
APPENDIX A

**THE UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM,**

**THE
MEDICAL SERVICE PLAN
AND
THE COLLEGE OF MEDICINE TUITION**

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INTRODUCTION

As described in more detail in the forepart of this Official Statement, The Board of Trustees of the University of Illinois (the “Board”) University of Illinois Health Services Facilities System Revenue Bonds, Series 2013 (the “Series 2013 Bonds”), together with the outstanding Health Services Facilities System Revenue Bonds and such bonds as may be issued in the future (collectively with the Series 2013 Bonds, the “Bonds”) and any additional parity debt, are payable from and secured by a pledge of and lien on the following revenue sources:

- (a) *first*, the Net Revenues of the Health Services Facilities System (the “System”);
- (b) *second*, certain charges, income and revenues of the University of Illinois College of Medicine Medical Service Plan (the “MSP”); and
- (c) *third*, certain University of Illinois College of Medicine Student Tuition (“College of Medicine Tuition”), subject to the prior pledge of the University of Illinois’ (the “University”) student tuition and fees (the “Prior Pledge”) (of which the College of Medicine Student Tuition is a part) in favor of certain bond issues described in **APPENDIX E**.

Each of these three revenue sources: the System, the MSP and College of Medicine Tuition, are described in further detail in this **APPENDIX A**.

Net Revenues of the System consists of all charges, income and revenues received from the continued use and operation of the System (not including MSP revenues, College of Medicine Student Tuition, transfers from the Repair and Replacement Reserve Account, the Equipment Reserve Account or the Development Reserve Account and unrealized gains on the valuation of investments), remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System.

The pledge of the MSP revenues is limited to an amount not to exceed, in any Fiscal Year, the amount of debt service requirements on the Bonds and mandatory transfers pursuant to the Bond Resolution for such Fiscal Year.

The pledge of the College of Medicine Student Tuition is limited in an amount not to exceed, in any Fiscal Year, the amount of debt service requirements on the Bonds and mandatory transfers pursuant to the Bond Resolution for such Fiscal Year. The pledge of the College of Medicine Student Tuition is subject to the Prior Pledge which, as of June 30, 2012, secured \$1,001,261,510 of outstanding bonds of the Board.

THE SYSTEM

The System is a separate operating component of the University which consolidates facilities and activities at which the University conducts its principal patient care services to permit a pledge of revenues to secure the repayment of indebtedness of the System. The System, while an operating component of the University, is not a separate legal entity.

The System consists of (i) the System Core Facilities which include: the Eye and Ear Infirmary, the University of Illinois Hospital (the “Hospital”), the MRI Building, the Neuropsychiatric Institute, the Ambulatory Care Facility and the medical office building located in Rockford, Illinois; (ii)

the Clinical Sciences Building (840 South Wood Street); and (iii) the Clinical Sciences North Building (820 South Wood Street), together with all equipment improvements, extensions or replacements thereto. The Comptroller may amend clause (ii) and (iii) of the description of the System. See **APPENDIX E, “DEFINITIONS OF CERTAIN TERMS – System”** and **“System Core Facilities.”** See also **APPENDIX E, “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – General Covenants – Amendments to Components of the System”** and **“– Amendments of and Supplements to Bond Resolution.”**

The System does not include: Mile Square Health Center (a Federally Qualified Healthcare Center “FQHC”) located approximately one mile from the Hospital and within the Illinois Medical District (described at page A-4), the neighborhood clinics, the Dental Clinics, the Student Health Services Facilities or the revenues generated by the MSP or the Dental Services Plan.

Background

The University of Illinois College of Medicine was originally founded as a proprietary institution in 1881. It was the first medical school in Chicago to introduce laboratory instruction to its students. In 1913, the faculty and other shareholders bought up all the stock of the school and presented it as a gift to the Board of Trustees of the University, thereby making the medical school a part of the University.

The University entered into an agreement with the Director of the State Department of Public Welfare in 1919 whereby the Department would build and maintain a set of buildings for the medical school and the medical school would conduct teaching, research, and patient care. The College of Medicine is not part of the System.

The System is one of very few institutions in the country with research faculty across all health sciences colleges. The System’s research spans the full spectrum of biomedical investigation.

Collaborations among physicians and researchers at the System are yielding new forms of knowledge and, by extension, new methods for advancing patient treatment and care. The Hospital’s researchers routinely collaborate with researchers at the University of Illinois’ Urbana-Champaign campus as well as physicians, nurses and other health professionals across the health sciences colleges to address the challenges of public health. Groundbreaking research has earned the University its reputation as one of the best schools for both undergraduate and graduate medical education, and attracts numerous research grants.

The System is committed to improving the quality of life of people living in Chicago as well as the State of Illinois. Through community outreach programs, the Hospital strives to make its many resources accessible to the communities it serves, resulting in a lasting and positive impact on health and wellness today and tomorrow.

THE HOSPITAL

The following reflects the general classification of beds in service at the Hospital as of June 30, 2012.

**Table I
Beds in Service**

Clinical Service	Beds in Service
Medical/Surgical	240
Intensive Care	65
Acute Mental Illness	53
Obstetrics	45
Pediatric	44
Neonatology	30
Rehabilitation	18
Total	495

Hospital Services

The Hospital provides a full range of clinical health care services, including the following as illustrated in Table II:

