Rush System for Health

Annual Report
For the Fiscal Year Ended June 30, 2018
Audited

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION IN THIS ANNUAL REPORT

Certain statements included or incorporated by reference in this Annual Report constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE OBLIGATED GROUP DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THE EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

PURPOSE OF THE ANNUAL REPORT

The purpose of this Annual Report is to present certain financial and operating information for the Rush University Medical Center Obligated Group (the Obligated Group consists of Rush University Medical Center ("RUMC"), Rush Oak Park Hospital (“ROPH”), Rush Copley Medical Center (“RCMC”), Copley Memorial Hospital (“CMH”), Rush Copley Foundation (“Copley Foundation”), Copley Ventures (“Copley Ventures”) and Rush Copley Medical Group (“RCMG”)) for fiscal years ended June 30, 2018 and 2017, and management’s discussion and analysis of the Obligated Group’s financial condition and results of operations for fiscal year ended June 30, 2018. This report also provides insights on the quality of earnings reported, significant balance sheet assumptions used and any changes in assumptions used, risks to the balance sheet and statement of operations, and the impact of anticipated future events.

Historically, the Annual Reports have been for the Obligated Group. Effective March 1, 2017, RUMC and RCMC reorganized their operations under a common corporate parent, Rush System for Health, an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code (the "Parent"), led by a board of trustees that oversees the fully integrated academic health system (collectively, the "System"). This new 13-member board of trustees (the “System Board”) is responsible for overseeing the vision and strategy for the System, including RUMC, RCMC, ROPH and their respective subsidiaries. The System Board will initially consist of RUMC and RCMC board members. RUMC, RCMC, and ROPH will each maintain their respective leadership, hospital board and organizational structure. The System Board provides oversight of the System as described in more detail below, but the Parent has minimal assets and operating activities at this time.

The financial and operating data in the Annual Report continues to be presented on a consolidated basis for the Obligated Group. Consolidating schedules for the System are included on pages 43-45 of this report. For fiscal year ended June 30, 2018, the Obligated Group Members constituted approximately 98.8% of the total revenue of the System. See "OVERVIEW OF THE SYSTEM - PRESENTATION OF FINANCIAL INFORMATION" below for additional information.

This report includes the consolidated activities and results of the Obligated Group. The primary activities and consolidated results of the Obligated Group include the hospitals, Rush University education and research activities, Rush University Medical Group ("RUMG"), RUMC’s faculty practice plans, and other physician practice activity as well as other operating activities.

OFFICER'S CERTIFICATE

The undersigned duly appointed and acting Senior Vice President and Chief Financial Officer of Rush University Medical Center, as the Group Representative pursuant to the Master Continuing Disclosure Agreement dated as of February 1, 2015 between the Group Representative, on behalf of itself and the other Members of the Obligated Group, and Digital Assurance Certification, L.L.C., as Dissemination Agent (Dissemination Agent), hereby certifies as follows:

1. **Definitions.** Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Continuing Disclosure Agreement.

2. **Annual Report.** Accompanying this Annual Report Certificate is the Annual Report for fiscal year ended June 30, 2018.

3. **Compliance with Master Continuing Disclosure Agreement.** The Annual Report is being delivered to the Dissemination Agent herewith not later than the 120th day following the end of such fiscal year, which is the applicable Annual Report Date for purposes of such Annual Report. The Annual Report contains, or includes by reference, the Financial Information and Operating Data required by the Master Continuing Disclosure Agreement. The Financial Information and Operating Data include information with respect to the Obligated Persons identified in Schedule 1 hereto, and such Obligated Persons constitute all of the Obligated Persons with respect to the Related Bonds for the fiscal year covered by the Annual Report. To the extent any information is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

   Such Financial Information and Operating Data have been prepared on the same basis as the most recently prepared Audited Financial Statements.

IN WITNESS WHEREOF the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the 17th day of October, 2018.

