Downside scenario

We could revise the outlook to stable if NorthShore's operations soften to less than 3.5% for a sustained period per our calculations and its cash on hand dips below 300 days. We do not expect to lower the rating during the two-year outlook period, but a sharp financial or business deterioration could result in a negative outlook or a lowered rating.

Enterprise Profile

NorthShore's flagship facility and headquarters are based in Evanston, Ill., one of Chicago's northern suburbs. Over the years, NorthShore has expanded to a four-hospital system, including its flagship (Evanston Hospital), Glenbrook Hospital, Highland Park Hospital, and Skokie Hospital. The system has 739 staffed inpatient beds.

As we have seen in many areas of the country, NorthShore's inpatient volume has declined and then flattened over time. While this has occurred, NorthShore has continued to see growth on the outpatient side as evidenced by growth

in equivalent inpatient admissions. Overall market share remains sound in NorthShore's 53-ZIP-code primary service area centered in Lake and northern Cook County at 21%. The single largest competitor is Lutheran General Hospital at an 11% market share with many other regional hospitals, including downtown Chicago's numerous providers, splitting volume. While NorthShore's market position is strong and leading in its primary market and generally consistent across many specialties, overall competition and outmigration are meaningful risks.

Management

Senior management is long tenured and has been stable for an extended period, with occasional retirements. The current CEO and chief financial officer have been in place for many years, and have not announced retirement plans. Overall, we believe the management team at NorthShore is strong and proactive.

Accomplishments continue to include building a fully integrated system with four inpatient facilities and a large employed-physician base. Management reports that its physician base is well sized and that the acquisition pipeline has slowed, but remains open to adding more physicians. The team continues to have an academic affiliation with the University of Chicago. Management expects that the affiliation would remain in place even if the merger moves forward, and recently renewed the affiliation agreement for several years. NorthShore is also the local partner with the Mayo Clinic Care Network, and management notes positive momentum related to the affiliation.

Table 1

NorthShore University HealthSystem Utilization

	--Three-month interim ended Dec. 31--	--Fiscal year ended Sept. 30--	
	2015	**2015**	**2014**
PSA population	1,601,657	1,601,657	N.A.
PSA market share %	21	21	N.A.
Inpatient admissions*	9087	35,290	35,870
Equivalent inpatient admissions	36810	143,840	140,429
Emergency visits	31048	125,183	122,274
Inpatient surgeries	2610	9,886	10,346
Outpatient surgeries	6958	26,199	26,454
Medicare case mix index	1.62	1.635	1.65
FTE employees	8,462	8,233	8,137
Active physicians	2,041	2,037	2,043
Medicare %§	30	28	28
Medicaid %§	4	4	4
Commercial/Blues %§	63	63	62

*Excludes newborns, psychiatric, and rehabilitation admissions. §Based on net revenue. FTE--Full-time equivalent. N.A.--Not available. PSA--Primary service area.

Financial Profile

Operations

Operating income, as measured by S&P Global Ratings, has been adjusted to reclassify certain items as they appear in NorthShore's audited format from operating revenue to nonoperating revenue. As such, NorthShore's operations have

improved over the past three fiscal years. However, as of the first quarter of fiscal 2016 ended Dec. 31, NorthShore's operations lag those of the prior-year period. NorthShore notes that it is still seeing growth on the utilization side despite the decline in the overall market. Management attributes the solid operations primarily to the strength of the four hospitals, as expected. Although management views the first quarter of fiscal 2016 as strong, it did note that the prior-year period was one of the strongest quarters that it had seen in a number of years. For the first quarter of fiscal 2016, NorthShore stated that revenue was up approximately 2% on the year. Despite the improved revenue, NorthShore, as with many others, has seen a sharp rise in the cost of pharmaceuticals affect results. Although operations were softer in the first quarter of 2016, NorthShore is budgeting for an operating income of approximately $98 million for the year.

NorthShore's further reduction of its pension risk has affected nonoperating income in the first quarter of fiscal 2016. At fiscal year-end 2013, NorthShore's unfunded pension liability declined significantly to just $70 million from more than $161 million the prior year. In response, NorthShore froze its defined benefit plan for all employees and converted to a defined contribution plan in fiscal 2014. The noneconomic impact of the pension risk reduction plan in the first quarter was approximately $78 million.