**Table II
Scope of Services**

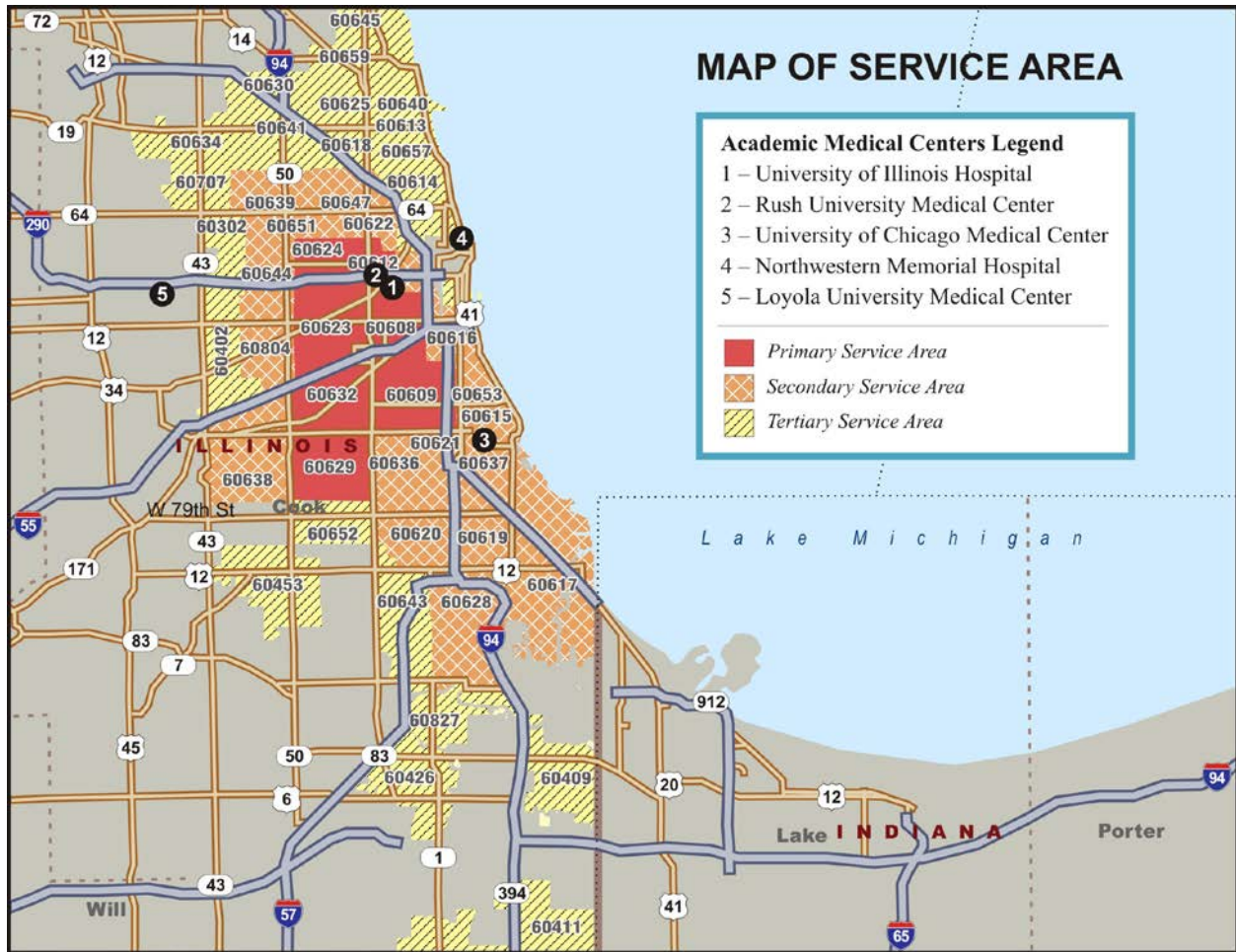
Allergy	Family Medicine/Geriatric Medicine	Occupational Medicine
Bariatric Surgery & Weight Loss	Glandular Disorders (Endocrinology)	Orthopaedics
Bladder/Prostate	Health Social Work	Pediatrics (Children's Health)
Blood Bank	Heart (Cardiology)	Pharmacy
Brain/Nerves & Rehabilitation	Hematology and Oncology	Physical Therapy
Cancer Services	Imaging (Radiology)	Radiation Therapy
Cleft Palate/Craniofacial Center	Infectious Diseases	Respiratory/Critical Care
Dentistry	Inpatient Rehabilitation	Rheumatology
Dermatology	Internal Medicine	Sickle Cell Clinic
Diabetes	Kidneys (Nephrology)	Sports Medicine
Digestive Diseases	Liver Diseases	Student Health
Ear, Nose, and Throat	Mental Health (Psychiatry)	Surgical Services
Employee Health	Neurology and Rehabilitation	Transplantation
ER (Emergency Medicine)	Neurosurgery	Women's Health
Eyes (Ophthalmology)	Nutrition & Wellness	

Service Area

The Hospital draws most of its patients from the central and southern metropolitan Chicago area, which includes the west and south side of the City of Chicago. Additionally, the Hospital is a regional referral center for certain types of specialized treatments and regularly draws patients who are referred from primary care hospitals. In fiscal year 2012, the Hospital received 2,238 transfer patients from other area hospitals.

The service area is shown on the map on the next page. The primary service area is eight miles long, four miles wide at the northern boundary and eight miles wide at the southern boundary.

Travel time from the System’s facilities to the most distant parts of the primary service area is 25 to 30 minutes. The median incomes in the neighborhoods in the service area shown below vary considerably.



The Hospital is located within the Illinois Medical District (the “District”), a political subdivision, unit of local government, body politic and corporate, on the West Side of the City of Chicago, created by an act of the Illinois State legislature in 1941. The District’s approximately 560 acres is bounded on the North by Congress Parkway, on the East by Ashland Avenue, on the West by Oakley Boulevard and on the South by 15th Street. The District includes three other major medical centers: John H. Stroger, Jr. Hospital of Cook County; Rush University Medical Center; and Jesse Brown VA Medical Center, as well as federal, state, county and city health and human service agencies. The District was created to administer the zoning and property within the District to ensure the orderly expansion of medical research facilities. Member institutions include the City of Chicago, Cook County, John H. Stroger, Jr. Hospital of Cook County, Rush University Medical Center, the State of Illinois, the Hospital, Jesse Brown VA Medical Center, Ruth M. Rothstein CORE Center, Chicago Lighthouse for People Who Are Blind or Visually Impaired, Hektoen Institute, Illinois State Police Forensic Science Center at Chicago and West Side Center for Disease Control-Chicago Department of Public Health. The District focuses on expanding innovation in health care, medical science, information technology, biotechnology, medical devices, clean technology and supportive assisted living. To that end, the District has acquired and owns approximately 52 acres of land that is available for development. The District offers a number

of development opportunities and incentives such as tax credits, tax increment financing and streamlined and expedited zoning and permitting.

Competing Hospitals

In addition to competition from the 74 other hospitals in Cook County, the Hospital competes in an area-wide tertiary care market with the following hospitals: Northwestern Memorial Hospital, Rush University Medical Center, University of Chicago Medical Center, Loyola University Medical Center, Mount Sinai Hospital Medical Center and Mercy Hospital & Medical Center. Table III sets forth certain information regarding inpatient utilization for those four of these hospitals that are teaching hospitals for the year ended December 31, 2011.

**Table III
Area-Wide Teaching Hospitals**

Calendar Year 2011	Total Beds Staffed	Total Admissions	Average Length of Stay	Average Daily Census	Staffed Beds Occupancy Rate %
University of Illinois Hospital	445	17,897	5.9	299	60.3%
Loyola University Medical Center	534	31,607	4.0	369	64.9%
Northwestern Memorial Hospital	855	50,052	4.7	666	74.5%
Rush University Medical Center	664	30,298	5.6	478	64.7%
University of Chicago Medical Center	535	22,645	6.1	387	68.1%

Source: Illinois Department of Public Health and Illinois Health Facilities & Review Board 2011 Annual Questionnaire.

The relative market share of each of these teaching hospitals within the Hospital’s primary service area in 2012 is as follows:

Hospital	Market Share
University of Illinois Hospital	4.0%
Loyola University Medical Center	1.6%
Northwestern Memorial Hospital	9.4%
Rush University Medical Center	4.8%
University of Chicago Medical Center	3.6%

Source: Illinois Hospital Association COMPdata.

Utilization

The following Table IV shows data regarding utilization of the System's patient care facilities.

Table IV
Certain Utilization Statistics

	Fiscal Year Ended June 30			Ten Months Ended April 30	
	2010	2011	2012	2012	2013
Average Beds in Service	470	483	474	477	464
Average Daily Census	316	314	321	322	315
Percent of Occupancy	67.2%	65.0%	67.7%	67.5%	67.9%
Admissions	18,201	17,984	18,763	15,654	15,998
Average Length of Stay	6.34	6.37	6.26	6.26	5.99
Patient Days	115,470	114,596	117,402	98,063	95,832
Deliveries	2,633	2,453	2,489	2,088	2,008
Emergency Visits	41,176	42,190	42,945	36,002	35,670
Ambulatory Clinic Visits	442,289	437,949	455,175	375,912	371,225
Inpatient Surgeries	6,288	6,137	6,429	5,266	5,487
Outpatient Surgeries	6,690	6,689	7,448	6,122	5,985

Licenses, Accreditations and Memberships

The University's authority to operate the Hospital is set forth in the University of Illinois Hospital Act and incorporates by reference certain requirements of the Illinois Hospital Licensing Act. The Hospital received a three-year accreditation from The Joint Commission in February 2011, and a certification of distinction as an Advanced Primary Stroke Center in November 2011. The Illinois Department of Public Health has designated the Hospital as both a Regional Perinatal Center and a Pediatric Critical Care Center. The Hospital holds memberships in numerous organizations, including the American Hospital Association, the Illinois Hospital and Health Sciences System Association, the University HealthSystem Consortium and the Council of Teaching Hospitals of the Association of American Medical Colleges.