RUSH UNIVERSITY MEDICAL CENTER
As Group Representative

By: John P. Mordach
John P. Mordach

Its: Senior Vice President and Chief Financial Officer

Acknowledgment of Receipt:

Digital Assurance Certification (DAC)
As Dissemination Agent

By: Shana Blanchard
Shana Blanchard

Its: Client Service Manager, Deputy Director

OBLIGATED PERSONS

1. Rush University Medical Center (“RUMC”)
2. Rush Oak Park Hospital (“ROPH”)
3. Copley Memorial Hospital, Inc. (“CMH”)
4. Rush Copley Medical Center, Inc. (“RCMC”)
5. Rush Copley Foundation (“Copley Foundation”)
6. Copley Ventures, Inc. (“Copley Ventures”)
7. Rush Copley Medical Group NFP (“RCMG”)

Selected Financial Results and Other Information

The selected financial data for fiscal years ended June 30, 2018 and 2017 are derived from audited consolidated financial statements of the Obligated Group. The unaudited consolidated financial statements include all adjustments, including normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the financial position and the results of operations for these periods. See below for various highlights of the annual results:

(Dollars in thousands)

Financial Results for the	**Fiscal Year Ended June 30, 2018**	**Fiscal Year Ended June 30, 2017**	**Impact**	
Total operating revenue	$ 2,432,637	$ 2,267,798	$ 164,839	7.3%
Total operating expenses	2,338,655	2,198,258	(140,397)	-6.4%
Operating income	93,982	69,540	24,442	35.1%
Non-operating income	32,596	85,675	(53,079)	-62.0%
Excess of revenue over expenses	126,578	155,215	(28,637)	-18.4%
Operating EBIDA	245,761	219,658	26,103	11.9%

Selected Balance Sheet Information as of	**June 30, 2018**	**June 30, 2017**	**Impact**	
Unrestricted cash and investments	$ 1,298,659	$ 1,161,194	$ 137,465	11.8%
Restricted cash and investments	732,982	698,037	34,945	5.0%
Accounts receivable for patient services, net of allowance for doubtful accounts	333,444	309,455	23,989	7.8%
Net property and equipment	1,497,632	1,467,804	29,828	2.0%
Obligated Group indebtedness	703,289	685,212	(18,077)	-2.6%
Postretirement and pension benefits	24,392	68,458	44,067	64.4%
Unrestricted net assets	1,652,640	1,505,784	146,856	9.8%

Selected Cash Flow Information for the	**Fiscal Year Ended June 30, 2018**	**Fiscal Year Ended June 30, 2017**	**Impact**	
Net cash provided by operating activities	$ 153,809	$ 110,181	$ 43,628	39.6%
Changes in operating assets and liabilities	(128,311)	(178,006)	49,695	27.9%
Capital expenditures	(190,087)	(208,524)	18,437	8.8%

Note 1: Refer to 'Significant Nonrecurring Items' on page 26 of this Annual Report for a listing of items impacting the Obligated Group's reported operating income for fiscal years ended June 30, 2018 and 2017.

Financial Ratios

	AUDITED FISCAL YEAR				TARGET
	2018 Actual	2017 Actual	2016 Actual	2015 Actual	Moody's "A" Median 2017 (2)
Operating Performance:					
Operating Margin	3.9%	3.1%	4.2%	4.4%	2.3%
Excess Margin (1)	4.2%	3.7%	5.5%	5.7%	5.2%
Operating Cash Flow (EBIDA) Margin	10.1%	9.7%	10.3%	12.1%	8.6%
Liquidity:					
Days Cash on Hand	214.3	204.8	216.7	223.8	226.5
Days in Net Accounts Receivable	56.8	56.4	52.9	45.4	48.4
Financial Position / Debt Capacity:					
Debt to Capitalization	29.9%	31.3%	34.7%	35.2%	32.9%
Debt to Cash Flow (1)	3.1	3.2	3.0	2.9	3.0
Cash to Debt	184.7%	169.5%	168.3%	166.5%	169.6%
Maximum Annual Debt Service Coverage (1) (3)	5.4x	5.1x	5.6x	6.1x	4.7x
Annual Debt Service Coverage (1) (3)	6.0x	6.8x	7.6x	5.0x	5.4x
Average Age of Plant in Years	11.9	11.1	12.3	10.7	11.6
Capital Spending Ratio	1.5	1.6	1.2	1.1	1.3

Note 1: Net income excludes unrealized gains and losses on unrestricted investments, change in fair value of interest rate swaps still outstanding, nonoperating loss on impairment of assets and loss on early extinguishment of debt.