Overall coverage of maximum annual debt service, excluding unrealized gains and the non-economic impact of the pension reduction, remains a key credit strength, in our opinion, at almost 11x in the fiscal year to date. Operating-lease-adjusted coverage has dropped to 6x in the fiscal year to date.

Balance sheet

As NorthShore has continued to produce strong cash flow and manage its expense base, it has seen unrestricted reserves grow as measured by cash on hand. As of Sept. 30, 2015, cash on hand was down slightly to 339 days primarily as a result of softer investment returns.

The excellent unrestricted reserves to debt metrics also reflect NorthShore's light debt burden and light debt overall, which is just 15% of capitalization. This incorporates NorthShore's repurchase of roughly $360 million of its own debt in fiscal 2008 and its holding $150 million of that debt internally, with the result that this debt is not reflected in the financial statements. Overall investments are allocated to fixed income and short-term instruments at 24%, hedge funds and alternative investments at 36%, equities at 37%, and other investments at 3%.

Management estimates capital expenditures over the next two years will total about $375 million as it completes some projects. After that period, the team expects capital expenditures to total approximately $150 million annually.

Table 2

NorthShore University HealthSystem Financiaal Summary

	--Three-month interim ended Dec. 31--	--Fiscal year ended Sept. 30--		'AA' rated health care system medians	'AA+' rated health care system medians
	2015	2015	2014	2014	2014
Financial performance					
Net patient revenue ($000s)	470,142	1,788,506	1,750,063	1,989,096	2,678,034
Total operating revenue ($000s)	501,752	1,905,763	1,870,451	MNR	MNR
Total operating expenses ($000s)	481,747	1,812,123	1,796,442	MNR	MNR

Table 2

NorthShore University HealthSystem Financiaal Summary (cont.)

	--Three-month interim ended Dec. 31--	--Fiscal year ended Sept. 30--		'AA' rated health care system medians	'AA+' rated health care system medians
	2015	2015	2014	2014	2014
Operating income ($000s)	20,005	93,640	74,009	MNR	MNR
Operating margin (%)	3.99	4.91	3.96	5.30	6.50
Net non-operating income ($000s)	(61,598)	77,520	84,279	MNR	MNR
Excess income ($000s)	(41,593)	171,160	158,288	MNR	MNR
Excess margin (%)	(9.45)	8.63	8.10	8.50	9.90
Operating EBIDA margin (%)	9.85	11.40	10.57	10.90	12.10
EBIDA margin (%)	(2.77)	14.86	14.43	14.40	15.20
Net available for debt service ($000s)*	(12,173)	294,777	282,035	421,930	538,975
Maximum annual debt service (MADS; $000s)	24,070	24,070	24,070	MNR	MNR
MADS coverage (x)*	(2.02)	12.25	11.72	7.20	7.90
Operating-lease-adjusted coverage (x)*	(0.52)	6.53	6.12	5.20	4.50
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	1,631,407	1,574,812	1,592,206	2,395,574	4,024,012
Unrestricted days' cash on hand	327.8	339.0	346.0	296.6	440.5
Unrestricted reserves/long-term debt (%)	469.4	453.1	445.3	256.4	295.7
Unrestricted reserves/contingent liabilities (%)	690.3	666.4	656.9	MNR	MNR
Average age of plant (years)	9.5	8.8	8.6	9.4	8.9
Capital expenditures/depreciation and amortization (%)	89.7	133.8	92.9	143	186.9
Debt and liabilities					
Long-term debt ($000s)	347,542	347,564	357,562	MNR	MNR
Long-term debt/capitalization (%)	14.3	14.6	15.3	24.6	24.1
Contingent liabilities ($000s)	236,320	236,320	242,395	MNR	MNR
Contingent liabilities/long-term debt (%)	68.0	68.0	67.8	MNR	MNR
Debt burden (%)	1.14	1.20	1.20	1.90	1.70
Defined benefit plan funded status (%)	N.A.	83.29	85.03	83.80	94.60

*Interim period adjusted for noneconomic impact of pension adjustment totaling $77.6 million. MNR--Median not reported. N.A.--Not available.