Affiliations, Mergers, Acquisition, and Divestiture

The Hospital's business affiliations take two general forms: with primary care organizations in need of specialty care, and with hospitals and medical specialists in need of quaternary care. Organizations like Union Health and Union Medical provide care to thousands of union members in the City of Chicago (the "City") who receive much of their specialty care at the Hospital. The Hospital's physician group has a number of agreements with outlying hospitals to provide care for specialized patient groups such as those with neurovascular disease.

In addition, the Hospital has affiliations with ten FQHC organizations throughout Chicago that served over 57,000 patient encounters in fiscal year 2012. The Hospital receives referrals from these FQHCs for inpatient and outpatient services.

The Hospital considers, from time to time, investments in ventures and affiliations with, and the development and acquisition of other healthcare-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health

care enterprises which support the overall operations of the Hospital. Similarly, the Hospital may pursue such transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management of the Hospital will consider such arrangements if there is a perceived strategic or operational benefit. Any such initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Hospital may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Hospital.

Governance

The Hospital is governed by the Board of Trustees and its principal officers. The Board consists of thirteen members, including the Governor of Illinois, who serves as an *ex-officio* member, nine members appointed by the Governor for terms of six years, and three student trustees (one from each campus: Urbana-Champaign, Chicago, and Springfield) who are elected by referenda on their campuses for one-year terms. Eleven Board members, including one student trustee appointed by the Governor, have official votes. See **APPENDIX B – “THE UNIVERSITY OF ILLINOIS – Board of Trustees and University Officers.”**

Management

The Board of Trustees created the Office of Vice President for Health Affairs to coordinate leadership and provide strategic oversight and day-to-day operations management for the System. The current Vice President for Health Affairs, Joseph G. N. “Skip” Garcia, M.D. announced his resignation effective **[September 1, 2013]**. **[Add transition plans and search details]**. Additionally, the Board of Trustees has engaged strategic consultants to assist with, among other things, a review of the current effectiveness of the System’s current organizational and governance structure with a view towards enhanced organizational integration. It is possible that, as a result of this review, the Board of Trustees may eliminate or revise the role of the Vice President for Health Affairs.

The Hospital’s other senior executive officers are listed below.

Bryan N. Becker, MD, MMM, FACP, FNKF was appointed Associate Vice-President, Hospital Operations in January 2013, and served in that position on an interim basis since 2012. He graduated from Dartmouth College in 1984 with an AB in English and subsequently attended the University of Kansas School of Medicine. Dr. Becker pursued residency training in Internal Medicine at Duke University Medical Center and then a year of research fellowship before completing post-graduate training in nephrology at Vanderbilt University Medical Center. He remained on the Duke faculty before moving to the University of Wisconsin in 1997 where he developed an NIH-funded translational research program and became very active clinically in the area of chronic kidney disease and transplant nephrology. Dr. Becker served as clinical lead for the Department of Medicine overseeing 12 clinic sites, community-based and academic practice at University of Wisconsin and Meriter Hospitals. Dr. Becker has served the professional community as President of the National Kidney Foundation and has been a board member of many medical organizations and has served on numerous national committees as well.

Michael Jonen has held the position of Associate Vice President for Enterprise Strategy since February, 2001 and is responsible for overseeing the Hospital’s major strategic initiatives with a focus on clinical program integration, market expansion, and community relations. Before joining the System, Mr. Jonen was Associate Vice Chancellor for Research Administration at UIC, with primary responsibility for devising strategic programs and plans to advance the research mission of the University. Prior to joining the University, Mr. Jonen held clinical leadership positions at the University of Chicago,

including Executive Administrator of the Department of Medicine and Director of Ambulatory Services for the University of Chicago Medical Center. Mr. Jonen received his undergraduate degree from the University of Wisconsin-Madison in 1989.

William Devoney has held the position of Assistant Vice President for Enterprise Finance since September, 2011 and Chief Financial Officer of the System from 2006 to the present. Prior to joining the University, Mr. Devoney was Senior Vice President of Finance and Chief Financial Officer at Edward Health Services Corporation in Naperville, Illinois (1990-2006) and prior to that was Corporate Vice President and Chief Financial Officer for Leyden Community Hospital and Lakeside Community Hospital in Chicago (1998-1990). Mr. Devoney earned his BSBA in accounting from John Carroll University, Cleveland, Ohio and his MBA from DePaul University in Chicago. Mr. Devoney also holds an adjunct faculty position at the University of Illinois School of Public Health (2009 to present) and has held numerous other faculty positions teaching accounting as well as health care finance since 1981.

David Loffing has served as Chief Operating Officer (“COO”) of the Hospital since 2009. Mr. Loffing started his career as a Clinical Engineer, working with artificial hearts, technology management and various health care construction projects at the University Medical Center in Tucson, Arizona. He joined the Hospital in 1995 as the Director of Clinical Engineering and has held several other positions prior to his appointment as COO in 2009. Mr. Loffing received his Bachelor of Science in Biomedical Engineering at Wright State University as well as his Master of Science in Biomedical Engineering from the Ohio State University.

Medical Staff

Membership on the medical staff is limited to those practitioners who have faculty or other academic appointments in the University’s College of Medicine. Therefore, all medical staff members are employees of the University. Terms of appointment or reappointment to the Medical Staff are for two years, with a one-year provisional period for initial appointments; however, the appointment of a member will terminate immediately if such member’s faculty or other academic appointment in the College of Medicine is terminated.

Each clinical department has a chair who is appointed in accordance with the procedures of the College of Medicine. Each chair must be a member of the regular Medical Staff. Chairs are responsible for supervising all clinical activities within their department and for the supervision of House staff in their department. House staff members are those physicians and scientists who are graduates of approved schools and who are appointed as interns, residents, trainees, fellows, subspecialty residents or similar title and/or function in training programs conducted by clinical departments.

For fiscal year 2012, there were approximately 1,260 physicians using the Hospital’s facilities, comprised of 469 attending physicians on the Medical Staff and 791 residents and fellows on the House staff. The following chart illustrates the distribution of Medical Staff and House staff by department and section during fiscal year 2012.

Table V
Medical Staff and House staff by Department

Department	Attending Physicians	House staff	Total Physicians
Anesthesiology	25	67	92
Dentistry	11	0	11
Dermatology	5	12	17
Emergency Medicine	21	49	70
Environmental and Occupational Medicine	4	6	10
Family Medicine	16	23	39
Medicine*	99	277	376
Neurology & Rehabilitation	17	23	40
Neurosurgery	16	10	26
Obstetrics & Gynecology	23	28	51
Ophthalmology	50	18	68
Orthopaedics	21	36	57
Otolaryngology	9	20	29
Pathology	26	30	56
Pediatrics	44	59	103
Psychiatry	31	46	77
Rad/Onc	4	0	4
Radiology	21	31	52
Surgery	21	46	67
Urology	5	10	15
Total	<u>469</u>	<u>791</u>	<u>1,260</u>

*Includes 63 residents at Advocate Christ Hospital

During fiscal year 2012 five hepatologists, who comprise part of the Department of Medicine, left the Medical Staff; however, a group of two new hepatologists joined the Medical Staff in the summer of 2013.

Clinical Teaching Program

The Hospital is the primary clinical teaching facility for the Undergraduate and Graduate Medical Education programs of the University of Illinois at Chicago campus. All academic heads of clinical departments are tenured faculty within the College of Medicine, hold appointments as medical staff in the Hospital and are the designated Clinical Services Directors within the Hospital for their respective Departments.