Note 2: As published by Moody's Investor Services, Fiscal Year 2017 Not-for-Profit Healthcare Medians for Freestanding Hospitals, Single-State and Multi-State Healthcare Systems, September 2018.

Note 3: Net revenue available for debt service excludes net gains and losses on sales, a component of non-operating income, which is consistent with the Obligated Group debt covenant calculation.

OVERVIEW OF THE SYSTEM

The System will focus on bringing academic medicine to Chicago's western suburbs and beyond, providing patients and communities with convenient access to RUMC, ROPH, and RCMC'S nationally ranked clinical programs and research studies. A streamlined governance structure will help the System focus on its goal of providing a single level of quality and commitments to communities it serves.

The System Board has certain reserved powers with respect to RUMC and RCMC, including without limitation, the ability to set the strategic plan and budget, approve indebtedness above certain thresholds, approve certain transactions and take certain governance actions. RUMC and RCMC have similar reserved powers over their respective subsidiaries. Dr. Larry Goodman, CEO of RUMC, serves as the CEO of the System. Michael Dandorph, President of RUMC, serves as the President of the System, overseeing the system's strategy and operations. Barry Finn will continue as President and CEO of RCMC and also serves as an executive officer of the System. William Goodyear, Chairman of the Board for RUMC, also serves as Chairman of the System Board.

Obligated Group

RUMC and certain of its affiliates are Members of an Obligated Group created under the Master Indenture. The Members of the Obligated Group are:

Rush University Medical Center – RUMC owns and operates an academic medical center located in Chicago, Illinois. Major operations of RUMC include Rush University Hospital, Rush University and Rush University Medical Group. The hospital operations of RUMC are licensed by the State of Illinois to operate 715 beds, of which 684 are currently staffed and include the Johnson R. Bowman Health Center for the Elderly, a rehabilitation and psychiatric facility, and Rush Children's Hospital. According to COMPdata, RUMC is the third largest hospital provider in the eight county Chicago metropolitan area as measured by market share. RUMC is an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Rush Oak Park Hospital, Inc. – ROPH owns and operates a 296 licensed bed acute care, rehabilitation and skilled nursing hospital, of which 127 beds are currently staffed, located approximately eight miles west of RUMC in Oak Park, Illinois. RUMC is the sole corporate member of ROPH. ROPH is an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

Rush Copley Medical Center, Inc. – RCMC serves as the parent holding company for the Copley Members (as defined herein). RCMC supports the other Copley Members by providing administrative, management and related services. RCMC is an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