Related Criteria And Research

Related Criteria

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- USPF Criteria: Standby Bond Purchase Agreement Automatic Termination Events, April 11, 2008

- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- General Criteria: Methodology: Industry Risk, Nov. 20, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- U.S. Not-For-Profit Health Care Sector Outlook Revised To Stable From Negative, Though Uncertainties Persist, Sept. 9, 2015
- U.S. Not-For-Profit Health Care System Median Ratios Likely To Remain Stable Through 2016 Despite Industry Pressures, Sept. 1, 2015
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- Standard & Poor's Assigns Industry Risk Assessments To 38 Nonfinancial Corporate Industries, Nov. 20, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Health Care Organizations See Integration And Greater Transparency As Prescriptions For Success, May 19, 2014

Ratings Detail (As Of May 2, 2016)		
Illinois Fin Auth, Illinois		
NorthShore Univ Hlth Sys, Illinois		
Series 1995		
Long Term Rating	AA/A-1+/Positive	Affirmed
Series 1996		
Long Term Rating	AA/A-1/Positive	Affirmed
Series 1998, 1992,1990A		
Long Term Rating	AA/NR/Positive	Affirmed
Series 2001B		
Long Term Rating	AA/A-1/Positive	Affirmed
Series 2001C		
Long Term Rating	AA/A-1+/Positive	Affirmed

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S&P Global
Ratings

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Illinois Finance Authority NorthShore University HealthSystem; System

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Series 2010		
Long Term Rating	AA/Positive	Affirmed

Rationale

S&P Global Ratings affirmed its 'AA' long-term rating on the Illinois Finance Authority's series 2010 revenue refunding bonds, issued for NorthShore University HealthSystem (NorthShore). The outlook is positive.

At the same time, S&P Global Ratings affirmed its 'AA/A-1+' rating on the authority's series 1995 and 2001C bonds and its 'AA/A-1' rating on the authority's series 1996 and 2001B bonds, also issued for NorthShore. The short-term components of the ratings on the variable-rate demand bonds are based on standby bond purchase agreements from JPMorgan Chase Bank N.A. expiring on Nov. 15, 2017 (series 2001B) and Oct. 10, 2016 (series 1996) and from Wells Fargo Bank N.A. expiring on Nov. 15, 2016 (series 1995 and 2001C).

S&P Global Ratings also affirmed its 'AANR' rating on the authority's $150 million series, 1990A, 1992, and 1998 bonds, also issued for NorthShore. These ratings reflect the long-term rating on NorthShore and the repurchase of these bonds by NorthShore. Although these bonds are technically outstanding, NorthShore holds them internally and they are not on the system's financial statements. NorthShore is not remarketing these bonds to external investors, so no short-term rating component is required. Management reports that any future reoffering of these bonds to external investors would most likely be accompanied by some type of credit or liquidity support, and we would assign a short-term rating component at that time. The rating also reflects $75 million of unrated commercial paper that is supported by a letter of credit from Northern Trust.

The 'AA' long-term rating on NorthShore's debt continues to reflect our assessment of NorthShore's integrated business model with four hospitals, a large employed physician group, and a large outpatient presence in a demographically favorable service area. The aforementioned, coupled with continued improving operations over the past two fiscal years and stable cash on hand, supports the rating. NorthShore is continuing to invest in ambulatory sites as it expands its reach while focusing on leveraging technology such as its electronic medical record. Finally, NorthShore has worked with various partners as it looks to enhance the care that it provides as a large research facility and seeks paths by which it can provide this care at a lower cost.

At the time of our previous review, NorthShore had announced an agreement to merge with Advocate Health Care Network to form Chicagoland's largest health care system. We maintain that the merger would position it for continued success and further enterprise and financial profile improvement. However, the Federal Trade Commission

(FTC) opposes the merger. Both systems have challenged the FTC's ruling that the merger not move forward. A court hearing on the matter was held in early April, and NorthShore expects that another 60 days could pass before a decision is made on the merger of the two entities.