The College of Medicine and the Hospital currently maintains 54 specialty and sub-specialty graduate medical education training programs, all accredited by the Accreditation Council for Graduate Medical Education. Core residency education programs include programs in anesthesiology, dermatology, general surgery, emergency medicine, family medicine, internal medicine, neurology, neurosurgery, obstetrics and gynecology, ophthalmology, orthopedic surgery, otolaryngology, pathology, pediatrics, plastic surgery, psychiatry, radiology (diagnostic and interventional) and urology. There are 29 accredited subspecialty residency and fellowship programs currently sponsored within these departments for trainees seeking subspecialty training. In addition accredited graduate medical education

programs are also sponsored by the College of Medicine at Advocate Christ Hospital (internal medicine), Advocate Illinois Masonic (family medicine and general surgery) and Mt. Sinai Hospital (general surgery). For fiscal year 2013, a total of 791 house staff are enrolled in all accredited graduate medical education programs.

The College of Medicine and its graduate medical education programs have in place affiliation agreements with area hospitals that allow for expansion of the clinical training opportunities afforded resident, fellow and medical student trainees. These affiliations allow the College of Medicine to advance and expand its education, research and clinical care missions through constructive collaborations with healthcare networks that service many different patient populations. This expands the patient demographics that trainees are able to learn from and provide with clinical care. Principal affiliates include Advocate Christ Hospital, Advocate Lutheran General Hospital, Advocate Illinois Masonic Hospital, Lurie Children's Hospital, Jesse Brown Veterans Hospital, John H. Stroger Jr. Hospital of Cook County, Mercy Hospital and Medical Center, Mt. Sinai Hospital Medical Center, Rush University Medical Center, Shriners' Hospital for Sick Children, Vanguard McNeal Hospital and Vanguard Weiss Memorial Hospital.

Employees

In April 2013, the Hospital employed approximately 3,136 full-time equivalent employees. The Hospital has not experienced any significant difficulty in hiring employees, nor does it anticipate any such difficulty in the near future. The Hospital provides compensation and a range of benefits that it believes to be competitive with other hospitals. The Hospital considers its employee relations to be good.

Approximately 78 percent of the employees of the Hospital (calculated on the basis of full-time equivalent employees), including a majority of the professional registered nurses, are represented by unions.

Most of the registered nurses are represented by the Illinois Nurses Association ("INA") under an agreement that expires August 22, 2014. Approximately 1,266 of the Hospital's clerical, technical and service & maintenance employees are covered under three collective bargaining agreements with Local 73 of the Service Employees International Union, which expired on August 26, 2012, December 16, 2012 and October 3, 2012, respectively. The Hospital has begun negotiations with Local 73 for successor agreements. The Hospital also has a three-year contract with select professional staff with Local 73 of the Service Employees International Union that expires in August, 2014. A small number of Licensed Practical Nurse employees are covered under a collective bargaining agreement with the Administrative Council for Licensed Practical Nurses Association of Illinois which expires on August 31, 2014. In addition, there are more than nineteen additional collective bargaining agreements on campus affecting staff such as electricians, operating engineers and police who are not employed directly by the Hospital.

Retirement Plans and Other Benefits

Retirement benefits are provided under a legislatively created retirement plan administered by the State Universities Retirement System of Illinois ("SURS"), a trust and separate legal entity from the University. The liabilities of SURS relating to the System participants are not a liability of the System. See also **APPENDIX B – "THE UNIVERSITY OF ILLINOIS – Retirement Benefits."** However, there is no assurance that future pension obligations of the Hospital will continue to be assumed by SURS over the term of the Series 2013 Bonds. Legislation has been introduced from time to time whereby the University, over time, would assume a larger portion of the pension obligation for its

employees. See “**BONDHOLDERS’ RISKS**” for a discussion the State budgetary problems, including underfunded pension funds.

Although SURS liability is not currently a liability of the System, the Fiscal Year 2012 Statement of Revenues, Expenses and Changes in Net Assets of the System reflects an operating expense for fringe benefits of \$165,913,006 and a \$159,135,224 nonoperating revenue (on-behalf payments for fringe benefits) for the State payment into the SURS System.

The University of Illinois provides a comprehensive package of benefits to its staff, both academic and civil services, including vacation, holidays, sick leave, jury duty leave, family and medical leave, military leave, a shared benefits program (sick leave pool), and tuition waivers. The University also provides its employees group health and dental insurance as well as life insurance, equal to the employee’s annual salary. A number of optional programs are also available, such as additional term life insurance, spouse life, child life, accidental death and dismemberment insurance, and tax-sheltered retirement plans. Participation in the optional programs is voluntary. There is an employer contribution toward the cost of health insurance for dependents; all other costs of optional plans are borne by the staff member.

Disability and retirement benefits are provided by SURS. SURS also provides death and survivors’ benefits to all eligible participants and annuitants. SURS covers all staff employed for at least one continuous academic term or four months, whichever is less and is a contributory system. Participants are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State on behalf of the University at an actuarially determined rate. The current rate, as of June 30, 2012, is 34.51% of annual covered payroll. SURS participants are not eligible for Social Security coverage, however, persons employed after April 1, 1986, contribute 1.45% of gross earnings to Medicare.

Insurance

The System is included under the University’s insurance programs. Since fiscal year 1976 the University has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University’s self-insured retention, which for fiscal years ending June 30, 2013 and 2012 was \$10 million per occurrence retention, \$5/\$5 million “buffer/inner aggregate” layer, and no aggregate stop-loss protection. For any claim or claims that exceed the \$10 million self-insurance retention the University assumes the financial responsibility for up to an additional \$5 million. Should the University exhaust the \$5 million inner aggregate, commercial insurance will cover claims costs for any remaining claims that exceed \$10 million, up to a total of \$60 million in the aggregate.

The estimated liability for medical malpractice self-insurance is actuarially determined based upon University-estimated claims reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. The actuary considers anticipated payout patterns and interest earned on available assets prior to payment. At June 30, 2012 the assets available for claims exceeded the actuarially determined liabilities. The entire self-insurance liability is recorded within the University’s financial statements; no liability related to medical malpractice self-insurance is recorded within the System’s financial statements.

The University maintains a self-insurance program for workers’ compensation liability claims. The University carries commercial insurance coverage for other major risks of the System.

Sources of Revenue

Substantial portions of the System's gross patient revenues are paid through third-party payors. The following table lists the approximate percentage of gross patient revenues by payor category and excludes any contractual allowances and provision for uncollectible accounts.

Table VI
Gross Revenues by Payor

Payor	Fiscal Year Ended June 30			Ten Months Ended April 30,
	2010	2011	2012	2013
Blue Cross (non-HMO/PPO) & Commercial Contracted Care (HMO)	2.9%	2.4%	2.2%	2.4%
Medicare	34.2%	34.2%	33.9%	33.7%
Medicaid	25.9%	26.8%	27.5%	27.2%
Self-Pay & Other	30.9%	30.5%	30.0%	29.6%
Total	6.1%	6.1%	6.4%	7.1%
	100.0%	100.0%	100.0%	100.0%

The System has developed a three-pronged strategy for participating in the managed care market, focusing on service, quality, and price. The System participates in over 170 contracted health care plans and medical group agreements.

The System's Managed Care Department has entered into contracts that include:

- Primary care site contracts with the largest plans in Chicago,
- Over 28,000 capitated member lives in both partial and full risk structures, as well as approximately 12,000 students,
- Specialty referral contracts with over 95% of area insurance plans in primary and secondary service areas,
- Recognition as the exclusive tertiary referral center with numerous referral sources,
- Recognition as center of excellence in organ transplantation, bariatric surgery, cardiology, neonatology, and infertility, and
- Fifty contracts as the preferred referral center for physician groups covering over 700,000 lives.

Table VII below provides information on the Hospital's largest contracts with healthcare insurance plans.