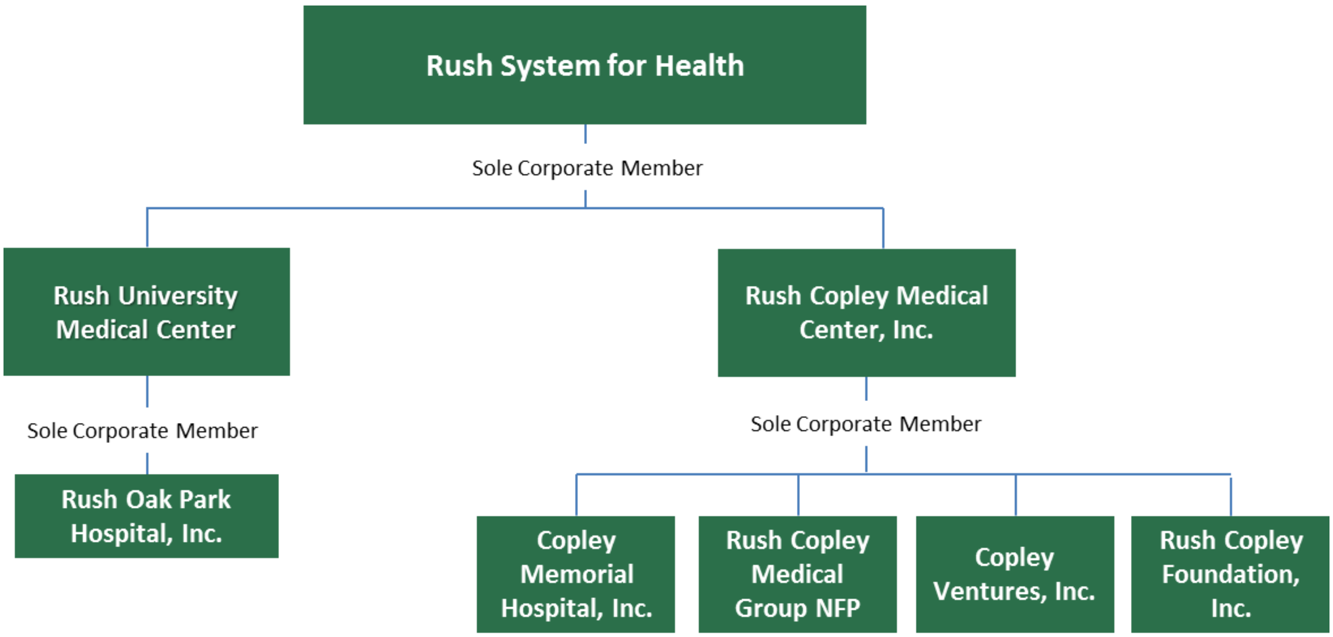
Copley Memorial Hospital, Inc. – CMH owns and operates an acute care hospital located approximately 35 miles west of RUMC in Aurora, Illinois. CMH is licensed by the State of Illinois to operate 210 beds, all of which are currently staffed. CMH is an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

Rush Copley Foundation – Copley Foundation solicits contributions to support health care activities in RCMC's service area, including, but not limited to, those of RCMC. Copley Foundation is an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

Copley Ventures, Inc. – Copley Ventures holds title to property for rental purposes. Copley Ventures is an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

Rush Copley Medical Group NFP – RCMG owns, operates, controls and otherwise coordinates the activities of physician practice health and medical services and provides certain physician billing and administrative services. The RCMG is an Illinois not-for-profit taxable corporation.

The following chart reflects the corporate organizational structure of the System:



Presentation of Financial Information

Although RUMC and the other corporations referenced above are currently the only Obligated Group Members under the Master Indenture, the Parent is not a member of the Obligated Group and also controls, directly or indirectly, a number of other non-member entities whose revenues and expenses and results of operations are included in the consolidated financial statements. The Parent and such non-member joint ventures and investment entities are accounted for in the audited consolidated financial statements and unaudited interim consolidated financial information. Further, the information describing the financial condition of the Obligated Group contained in this annual report includes information with respect to these entities which are not Obligated Group Members. For the fiscal year ended June 30, 2018, the Obligated Group Members constituted approximately 98.8% of total revenue of the System.

RUSH UNIVERSITY MEDICAL CENTER

Mission

The mission of RUMC is to improve the health of the individuals and diverse communities we serve through the integration of outstanding patient care, education, research, and community partnerships.

Changes in Management

Effective January 31, 2018, Antonio Bianco is no longer serving as a Senior Vice President of Rush University Medical Center. Norm Botsford will be serving in the interim.