The 'AA' rating further reflects our view of NorthShore's:

- Management team that continues to execute on its strategic plan,
- Balance sheet that has continued to improve,
- Good market presence in the competitive local market, and
- Prudent cost savings initiatives that should help to sustain the historical level of operations.

Partly offsetting the above strengths, in our view, is management's ability to move forward with plans as it awaits judgment on the pending merger with Advocate.

The 'AA' rating is based on our view of NorthShore's group credit profile (i.e., the system as a whole). A general obligation pledge of the corporation secures the bonds. This pledge, which includes all of the system's hospitals, is augmented by a pledge of the contribution agreements executed by the restricted affiliates. The main affiliate not securing the bonds is the NorthShore Physician Associates Inc. However, S&P Global Ratings includes all of the affiliates in its analysis. NorthShore has no swap agreements outstanding.

Outlook

The positive outlook continues to reflect our view of NorthShore's strong enterprise and financial profiles. The outlook also reflects our view of the pending merger if the FTC's challenge is overturned during the outlook period.

Upside scenario

A higher rating, over the two-year outlook period, is possible if NorthShore achieves its budget for fiscal 2016 and continues operational success into fiscal 2017. Also, if the merger is approved, we could raise the rating if the new system demonstrates immediate success as it works through the consolidation.

Downside scenario

We could revise the outlook to stable if NorthShore's operations soften to less than 3.5% for a sustained period per our calculations and its cash on hand dips below 300 days. We do not expect to lower the rating during the two-year outlook period, but a sharp financial or business deterioration could result in a negative outlook or a lowered rating.

Enterprise Profile

NorthShore's flagship facility and headquarters are based in Evanston, Ill., one of Chicago's northern suburbs. Over the years, NorthShore has expanded to a four-hospital system, including its flagship (Evanston Hospital), Glenbrook Hospital, Highland Park Hospital, and Skokie Hospital. The system has 739 staffed inpatient beds.

As we have seen in many areas of the country, NorthShore's inpatient volume has declined and then flattened over time. While this has occurred, NorthShore has continued to see growth on the outpatient side as evidenced by growth

in equivalent inpatient admissions. Overall market share remains sound in NorthShore's 53-ZIP-code primary service area centered in Lake and northern Cook County at 21%. The single largest competitor is Lutheran General Hospital at an 11% market share with many other regional hospitals, including downtown Chicago's numerous providers, splitting volume. While NorthShore's market position is strong and leading in its primary market and generally consistent across many specialties, overall competition and outmigration are meaningful risks.

Management

Senior management is long tenured and has been stable for an extended period, with occasional retirements. The current CEO and chief financial officer have been in place for many years, and have not announced retirement plans. Overall, we believe the management team at NorthShore is strong and proactive.

Accomplishments continue to include building a fully integrated system with four inpatient facilities and a large employed-physician base. Management reports that its physician base is well sized and that the acquisition pipeline has slowed, but remains open to adding more physicians. The team continues to have an academic affiliation with the University of Chicago. Management expects that the affiliation would remain in place even if the merger moves forward, and recently renewed the affiliation agreement for several years. NorthShore is also the local partner with the Mayo Clinic Care Network, and management notes positive momentum related to the affiliation.

Table 1

NorthShore University HealthSystem Utilization

	--Three-month interim ended Dec. 31--	--Fiscal year ended Sept. 30--	
	2015	**2015**	**2014**
PSA population	1,601,657	1,601,657	N.A.
PSA market share %	21	21	N.A.
Inpatient admissions*	9087	35,290	35,870
Equivalent inpatient admissions	36810	143,840	140,429
Emergency visits	31048	125,183	122,274
Inpatient surgeries	2610	9,886	10,346
Outpatient surgeries	6958	26,199	26,454
Medicare case mix index	1.62	1.635	1.65
FTE employees	8,462	8,233	8,137
Active physicians	2,041	2,037	2,043
Medicare %§	30	28	28
Medicaid %§	4	4	4
Commercial/Blues %§	63	63	62

*Excludes newborns, psychiatric, and rehabilitation admissions. §Based on net revenue. FTE--Full-time equivalent. N.A.--Not available. PSA--Primary service area.