Table VII
Major Contracted Health Care Plans and Medical Group Agreements

	Percentage of Total Gross Revenue	Length of Contract	Termination Date
Blue Cross Blue Shield	19%	2 Years	January 1, 2013 ⁺
Humana	2%	3 Years	February 1, 2015
United Healthcare	2%	3 Years	October 1, 2013 [*]
Harmony Health Plan	2%	1 Year	March 1, 2014
Aetna	1%	2 Years	October 1, 2014

^{*}Contract has an automatic renewal clause and is currently being renegotiated.

⁺Terms and rates have been agreed upon for a contract to terminate January 1, 2015; however, a contract has not been executed.

Summary Financial Statements and Ratio Analysis

APPENDIX C to this Official Statement sets forth the audited financial statements of the System as of and for the fiscal year ended June 30, 2012, together with the independent auditor's report thereon and should be reviewed in conjunction with the following data. The System provides certain financial information on the following pages, including the Statements of Revenues, Expenses, and Changes in Net Assets and Balance Sheets as of and for the years ended June 30, 2010, 2011 and 2012 and as of and for the ten-month periods ended April 30, 2012 and 2013 (unaudited). The unaudited financial information as of and for the ten-month period ended April 30, 2013 is not necessarily indicative of the results that may be expected for the entire fiscal year ending June 30, 2013.

Table VIII
University of Illinois
Health Services Facilities System
Selected Financial Information
Statements of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year Ended June 30			Unaudited Ten Months Ended April 30	
	2010	2011	2012	2012	2013
Operating revenues:					
Net patient service revenues	\$ 528,022,882	\$ 494,322,938	\$ 534,410,907	\$ 441,073,429	\$ 469,758,512
Fee for service – state appropriation	1,014,377	–	–	–	–
Other revenues	33,810,665	39,558,160	50,756,522	35,285,621	39,607,879
Total operating revenues	\$ 562,847,924	\$ 533,881,098	\$ 585,167,429	\$ 476,359,050	\$ 509,366,391
Operating expenses:					
Salaries and wages	\$ 261,749,663	\$ 267,173,869	\$ 282,102,944	\$ 232,446,321	\$ 240,070,936
Fringe benefits	125,033,558	138,716,720	165,913,006	115,545,582	138,430,685
Supplies and general expenses	202,222,659	214,617,914	245,490,731	196,401,957	196,351,430
Administrative services	13,438,597	15,697,277	19,175,978	15,910,091	19,101,810
Depreciation and amortization	20,052,794	18,710,893	18,930,878	17,031,797	17,935,964
Total operating expenses	\$ 622,497,271	\$ 654,916,673	\$ 731,613,537	\$ 577,335,748	\$ 611,890,825
Operating loss	\$ (59,649,347)	\$ (121,035,575)	\$ (146,446,108)	\$ (100,976,698)	\$ (102,524,434)
Nonoperating revenues (expenses):					
On behalf payments for fringe benefits	\$ 119,392,640	\$ 131,963,682	\$ 159,135,224	\$ 109,969,735	\$ 132,612,687
State appropriation	45,000,000	45,000,000	45,000,000	45,000,000	37,500,000
Transfer of State appropriation to the Illinois DHFS Hospital Services Fund	(45,000,000)	(45,000,000)	(45,000,000)	(45,000,000)	(37,500,000)
Net increase in the fair value of investments	1,266,658	2,665,883	1,254,233	–	–
Interest on capital asset related debt	(2,046,347)	(1,765,203)	(1,870,562)	(1,385,377)	(1,507,996)
Investment income	887,925	1,248,870	1,389,481	970,497	1,373,443
Loss on disposal of capital assets	(349,349)	(829,041)	(1,179,311)	73,214	639,121
Other nonoperating revenues, net	1,406,822	413,687	2,154,703	(167,408)	(39,156)
Net nonoperating revenues	\$ 120,558,349	\$ 133,697,878	\$ 160,883,768	\$ 109,460,661	\$ 133,078,099
Increase in net assets	\$ 60,909,002	\$ 12,662,303	\$ 14,437,660	\$ 8,483,963	\$ 30,553,665
Net assets, beginning of the period	\$ 171,481,104	\$ 230,075,794	\$ 242,738,097	\$ 242,738,097	\$ 259,221,755
Cumulative effect of change in accounting principle	(2,314,312)	–	2,045,998	2,045,998	–
Net assets, beginning of the period, as adjusted	169,166,792	230,075,794	244,784,095	244,784,095	259,221,755
Net assets, end of the period	\$ 230,075,794	\$ 242,738,097	\$ 259,221,755	\$ 253,268,058	\$ 289,775,420

Table IX
University of Illinois
Health Services Facilities System
Selected Financial Information
Balance Sheets

	June 30			Unaudited April 30	
	2010	2011	2012	2012	2013
<u>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>					
Current assets:					
Claim on cash and on pooled investments	\$ 152,197,729	\$ 167,372,326	\$ 153,112,357	\$ 144,029,657	\$ 146,930,955
Restricted claim on cash and on pooled investments, required for current liabilities	126,258	108,849	89,190	-	-
Restricted cash and cash equivalents	-	9,640	11,625	-	-
Accrued investment income	260,131	241,279	360,584	-	-
Patient accounts receivables, net	83,122,329	76,325,203	85,595,933	91,106,550	129,218,117
Other receivables	8,878,276	10,245,843	9,726,658	11,928,537	10,058,786
Inventories	4,424,533	4,537,237	5,707,170	4,537,237	5,707,170
Prepaid expenses, deposits and other assets	595,812	613,042	541,958	1,792,961	1,685,212
Total current assets	\$ 249,605,068	\$ 259,453,419	\$ 255,145,475	\$ 253,394,942	\$ 293,600,240
Noncurrent assets:					
Restricted claim on cash and pooled investments, less amount required for current liabilities disclosed above	\$ 3,727,067	\$ 5,356,021	\$ 7,065,752	\$ 6,229,259	\$ 8,002,666
Capital assets, net of accumulated depreciation	151,578,522	149,667,389	166,018,810	156,868,504	164,206,234
Prepaid expenses and other assets	67,901	328,854	305,697	309,556	286,399
Total noncurrent assets	\$ 155,373,490	\$ 155,352,264	\$ 173,390,259	\$ 163,407,319	\$ 172,495,299
Deferred outflow of resources related to swap	1,701,887	1,048,296	6,108,592	5,705,556	5,539,889
Total assets and deferred outflow of resources	\$ 406,680,445	\$ 415,853,979	\$ 434,644,326	\$ 422,507,817	\$ 471,635,428
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 20,579,034	\$ 25,597,982	\$ 33,837,414	\$ 29,598,639	\$ 30,152,160
Accrued payroll	13,133,089	14,398,030	16,683,801	14,147,269	16,073,092
Accrued interest payable	126,258	118,489	100,815	330,000	241,097
Estimated third party settlements	48,678,608	44,522,957	34,184,641	33,163,328	43,497,798
Current maturities of long term debt	45,458,618	3,490,356	5,120,237	4,227,011	6,606,817
Deferred income	-	18,788	-	-	-
Current portion of accrued compensated absences	1,722,158	1,933,009	2,302,861	1,933,009	2,302,861
Total current liabilities	\$ 129,697,765	\$ 90,079,611	\$ 92,229,769	\$ 83,399,256	\$ 98,873,825