Service Area and Competition

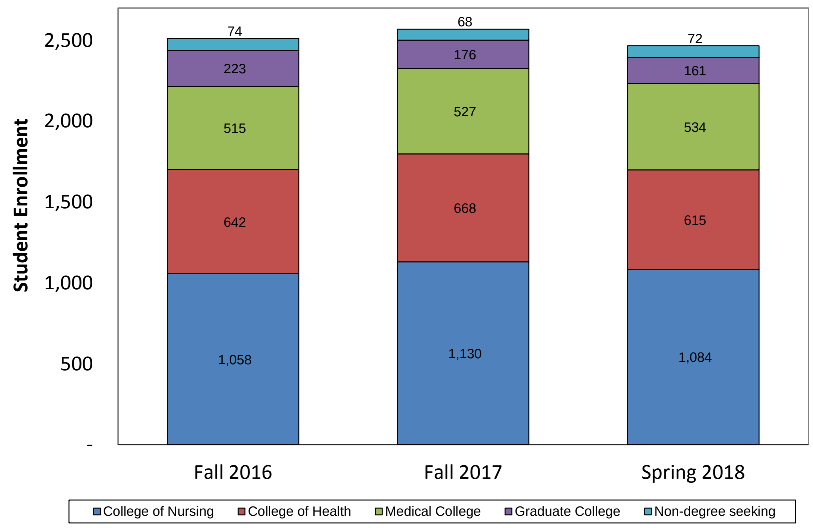
RUMC considers its service area to be the eight counties surrounding and including the City of Chicago. The eight county market area encompasses Cook, DuPage, Kane, Kankakee, Kendall, McHenry, Lake and Will counties. RUMC competes with four other academic medical centers in the Chicago metropolitan area as well as several large suburban hospitals with specialty and local strength. RUMC was the third largest hospital provider in the 8-county Chicago metropolitan area with a market share of 3.1% and 3.2% during the nine months ended March 31, 2018 and the fiscal year ended June 30, 2017 respectively. In a highly fragmented market, RUMC focuses on building market share in its strategic programs: Neurosciences, Bone and Joint, Cancer Care, High Risk Infant and Mother, Transplant, and Heart and Vascular. RUMC was the market leader in Bone & Joint and Neurosciences, and third in Cancer Care during the nine months ended March 30, 2018.

Rush University

Rush University currently offers more than 30 unique degree or certificate options in medicine, nursing, allied health and biomedical research. Rush University is known for its practitioner-teacher model, translational research, nurturing academic environment and focus on community and global health.

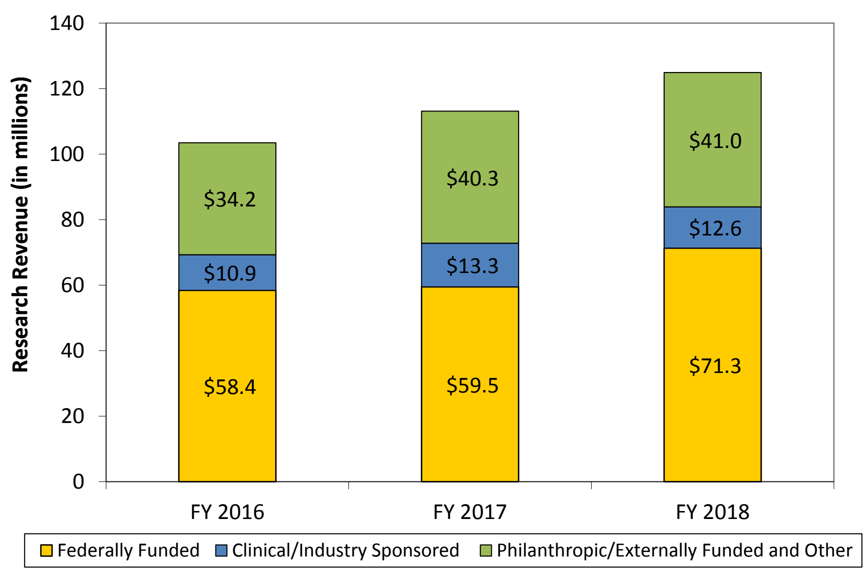
Revenue consists mainly of tuition revenue. Expenses are those instructional expenses required to educate the students. Enrollment continues to grow with 2,466 enrolled at the beginning of the spring 2018 semester. Rush University's teaching model is a teacher-practitioner model with practicing clinicians and other staff teaching students as part of the normal day to day responsibilities. Total enrollment in Rush University for the last three years is shown on the following chart:

Enrollment in Rush University



For fiscal year ended June 30, 2018 and June 30, 2017, RUMC Research reported an excess of expenses over revenue of $37.5 million and $35.7 million, respectively, which was supported from operating income. The breakdown of research revenue can be seen in the chart below for the last three fiscal years.

Total Research Revenue (in millions)



Physician Alignment

RUMC builds relationships with employed and independent physicians through various means. RUMC employs approximately one-half of its medical staff, including those in its highly-ranked neurosurgery practice.