Financial Profile

Operations

Operating income, as measured by S&P Global Ratings, has been adjusted to reclassify certain items as they appear in NorthShore's audited format from operating revenue to nonoperating revenue. As such, NorthShore's operations have

improved over the past three fiscal years. However, as of the first quarter of fiscal 2016 ended Dec. 31, NorthShore's operations lag those of the prior-year period. NorthShore notes that it is still seeing growth on the utilization side despite the decline in the overall market. Management attributes the solid operations primarily to the strength of the four hospitals, as expected. Although management views the first quarter of fiscal 2016 as strong, it did note that the prior-year period was one of the strongest quarters that it had seen in a number of years. For the first quarter of fiscal 2016, NorthShore stated that revenue was up approximately 2% on the year. Despite the improved revenue, NorthShore, as with many others, has seen a sharp rise in the cost of pharmaceuticals affect results. Although operations were softer in the first quarter of 2016, NorthShore is budgeting for an operating income of approximately $98 million for the year.

NorthShore's further reduction of its pension risk has affected nonoperating income in the first quarter of fiscal 2016. At fiscal year-end 2013, NorthShore's unfunded pension liability declined significantly to just $70 million from more than $161 million the prior year. In response, NorthShore froze its defined benefit plan for all employees and converted to a defined contribution plan in fiscal 2014. The noneconomic impact of the pension risk reduction plan in the first quarter was approximately $78 million.

Overall coverage of maximum annual debt service, excluding unrealized gains and the non-economic impact of the pension reduction, remains a key credit strength, in our opinion, at almost 11x in the fiscal year to date. Operating-lease-adjusted coverage has dropped to 6x in the fiscal year to date.

Balance sheet

As NorthShore has continued to produce strong cash flow and manage its expense base, it has seen unrestricted reserves grow as measured by cash on hand. As of Sept. 30, 2015, cash on hand was down slightly to 339 days primarily as a result of softer investment returns.

The excellent unrestricted reserves to debt metrics also reflect NorthShore's light debt burden and light debt overall, which is just 15% of capitalization. This incorporates NorthShore's repurchase of roughly $360 million of its own debt in fiscal 2008 and its holding $150 million of that debt internally, with the result that this debt is not reflected in the financial statements. Overall investments are allocated to fixed income and short-term instruments at 24%, hedge funds and alternative investments at 36%, equities at 37%, and other investments at 3%.

Management estimates capital expenditures over the next two years will total about $375 million as it completes some projects. After that period, the team expects capital expenditures to total approximately $150 million annually.

Table 2

NorthShore University HealthSystem Financiaal Summary

	--Three-month interim ended Dec. 31--	--Fiscal year ended Sept. 30--		'AA' rated health care system medians	'AA+' rated health care system medians
	2015	2015	2014	2014	2014
Financial performance					
Net patient revenue ($000s)	470,142	1,788,506	1,750,063	1,989,096	2,678,034
Total operating revenue ($000s)	501,752	1,905,763	1,870,451	MNR	MNR
Total operating expenses ($000s)	481,747	1,812,123	1,796,442	MNR	MNR

Table 2

NorthShore University HealthSystem Financiaal Summary (cont.)