	June 30			Unaudited April 30	
	2010	2011	2012	2012	2013
Noncurrent liabilities:					
Long-term debt, net of current maturities	\$ 22,792,539	\$ 59,933,586	\$ 53,987,724	\$ 56,951,839	\$ 54,415,058
Accrued compensated absences, net of current portion	22,412,460	22,054,389	21,980,817	22,054,389	21,980,817
Derivative instrument – swap liability	1,701,887	1,048,296	7,224,261	6,834,275	6,590,308
Total noncurrent liabilities	\$ 46,906,886	\$ 83,036,271	\$ 83,192,802	\$ 85,840,503	\$ 82,986,183
Total liabilities	\$ 176,604,651	\$ 173,115,882	\$ 175,422,571	\$ 169,239,759	\$ 181,860,008
Net assets:					
Invested in capital assets, net of related debt	83,327,365	86,243,448	106,910,849	95,689,654	103,184,359
Restricted –					
Expendable for capital projects	3,722,279	5,348,070	7,061,842	6,213,858	7,990,538
Expendable for debt service	4,788	7,951	3,910	15,401	12,128
Unrestricted	143,021,362	151,138,628	145,245,154	151,349,145	178,588,395
Total net assets	230,075,794	242,738,097	259,221,755	253,268,058	289,775,420
Total liabilities and net assets	\$ 406,680,445	\$ 415,853,979	\$ 434,644,326	\$ 422,507,817	\$ 471,635,428

Income Available for Debt Service, as defined in the Bond Resolution, includes Net Revenues of the System, as well as Adjusted MSP Revenues and College of Medicine Tuition. *The amount of Adjusted MSP Revenues and College of Medicine Tuition pledged under the Bond Resolution is limited, however, to an amount not to exceed Annual Debt Service and mandatory transfers. In the case of College of Medicine Tuition, the pledge is subject to the Prior Pledge.*

Table X below sets forth the System's (a) historical coverage of maximum annual debt service on the outstanding Bonds and (b) historical coverage of maximum annual debt service on the Bonds outstanding as well as the Series 2013 Bonds.

Table X
Debt Service Coverage

	Fiscal Year Ended			Ten Months Ended April 30, 2013
	2010	2011	2012	
System Net Revenue	\$ 81,035,872	\$ 17,327,067	\$ 7,713,284	\$ 44,283,536
Adjusted Medical Service Plan Revenue	165,319,726	198,931,568	197,612,155	143,874,586
College of Medicine Student Tuition	42,019,182	45,010,051	47,605,720	50,541,891
Income available for Debt Service	\$ 288,374,780	\$ 261,268,686	\$ 252,931,159	\$ 238,700,013
Maximum Annual Debt Service (MADS) ¹	\$ 4,945,055	\$ 4,945,055	\$ 4,945,055	4,945,055
Historical coverage of Maximum Debt Service	58.3	52.8	51.1	48.3
Proforma Maximum Annual Debt Service				
Historical Coverage of Proforma Maximum Annual Debt Service				

¹ Includes assumptions for variable rate debt per the Bond Resolution. Assumes that the variable rate Series 1997B Bonds bear interest at the average rate of 4.00% per annum. The average annual rate of interest on the Series 1997B Bonds for 2012 was 0.17% per annum, not including remarketing and letter of credit fees. Interest on the Series 2008 Bonds is estimated based on an assumed fixed rate of 3.534% which is the fixed rate paid by the Board to the Swap Provider under the interest rate hedging agreement with respect to the Series 2008 Bonds.

Table XI below sets forth the System's days cash on hand (excluding restricted cash and pooled investments) as of June 30, 2010, 2011, and 2012, and as of April 30, 2013.

Table XI
System's Historical Liquidity

	As of and for the Fiscal Year Ended June 30			As of and for the Ten Months Ended April 30 2013
	2010	2011	2012	
Claim on cash and on pooled investments	\$152,197,729	\$167,372,326	\$153,112,357	\$ 146,930,955
Total Operating Expense	622,497,271	654,916,673	731,613,537	611,890,825
Less on Behalf Payment for Fringe Benefits	119,392,640	131,963,682	159,135,224	132,612,687
Less Depreciation	20,052,794	18,710,893	18,930,878	17,935,964
Total Adjusted Operating Expense before depreciation	\$483,051,837	\$504,242,098	\$553,547,435	\$ 461,342,174
Days in period	365	365	365	304
Days Cash on Hand	115.00	121.15	100.96	96.82

Recent Audit Findings

The Hospital is involved in regulatory audits arising in the normal course of business. On June 8, 2007, a notice was received from the Office of Inspector General (“OIG”), on behalf of the Illinois Department of Healthcare and Family Services (“IDHFS”) indicating that the Hospital received an overpayment of \$14.8 million covering the period May 1, 2004 through April 30, 2006 on behalf of Medicaid payments, of which \$10 million and \$4.8 million related to the University’s College of Pharmacy and the Hospital, respectively. Hospital management is in the process of contesting this overpayment and estimates the Hospital’s portion of the probable liability related to this overpayment is approximately \$3.8 million. During fiscal year 2010, the Hospital submitted additional documentation and evidence of its position. As of September 29, 2011, the OIG, on behalf of IDHFS, contacted the Hospital to request its settlement offer to resolve the audit. The Hospital intends to pursue settlement discussion with OIG and IDHFS with a view toward resolution of the matter. It is estimated that the Hospital’s estimated liability including a provision for subsequent audits totaling \$8.5 million remains sufficient to cover the probable outcome of the audits and has been included in estimated third-party settlements payable within the Balance Sheet.

Management’s Discussion of Financial Performance

[To Come]

Future Capital Plans

[To Come]

THE UNIVERSITY OF ILLINOIS COLLEGE OF MEDICINE MEDICAL SERVICE PLAN

Creation of the MSP

The University of Illinois College of Medicine Medical Service Plan (the “MSP”) was established by the members of the faculty of the University of Illinois College of Medicine (the “College”) in 1967, in order to bill and collect payment for professional services they render in connection with University health care programs. The University of Illinois Hospital Act, 110 ILCS 330 (the “Hospital Act”) permits charges for health care professional services to be established and collected under a plan or plans organized and administered by medical faculty members for the general benefit and support of University programs and activities related to the health professions, and provides that all such charges shall be deposited in a special fund or funds in the treasury of the University. The billing, collecting and disbursing of such fund must remain exclusively under the supervision and control of the faculty members, but the Act prohibits the making or collection of a personal or professional charge by any person for his own account for treating, caring for or nursing a patient in the Hospital or in connection with a University health care program.

The MSP may be utilized to pay the University salaries of faculty members, and assist the University in the billing and collection of such professional charges so long as the University’s costs incurred in that connection are paid from the charges so collected.

The faculty adopted by-laws (the “MSP By-Laws”) under which the operation of the MSP is governed. The MSP By-Laws were adopted “[i]n order to further the teaching, research and public service missions of the University of Illinois, . . . for the purpose of establishing the procedures under which the Full Members and Associate Members shall establish: (1) the manner in which the clinical practice is organized and administered, (2) the manner in which professional fees shall be charged and (3) the manner in which any charges so collected shall be disbursed.” “Full Members” are full-time faculty who must, upon acceptance of such appointment, be bound by the terms of the MSP By-Laws. “Associate Members” are persons who do not meet the criteria for Full-time Faculty set forth in the MSP By-Laws, but who receive compensation from and render professional services through the University at a level of 50% or greater appointment or have MSP billings greater than \$50,000 for clinical professional services during the previous fiscal year. Associate Members are bound by the terms and conditions of the MSP By-Laws.

The MSP is governed by a Board of Directors (the “MSP Board”) composed of the following persons:

1. All Clinical Department Heads during their tenure as such;
2. An Elected Member Representative from each of the Clinical Departments (other than the Department Head) selected by a plurality vote of the Departmental Full Members and Associate Members. The Elected Member Representatives serve two-year terms; and
3. The Dean of the College of Medicine, the Vice Dean, the MSP Executive Director and others named by the Dean. Each shall be ex-officio members without vote.