RUMC has also implemented various joint ventures with physicians to provide core services including the following:

- Rush Surgicenter – Outpatient surgery operations at RUMC.
- Circle Imaging – Outpatient imaging operations at RUMC.
- Rush Radiosurgery – Outpatient stereotactic radiosurgery services at RUMC.

In addition, RUMC has key strategic relationships with Midwest Orthopedics at Rush ("MOR"), a preeminent independent physician practice that is anchored in a building on the RUMC campus that was opened in 2009 by RUMC and MOR physicians. MOR provides a broad spectrum of orthopedics and sports medicine services, and utilizes the facilities at RUMC, the on-campus Rush Surgicenter, and ROPH. In 2011, RUMC entered into a broad umbrella clinical affiliation agreement, for an initial term of 10 years, with DuPage Medical Group ("DMG"), which is a multi-specialty and primary care group with over 425 physicians based in the western suburbs of Chicago. To date, the parties have implemented an affiliated outpatient cancer treatment program with infusion therapy at a newly-developed DMG building in Lisle, Illinois.

Awards

RUMC provides care through a multidisciplinary approach that brings together a team of experts including physicians, scientists, nurses and other specialists to diagnose and treat patients in an integrated manner. This unique combination of teaching, research and patient care has earned RUMC national recognition for a number of its programs. Below is a list of certain awards which RUMC has received over the last two years.

Best Quality:

Vizient **(formerly UHC)** Quality Leadership Awards	In the October 2018 rankings, RUMC is ranked second among 99 leading academic medical centers in the United States in a study conducted by the health care services company Vizient. The study evaluated the medical centers and hospitals on the criteria based on the Institute of Medicine's six domains of care—safety, timeliness, effectiveness, efficiency, equity and patient centeredness.
ANCC Magnet Status	In 2016, for the fourth consecutive time, RUMC has received Magnet designation, the highest national recognition given for nursing excellence. RUMC was the first hospital in Illinois treating both children and adults to achieve Magnet status.
Leapfrog Patient Safety	In the spring 2018 Hospital Survey, RUMC received a top grade "A" for patient safety from the Leapfrog Group for the 13th consecutive time.
H&H Networks Most Wired	RUMC has been named one of the 2017 "Most Wired" hospitals in the nation by Hospitals & Health Networks.

CMS Overall Hospital Quality Star Rating	In November 2017, RUMC received five stars in the CMS Overall Hospital Quality Star Rating. RUMC is the only five star academic medical center in the Chicago area. The rating is based on 57 quality measures that CMS collects from hospitals and publicly reports. The ratings were developed to help consumers make decisions about where to seek medical treatment.
Becker's Hospital Review ACO to Know	Becker ranked RUMC among the top 110 ACOs to Know in 2017.
Baby-Friendly USA Baby-Friendly Facility	In February 2017, RUMC received the prestigious international recognition as a Baby-Friendly designated birth facility. This designation recognizes RUMC as a medical center that provides the optimal level of care for infant feeding and mother/baby bonding. It is part of a global program sponsored by the World Health Organization and the United Nations Children's Fund.
Health-grades Outstanding Patient Experience	In 2017, RUMC received the Healthgrades Outstanding Patient Experience Award, which recognizes hospitals that provide an overall outstanding patient experience.
ComEd Retro Commission-ing Award	In December 2017, RUMC received the ComEd Retro-commissioning Award for cutting greenhouse gases and energy use.

Best Programs:

US News Best Hospitals	RUMC was named among the best hospitals in America in seven adult specialties for 2018-2019 by U.S. News & World Report.
US News Best Graduate Schools	In the 2019 edition of U.S. News & World Report's "America's Best Graduate Schools" survey released in March 2018, eight programs in the Rush University College of Nursing and two programs in the Rush University College of Health Sciences ranked among the top 10 in the country, while the College of Nursing is ranked fourth in the Doctor of Nursing Practice category and 18th in the master's degree category overall in the nation. The College of Nursing is also ranked 14th among 159 schools listed in the graduate nursing programs category in U.S. News & World Report's 2018 "Best Online Programs" list.
Leapfrog Top Teaching Hospital	In the fall 2017, Rush University Medical Center has been named a Top Teaching Hospital by the Leapfrog Group. Rush is one of only 36 recipients of the Top Teaching Hospital honor nationwide, and one of only two in Illinois. Rush also is among an elite group of only 109 hospitals that Leapfrog recognized in any of its four Top Hospital categories, out of more than 1,800 eligible hospitals nationwide.