	--Three-month interim ended Dec. 31--	--Fiscal year ended Sept. 30--		'AA' rated health care system medians	'AA+' rated health care system medians
	2015	2015	2014	2014	2014
Operating income ($000s)	20,005	93,640	74,009	MNR	MNR
Operating margin (%)	3.99	4.91	3.96	5.30	6.50
Net non-operating income ($000s)	(61,598)	77,520	84,279	MNR	MNR
Excess income ($000s)	(41,593)	171,160	158,288	MNR	MNR
Excess margin (%)	(9.45)	8.63	8.10	8.50	9.90
Operating EBIDA margin (%)	9.85	11.40	10.57	10.90	12.10
EBIDA margin (%)	(2.77)	14.86	14.43	14.40	15.20
Net available for debt service ($000s)*	(12,173)	294,777	282,035	421,930	538,975
Maximum annual debt service (MADS; $000s)	24,070	24,070	24,070	MNR	MNR
MADS coverage (x)*	(2.02)	12.25	11.72	7.20	7.90
Operating-lease-adjusted coverage (x)*	(0.52)	6.53	6.12	5.20	4.50
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	1,631,407	1,574,812	1,592,206	2,395,574	4,024,012
Unrestricted days' cash on hand	327.8	339.0	346.0	296.6	440.5
Unrestricted reserves/long-term debt (%)	469.4	453.1	445.3	256.4	295.7
Unrestricted reserves/contingent liabilities (%)	690.3	666.4	656.9	MNR	MNR
Average age of plant (years)	9.5	8.8	8.6	9.4	8.9
Capital expenditures/depreciation and amortization (%)	89.7	133.8	92.9	143	186.9
Debt and liabilities					
Long-term debt ($000s)	347,542	347,564	357,562	MNR	MNR
Long-term debt/capitalization (%)	14.3	14.6	15.3	24.6	24.1
Contingent liabilities ($000s)	236,320	236,320	242,395	MNR	MNR
Contingent liabilities/long-term debt (%)	68.0	68.0	67.8	MNR	MNR
Debt burden (%)	1.14	1.20	1.20	1.90	1.70
Defined benefit plan funded status (%)	N.A.	83.29	85.03	83.80	94.60

*Interim period adjusted for noneconomic impact of pension adjustment totaling $77.6 million. MNR--Median not reported. N.A.--Not available.

Related Criteria And Research

Related Criteria

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- USPF Criteria: Standby Bond Purchase Agreement Automatic Termination Events, April 11, 2008

- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- General Criteria: Methodology: Industry Risk, Nov. 20, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- U.S. Not-For-Profit Health Care Sector Outlook Revised To Stable From Negative, Though Uncertainties Persist, Sept. 9, 2015
- U.S. Not-For-Profit Health Care System Median Ratios Likely To Remain Stable Through 2016 Despite Industry Pressures, Sept. 1, 2015
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- Standard & Poor's Assigns Industry Risk Assessments To 38 Nonfinancial Corporate Industries, Nov. 20, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Health Care Organizations See Integration And Greater Transparency As Prescriptions For Success, May 19, 2014

Ratings Detail (As Of May 2, 2016)		
Illinois Fin Auth, Illinois		
NorthShore Univ Hlth Sys, Illinois		
Series 1995		
Long Term Rating	AA/A-1+/Positive	Affirmed
Series 1996		
Long Term Rating	AA/A-1/Positive	Affirmed
Series 1998, 1992,1990A		
Long Term Rating	AA/NR/Positive	Affirmed
Series 2001B		
Long Term Rating	AA/A-1/Positive	Affirmed
Series 2001C		
Long Term Rating	AA/A-1+/Positive	Affirmed

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INVESTORS SERVICE

CREDIT OPINION
16 March 2016

Update

Rate this Research

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NorthShore University HealthSystem, IL

Update – Moody's affirms NorthShore University HealthSystem's (IL) Aa2 & Aa2/VMIG 1; stable outlook

Summary Rating Rationale

Moody's Investors Service affirms the Aa2 and Aa2/VMIG 1 ratings for NorthShore University HealthSystem (NorthShore), affecting $280 million of outstanding debt. The outlook is stable.

The Aa2 is based on NorthShore's good geographic coverage in an attractive service area, strong investment position that supports a moderate debt load, and sound margins. Challenges include competition and increased consolidation in the broader region, moderate revenue growth, and a comparatively less liquid asset allocation. The VMIG 1 is based on the provision of standby bond purchase agreements with several banks to support unremarketed tenders of variable rate bonds.

Credit Strengths

» Strong balance sheet position with 294 days of cash on hand and 385% cash-to-debt

» Leading position in an attractive service area with a large commercial patient base

» Low debt load and very strong debt coverage ratios

» Second year of operating cashflow margin above 12%

» Over 400% monthly cash-to-demand debt, diversification of banks and expiration dates mitigates a relatively high 66% variable rate debt

Credit Challenges

» Competition from several hospitals and increasing consolidation in the broader region

» Moderate revenue growth with 4% three-year compound annual growth rate (CAGR)

» Cash and investments are comparatively less liquid with 54% available monthly

Rating Outlook

The stable rating outlook reflects expectations that NorthShore will sustain operating cashflow margins and maintain balance sheet strength.