The current members of the MSP Board are listed below:

MSP Board of Directors
Chairman: Dean Dimitri T. Azar, MD

Member's Name	Department
1. David Schwartz, MD	Anesthesiology
2. Bernard (Bud) Pygon, MD	Anesthesiology
3. Lawrence Chan, MD	Dermatology
4. Claudia Hernandez, MD	Dermatology
5. Terry Vanden Hoek, MD	Emergency Medicine
6. Mark Mackey, MD	Emergency Medicine
7. John Hickner, MD	Family Medicine
8. Mark Potter, MD	Family Medicine
9. Patricia Finn, MD	Medicine
10. George Kondos, MD	Medicine
11. Jeffrey A. Loeb, MD	Neurology
12. Neelofer Shafi, MD	Neurology
13. Fady Charbel, MD	Neurosurgery
14. Sergey Neckrysh, MD	Neurosurgery
15. Mary D. Stephenson, MD, MSc	Obstetrics & Gynecology
16. Gloria Elam, MD	Obstetrics & Gynecology
17. Rohit Varma, MD, MPH	Ophthalmology
18. Joel Sugar, MD	Ophthalmology
19. Mark Gonzalez, MD	Orthopaedics
20. Alfonso Mejia, MD	Orthopaedics
21. Regan Thomas, MD	Otolaryngology
22. Dean Toriumi, MD	Otolaryngology
23. Fred Behm, MD	Pathology
24. Elizabeth Wiley, MD	Pathology
25. Usha Raj, MD	Pediatrics
26. Akhil Maheshwari, MD	Pediatrics
27. Anand Kumar, MD	Psychiatry
28. Maria Caserta, MD	Psychiatry
29. Masoud Hemmati, MD	Radiology
30. Michael Bresler, MD	Radiology
31. Enrico Benedetti, MD	Surgery
32. Pier Giulianotti, MD	Surgery
33. Craig Niederberger, MD	Urology
34. Leslie Deane, MB.BS,FRCSC	Urology

Subject to the approval of the Dean, the MSP Board of Directors have the following authority and responsibilities:

1. To support clinical faculty practice and provide a forum for discussion of practice issues.
2. To develop, review and/or recommend MSP policies to the Dean.
3. To approve the MSP's annual budget.

4. To represent the clinical faculty and to advise the Hospital on development of healthcare delivery systems with joint risk-sharing capabilities.

5. To provide and approve, in conjunction with the Hospital, shared administrative services, including planning, marketing, managed care, and other business functions.

6. To advise the Hospital on strategic planning for clinical practices.

The MSP also has an Executive Committee that includes:

1. Six members of the MSP Board of Directors. Members serve terms of six years; terms may be renewed. Members will be recommended by the Dean and endorsed by the members of the Board. Each member shall be entitled to one vote.

2. The Dean, the Vice Dean, the Hospital's Medical Director, and the MSP Executive Director. Each shall be ex-officio members without vote.

Subject to the approval of the Dean, the Executive Committee has the following authority and responsibilities:

1. To support clinical faculty practice and provide a forum for discussion of practice issues.

2. To develop, review and/or recommend MSP policies to the MSP Board of Directors.

3. To review, modify and/or endorse the MSP's annual budget to the Board of Directors.

4. To represent the MSP Board of Directors and to advise the Hospital on the development of healthcare delivery systems with joint risk-sharing capabilities.

5. To review and recommend to the MSP Board of Directors shared administrative service with the Hospital, including planning, marketing, managed care, and other business functions.

6. To represent the MSP Board of Directors and advise the Hospital on strategic planning for clinical practices.

7. To advise the Hospital on the operations and management of ambulatory care programs.

8. To assess departmental use of MSP funds.

9. To recommend corrective actions to the Dean, including the placing of a clinical department's MSP into receivership.

10. To recommend the distribution of MSP funds from capitated managed care contracts.

11. To approve all MSP fee schedules.

12. To review and recommend approval to the Dean all Departmental Incentive Plans.

The MSP Executive Director sets the agenda for regular meetings of the Executive Committee, in consultation with the Dean and the Vice Dean. Special items may be added to the agenda at the request of a majority of the members of the Executive Committee.

Dr. Patrick Tranmer serves as the Executive Director of the MSP and is also Professor of Clinical Family Medicine and Associate Dean of Clinical Affairs for the College of Medicine. He assumed the position of Executive Director in December of 2012. Dr. Tranmer graduated from the University of Iowa Medical School in Iowa City in 1977. He performed his Family Medicine Residency at Broadlawns Hospital, Des Moines, Iowa, from 1977 to 1980. In addition to his medical degree, Dr. Tranmer received a Masters of Public Health from the University of Illinois – Chicago in 2000 and Board Certification in Family Medicine in 1980.

Pledge of Revenues of MSP

Creation of and Deposits into the MSP General Account. The MSP By-Laws require that all professional fees of the System faculty are billed and collected in the name of the MSP and are deposited in a special fund established within the treasury of the University known as the “General Account” of the MSP (the “MSP General Account”).

First Priority Claim on MSP General Account for Payment of University MSP-Related Expenses. The MSP By-Laws provide that all expenses incurred by the University, in its own name or otherwise, in connection with activities that generate or are related to professional fees, other than members’ compensation, shall be a liability of the General Account and payable therefrom before the payment of any other expenditures. Pursuant to the Bond Resolution, the first priority right to payment from the MSP General Account is provided to the Board to reimburse itself for all of the Board’s MSP-Related Expenses (which expenses include, but are not limited to, Annual Debt Service of the Bonds); and the Board covenants that, in exercising such rights to reimbursement it will use the amounts so reimbursed to it in each Fiscal Year to fulfill its obligations to make debt service payments and mandatory transfers required under the MSP By-Laws before using the amounts for any other purpose. The Board has covenanted in the Bond Resolution not to approve any amendments to the MSP By-Laws that will conflict with the provisions of the Bond Resolution or impair the exclusion of interest on the Bonds from the Federal gross income of the owners thereof. See **APPENDIX E, “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – General Covenants – Reimbursement of University’s MSP-Related Expenses”** and “– *By-Laws of the MSP.*”

Second Priority Claims on MSP General Account for Dean’s Account Deposits and Department Head’s Account Deposits. The MSP By-Laws require quarterly calculations of the gross receipts deposited into the MSP General Account (“Gross Professional Fees”) by each clinical department of the College and then require the disbursement from the General Account of:

“ . . . (i) an amount equal to no less than 10% of the Gross Professional Fees less the cost of professional liability coverage and billing and collection related expenses to an account maintained in the University treasury designated by the Dean of the College for such purpose (the ‘Dean’s Account’), and (ii) an amount no less than 10% of the Gross Professional Fees less the cost of professional liability coverage and billing and collection related expenses to an account maintained in the University treasury designated by the Department (the ‘Department Head’s Account’).

The above-stated minimum percentages may be adjusted from time to time by the MSP Board. Funds held in the Dean's Account and in the respective Department Heads' Accounts shall be used, in the sole discretion of the Dean of the College or the respective Department Heads, as the case may be, to further the research, educational and patient care activities of the College and the clinical departments, respectively. Amounts expended from the Dean's Account and the Department Head's Account are reported as expenses or transfers in the MSP Statements of Revenues, Expenses, and Other Changes in Net Assets included below under "SUMMARY OPERATIONS PERFORMANCE REPORT OF THE MSP."

Permissible Uses of Remaining MSP General Account Balances. Any amounts remaining in the MSP General Account after payment of the University's MSP-related expenses and deposits into the Dean's Account and the Department Heads' Accounts, as described above, are available for disbursement by the respective department heads in support of the patient care, educational and research activities of the respective clinical departments, including quarterly payments to the members of the MSP of "variable compensation" amounts and related fringe benefits in order to supplement the fixed annual amounts of their faculty-based salaries paid by the University.