THE Top Young Universities	Rush University is ranked 33rd on the Times Higher Education's (THE) 2017 list of the world's top 150 universities under 50 years of age, placing it #2 among all such institutions in the United States.
AARC Apex Award Recognition	RUMC's Department of Respiratory Care was named one of only four winners in the United States for the 2017 Apex Recognition Award from the American Association for Respiratory Care (AARC).

Best People:

HRCF Healthcare Equality Index	In March 2018, for the tenth consecutive year, RUMC was recognized as a "Leader in LGBT Healthcare Equality" by the Human Rights Campaign Foundation.
Nurse.org Best Hospitals in Illinois for Nurses	Nurse.org ranked RUMC #1 in its list of Best Hospitals in Illinois for Nurses in 2017. The rankings were based on more than 1500 surveys of nurses at 169 hospitals in the state.
Chicago Magazine Top Doctors	Fifty doctors from RUMC were named 'top doctors' in the January 2018 issue of Chicago magazine.
Chicago Magazine Top Doctors	Fifteen doctors from RUMC were named 'top cardiologists' in the June 2018 issue of Chicago magazine.

RUSH COPLEY MEDICAL CENTER

Service Area and Competition

CMH was the market leader in its 15-Zip code primary service area with a market share of 36.1% and 39.1% during the nine months ended March 31, 2018 and fiscal year ended June 30, 2017, respectively (primary service area includes the cities of Aurora, Eola, Oswego, Millbrook, Montgomery, Yorkville, Plano, Sandwich, Bristol, Newark, Somonauk, Sugar Grove and Plainfield). CMH is the market leader in its primary service area in the following strategic programs: Cancer Care, Neurosciences, Heart and Vascular, Women's Health, and Emergency Services. CMH also ranked seventh in the state of Illinois for deliveries during the nine months ended March 31, 2018.

Physician Alignment

RCMC also seeks to build relationships with employed and independent physicians through various means. A significant strategy for RCMC is the growth of its employed medical groups including RCMG and Fox Valley Cardiovascular Consultants. Additionally, RCMC has joint ventures with physicians to provide core services including the following:

- Yorkville Physical Therapy and Sports Medicine – Outpatient physical therapy.
- Riverwest Radiation Therapy Center – Outpatient radiation therapy treatments.

Awards

Below is a list of some of the awards which RCMC has received over the last two years:

Best Quality:

Leapfrog
Patient Safety

In the spring 2018 Hospital Survey, RCMC received a top grade "A" for patient safety from the Leapfrog Group for the 13th consecutive time. The medical center is the only Fox Valley area hospital to have earned "Straight A's" since the scores were first released in 2012.

Press Ganey
Patient Satisfaction

RCMC is currently ranked in the 97th percentile for patient satisfaction in Press Ganey's peer group of hospitals between 150-299 beds representing 95 facilities and 12,000 physicians nationwide.

Joint Commission
Gold Seal of Approval

RCMC was awarded the Gold Seal of Approval by The Joint Commission for Spine Surgery, Hip and Knee Replacement, and Heart Failure.

AACN
Silver Beacon Award for Excellence

RCMC received the Silver Beacon Award for Excellence on the Intermediate Care Area by the American Association of Critical-Care Nurses (AACN) in 2018.

CMS
Overall Hospital Quality Star Rating

In November 2017, RCMC received five stars in the CMS Overall Hospital Quality Star Rating. The rating is based on 57 quality measures that CMS collects from hospitals and publicly reports. The ratings were developed to help consumers make decisions about where to seek medical treatment.

Best Programs:

AACVPR
Certification

RCMC earned certification of its cardiac rehabilitation program by the American Association of Cardiovascular and Pulmonary Rehabilitation (AACVPR).

American Stroke Association
Stroke Gold Plus & Stroke Honor Roll

In 2018, RCMC received the American Stroke Association's Get With The Guidelines® Stroke Gold Plus Achievement Award. The hospital was also a recipient of the American Stroke Association's Target: Stroke Honor Roll Award.