Factors that Could Lead to an Upgrade

» Material enterprise growth and diversification in multiple markets

» Growth in market share to provide distinct leading position

» Significant and sustained improvement in operating cashflow margin and absolute cashflow

Factors that Could Lead to a Downgrade

» Decline in margins for multiple years

» Large decline in liquidity

» Meaningful increase in debt without cashflow growth

Key Indicators

Exhibit 1
NorthShore University HealthSystem, IL

	2011	2012	2013	2014	2015
Operating Revenue ($'000)	1,678,112	1,716,333	1,782,942	1,892,473	1,924,214
3 Year Operating Revenue CAGR (%)	9.4	6.2	5.4	5.4	3.9
Operating Cash Flow Margin (%)	11.9	9.7	8.6	11.6	12.2
PM: Medicare (%)	39.0	40.0	40.0	39.0	38.0
PM: Medicaid (%)	7.0	7.0	7.0	8.0	9.0
Days Cash on Hand	251	250	270	292	294
Unrestricted Cash and Investments to Total Debt (%)	261.0	278.2	322.8	367.8	384.6
Total Debt to Cash Flow (x)	1.4	1.6	1.6	1.2	1.1

Based on audits for NorthShore University HealthSystem, fiscal year ended September 30

Investment returns normalized at 6% prior to FY 2015 and 5% in FY 2015 and beyond

Source: Moody's Investors Service

Recent Developments

In September 2014, NorthShore entered into a merger and affiliation agreement with Aa2-rated Advocate Health Care Network (Advocate) to form Advocate NorthShore Health Partners, a 16 hospital system across nine Illinois counties. The state of Illinois Health Facilities and Services Review Board approved the proposed transaction in December 2014. On December 18, 2015, however, the Federal Trade Commission (FTC) issued an administrative complaint challenging the proposed merger and affiliation. On December 21, 2015, the FTC and Illinois Attorney General filed a complaint and motion for preliminary injunction in the Northern District of Illinois Federal District Court in Chicago. The matter has been set for a full evidentiary hearing and trial before the Federal District Court on April 6, 2016. NorthShore anticipates a ruling on the proposed merger from the Federal District Court within 60 days from the completion of the hearing.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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If consummated, the transaction is credit positive for both organizations. The systems' aligned strategies, proven management, and strong respective and combined financial resources will position the new organization to meet the challenges of a rapidly changing industry.

Detailed Rating Considerations

Market Position: Good Market Position in Attractive Service Area

NorthShore maintains a solid market position and good geographic coverage in an attractive service area, despite competition and increasing hospital consolidation in the secondary service area. The system maintains a leading and generally stable market share of approximately 21% in a 50-zip code area centered around Evanston, IL and the area north and west of Evanston.

NorthShore benefits from its tightly integrated model comprised of four hospitals, a large medical group with over 850 employed physicians, and an independent practice association (IPA) that includes the medical group and affiliated physicians. The system continues to advance key strategic initiatives and investments, including physician alignment, quality of patient care, distinct brand growth based on uniform customer experience, ambulatory growth, and advanced information technology. NorthShore implemented its electronic medical records over a decade ago, which allows standardized clinical protocols, centralized scheduling, and electronic scheduling and positions the system for data analytics capabilities.

Operating Performance, Balance Sheet, and Capital Plans: Improved Margins and Strong Balance Sheet Support Capital

NorthShore sustained improved operating cashflow margins in fiscal years 2014 and 2015, averaging a solid 12%, following 9-10% margins in fiscal years 2012 and 2013. Revenue growth has been modest due to inpatient cases shifting to lower-paying observation cases and moderate government and commercial rate increases. Total admissions declined close to 2% in FY 2015, but were up 1% when combined with observation cases. The system implemented cost reductions, approximating $60 million, to drive operating improvement.