MSP revenues and expenses are recorded within the University's financial statements and are not recorded within the System's financial statements. The following MSP financial statements have not been audited as the MSP is not a separate entity from the University. The MSP activity is included in the University's audited financial statements. The Adjusted MSP Revenues (MSP Revenues, adjusted for contractual allowances and bad debt expense, as applied under U.S. generally accepted accounting principles) are disclosed within the System's audited financial statements in footnote 4 thereto. The Board covenants in the Bond Resolution that it will, for each Fiscal Year, cause the audited financial statements of the Board or the System to disclose Adjusted MSP Revenues. See **APPENDIX E, "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – General Covenants – Records and Audit."**

Table XII

**Summary Operations Performance Report of the MSP
Unaudited Statements of Revenues, Expenses, and Other Changes in Net Assets**

	Fiscal Year Ended June 30			Ten Months Ended April 30	
	2010	2011	2012	2012	2013
Revenues:					
Patient services	\$ 180,400,266	\$ 219,820,191	\$ 234,742,436	\$ 198,129,917	\$ 151,555,811
Investment income	342,387	458,922	852,104	546,806	802,837
Net increase (decrease) in fair value of investments	1,644,344	1,097,678	(683,863)	1,943,572	2,627,436
Total revenues	\$ 182,386,997	\$ 221,376,791	\$ 234,910,677	\$ 200,620,295	\$ 154,986,084
Expenses:					
Salaries, wages and benefits	\$ 85,768,406	\$ 94,377,269	\$ 114,131,741	\$ 87,803,561	\$ 101,403,127
Malpractice and Other Insurance	2,267,043	16,761,613	19,749,849	14,814,960	13,947,611
Supplies and pharmaceuticals	10,893,998	14,683,989	13,029,139	14,421,446	4,750,418
Property and equipment rentals	2,478,718	1,753,870	2,306,149	1,714,205	1,710,946
Provision for bad debts	17,067,272	22,445,223	37,298,522	17,590,131	11,111,498
Professional and general services	36,279,116	26,165,653	25,770,626	20,959,681	23,755,666
Administrative services	1,815,148	2,005,801	5,275,022	4,505,907	4,349,341
Other	1,543,683	2,150,251	2,309,910	1,203,494	1,115,584
Total expenses	\$ 158,113,384	\$ 180,343,669	\$ 219,870,958	\$ 163,013,385	\$ 162,144,191
Transfers for capital projects	(730,084)	(393,756)	(880,083)	789,692	20,999,865
Increase (decrease) in net assets	23,543,529	40,639,366	14,159,636	36,817,218	(28,157,972)
Net assets at beginning of the period	63,640,577	87,184,106	127,823,472	127,823,472	141,983,108
Net assets at end of the period	\$ 87,184,106	\$ 127,823,472	\$ 141,983,108	\$ 164,640,690	\$ 113,825,136

THE COLLEGE OF MEDICINE TUITION

The College of Medicine (the College has regional programs in Peoria, Rockford and Urbana-Champaign, which report administratively to the Dean in Chicago), together with the Colleges of Applied Health Sciences, Dentistry, Nursing, Pharmacy, and Public Health, comprise the Health Sciences Academic Units. *The Health Sciences Academic Units are not part of the System and, other than the College of Medicine tuition, revenues from the Health Sciences Academic Units are not pledged as security for payment of the Bonds.* Of the six academic colleges in the Health Sciences Academic Units, the most significant with respect to its relationship to the System is the College of Medicine. In the 1970s, the College of Medicine grew into the nation's largest medical school in enrollment with regional sites in Peoria, Rockford, and Urbana-Champaign. It is still the largest with over 1,600 graduate and professional students. The College of Medicine produces one in six physicians practicing in Illinois and enrolls and graduates the largest number of minority physicians in the United States. The last three years' history of tuition, enrollment and degrees awarded of the College are shown below:

UIC College of Medicine

	Fiscal Years Ended June 30			
	2010	2011	2012	2013
Tuition	\$42,019,182	\$45,010,051	\$47,605,720	\$50,541,891
Enrollment	1,623	1,619	1,614	1,640
Degrees Awarded	364	362	322	322

Source: University

Only the tuition of the College of Medicine and not tuition for any of the other Academic Units is pledged for the payment of debt service on the Bonds. College of Medicine student tuition is recorded in the University’s financial statements and is not recorded within the System’s financial statements. The information regarding tuition shown above is not audited but is disclosed in footnote 4 of the System’s audited financial statements. The Board covenants in the Bond Resolution that it will, for each Fiscal Year, cause the audited financial statements of the Board or the System to disclose College of Medicine Tuition. See **APPENDIX E, “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – General Covenants – *Records and Audit.*”**

Dimitri T. Azar, MD, MBA is Dean of the College of Medicine and has served in this role since he was appointed on an interim basis in May, 2011 (and on a permanent basis in December of that year) and is also Professor of Ophthalmology, Bioengineering and Pharmacology. Dr. Azar joined the College of Medicine in 2006 as Head of the Department of Ophthalmology and Visual Sciences after serving as a tenured Professor of Ophthalmology at Harvard Medical School, Director of the Cornea Service at the Massachusetts Eye and Ear Infirmary, Senior Scientist at the Schepens Eye Institute, and as a faculty member at the Johns Hopkins School of Medicine. Dr. Azar earned an executive MBA with high honors from the University of Chicago and has authored over 400 scientific articles and book chapters. He is the editor of 14 books in ophthalmology and he holds 15 patents. Dr. Azar has been named one of The Best Doctors in America[®]. His basic science research on matrix metalloproteinases in corneal wound healing and angiogenesis has been continually funded by the National Eye Institute since 1993. He serves as a trustee for the Chicago Ophthalmological Society and for the Association of Research and Vision in Ophthalmology. Dr. Azar has also received multiple leadership awards, including the 2009 Lans Distinguished Award and the University of Illinois at Chicago Scholar Award.

The Health Sciences Academic Units enroll about 5,300 students and award more than 1,300 degrees annually, including about 550 professional degrees. They have one of the largest proportions of minority student enrollment in the country. The Health Sciences Academic Units also have the nation’s fourth-largest academic health science library, which also serves as the regional medical library for a 10-state area. The library is not part of the System.

The \$125 million College of Medicine Research Building, funded by the State of Illinois, fosters advancements that will enhance patient care. The Center for Clinical Translation Sciences (“CCTS”), in partnership with all the health sciences colleges and the Hospital, focuses on development of therapies and diagnostic tools to help prevent, monitor and treat illness.

The Health Sciences Academic Units have a long history of significant contribution to the advancement of clinical practice and biomedical discovery. In keeping with that history, it is pursuing an aggressive mission of providing high quality, cost-effective healthcare through the delivery of personalized medicine toward the elimination of racial and ethnic health disparities. Several initiatives currently underway that highlight their efforts include the following:

- Experts in the College of Pharmacy are working with colleagues in the Department of Medicine to determine the optimal doses of Warfarin (a blood thinner) for African-American and other minority patients using the patient's own genetic code. This first-in-the-nation clinical service uses genetic testing (genotyping) to determine the optimal warfarin dose for each patient of the Hospital that receives such medication.
- The Department of Psychiatry is investigating how oxytocin levels in males and females may change the symptom expression of schizophrenia, thereby changing how the disease is treated.
- Physician scientists from the Department of Medicine are examining the discrete predictors of hereditary colorectal cancer among African-Americans to better understand how susceptibility to hereditary cancers differs based on racial and ethnic factors.
- Researchers in the Institute for Personalized Respiratory Medicine are examining genetic differences that increase susceptibility to conditions such as sarcoidosis and pulmonary hypertension.
- Clinicians and scientists are working to improve the health outcomes of individuals impacted by diabetes, heart disease, asthma, obesity, stroke, Alzheimer's and cancer.