Margins are budgeted to moderate slightly in FY 2016 due to more normal professional insurance expense. The first quarter of FY 2016 is down with a 10.6% operating cashflow margin, in part reflecting high pharmaceutical costs.

LIQUIDITY

NorthShore's good balance sheet is likely to be maintained. At FYE 2015, the system had 294 days of cash, providing a strong 385% cash-to-debt. Capital spending is expected to increase to approximately $230 million in FY 2016, around projected operating cashflow, although the system typically underspends its capital budget. The largest projects are finishing investments in the Skokie campus, including a surgical pavilion, modernization projects at Highland Park, upgrades to the ED at Evanston Hospital, and ambulatory investments.

Debt Structure and Legal Covenants

NorthShore maintains a low debt position, including direct debt and debt equivalent defined benefit pension and operating leases. Cash-to-comprehensive debt is good at 264%. Debt metrics are very strong with a favorably low one time debt-to-cashflow and over 13 times maximum annual debt service coverage. No new debt is expected.

DEBT STRUCTURE

Over 60% of debt is variable rate, primarily supported by bank standby bond purchase agreements. This risk is mitigated by the diversification across four banks and staggered facility expiration dates. Monthly cash-to-demand debt provides ample cushion at over 400%.

DEBT-RELATED DERIVATIVES

There are no debt-related derivatives.

PENSIONS AND OPEB

NorthShore has taken multiple steps to reduce pension risk. The defined benefit pension plan was frozen to all employees in December 2013 and two deferred vested cash-outs were offered in the last several years. NorthShore spun off and subsequently terminated a sizable portion of the frozen DB pension plan. At FYE 2015, the unfunded obligation was modest at $63 million.

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Management and Governance

Senior management has long tenure, providing consistent strategic direction. The system typically meets operating budgets and balances capital needs with cashflow.

Legal Security

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

Use of Proceeds

Not applicable.

Obligor Profile

NorthShore University HealthSystem operates four acute care facilities, including Evanston Hospital, Highland Park Hospital, Glenbrook Hospital, and Skokie Hospital. The service area is the greater Chicago "North Shore" and northern Illinois communities. NorthShore has over 2,000 affiliated physicians, of which over 875 are multi-specialty physicians within the Medical Group.

Methodology

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in November 2015. An additional methodology used in the short term rating was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2015. Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

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REPORT NUMBER 1019482

NorthShore
University HealthSystem

J.P. Gallagher, FACHE
Chief Operating Officer

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February 8, 2017

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

To Whom It May Concern:

I hereby attest that the total estimated project costs associated with the development of a medical clinics building to be located at Rollins Road and Hook Drive in Round Lake Beach, Illinois, and to be addressed by the Illinois Health Facilities and Services Review Board, will be funded through the use of cash and other liquid assets.

Sincerely,

Gerald P. Gallagher
Chief Operating Officer

State of Illinois
County of Cook

This instrument was acknowledged before me on February 8th, 2017 by Gerald P. Gallagher.

Barbara M. Holland
Notary

OFFICIAL SEAL
BARBARA M HOLLAND
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/04/19

ATTACHMENT 39A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

									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									
General X-Ray/Imaging	$250.00		353				$88,250		$88,250
Specimen Collect./Lab.	$230.00		291				$66,930		$66,930
Const. Contingency	$15.00						$9,660		$9,660
Total	$255.96		644				$164,840		$164,840
Non-Reviewable									
Physicians' Offices	$277.00		16,696				$4,624,792		$4,624,792
Public& Waiting	$270.00		2,400				$648,000		$648,000
Staff Support Areas	$240.00		800				$192,000		$192,000
Admin/Mtg/Conference	$269.00		9,500				$2,555,500		$2,555,500
Elevator/Stairs	$388.10		480				$186,288		$186,288
Storage	$220.00		1,800				$396,000		$396,000
Mechanical	$220.00		2,620				$576,400		$576,400
			34,296				$9,178,980		$9,178,980
Const. Contingency	$15.00						$514,440		$514,440
Total	$282.64						$9,693,420		$9,693,420
PROJECT TOTAL	$282.15		34,940				$9,858,260		$9,858,260

ATTACHMENT 39C