BCBS
Blue Distinction® Center+

RCMC was designated Blue Distinction® Center+ for Maternity Care and for Knee and Hip Replacement Surgeries by Blue Cross and Blue Shield.

American College of Cardiology Chest Pain Center with PCI Accreditation	In 2017, RCMC earned full accreditation as Chest Pain Center with PCI and Resuscitation from the American College of Cardiology.
ACTION Registry Silver Performance Achievement Award	In 2017, RCMC earned the ACTION Registry Silver Performance Achievement Award based on its commitment to delivering the highest quality care to cardiovascular patients that are high-risk ST-Elevation Myocardial Infarction (STEMI)/Non-ST-Elevation Myocardial Infarction (NSTEMI).
American College of Radiology ACR Seal of Accreditation	In 2017, RCMC's Radiation Oncology Department was awarded a three-year term of accreditation in radiation oncology by the American College of Radiology (ACR).
College of American Pathologists Lab Accreditation	In fall 2017, Rush Copley's laboratories were re-accredited by the College of American Pathologists. Every function of the laboratory and respiratory care was inspected, as well the point of care testing on the nursing units. Approximately 3,000 standards were reviewed to satisfy regulations and assure quality results.

Best People:

Chicago Tribune Top Workplace	RCMC was recognized as one of the area's most dynamic and supportive local businesses by the *Chicago Tribune* in its special "Top Workplaces 2016" issue.
AHA Fit Friendly	RCMC was recognized as a Platinum-Level Fit-Friendly Worksite by the American Heart Association.
IBM Employer Engagement	RCMC is currently ranked in the 98th percentile nationwide for employer engagement by IBM/Kenexa for health care facilities with 100 or more respondents.

RUSH OAK PARK HOSPITAL

Service Area and Competition

Local competition is strong and represented by integrated delivery system hospitals and for-profit systems. Three of the strategic programs at RUMC are currently integrated at ROPH: Cancer Care, Heart and Vascular, and Bone and Joint. RUMC is the sole corporate member of ROPH. ROPH was the market leader in its 6-Zip code primary service area with a market share of 23.4% and 22.6% during the nine months ended March 31, 2018 and the fiscal year ended June 30, 2017, respectively (primary service area includes the cities of Oak Park, Forest Park, and River Forest). ROPH focuses on building market share in its strategic programs: Neurosciences, Heart & Vascular, Cancer Care, and Bone & Joint. ROPH was first in Neurosciences and Heart & Vascular, third in Bone & Joint and fourth in Cancer Care in its primary service area during the nine months ended March 31, 2018.

Physician Alignment

ROPH has various relationships with employed and independent physicians. Rush Oak Park Physician Group ("ROPPG") is comprised of seven physician groups that include 35 employed physicians with locations in Oak Park, Elmwood Park and North Riverside communities with Family Practice, Pediatrics and Internal Medicine physicians as well as other specialty services.

Awards

Below is a list of certain awards which ROPH has received over the last two years:

Best Quality:

ANCC Magnet Status	In 2016, ROPH achieved Magnet designation, the highest national recognition given for nursing excellence by the American Nurses Credentialing Center.
Health-grades Patient Safety Excellence	In spring 2018, ROPH among Top 10 percent of hospitals in nation recognized for Safety Excellence by Healthgrades.
H&H Networks Most Wired	ROPH has been named one of the 2017 "Most Wired" hospitals in the nation by Hospitals & Health Networks.
Joint Commission Gold Seal of Approval	In 2017, ROPH has again earned The Joint Commission's Gold Seal of Approval for Advanced Certification in Inpatient Diabetes Care.
CMS Overall Hospital Quality Star Rating	In November 2017, ROPH's four stars rating in the CMS Overall Hospital Quality Star Rating was re-affirmed. The rating is based on 57 quality measures that CMS collects from hospitals and publicly reports. The ratings were developed to help consumers make decisions about where to seek medical treatment.
Leapfrog Patient Safety	In the spring 2018 Hospital Survey, ROPH received a top grade "A" for patient safety from the Leapfrog Group for the 4th consecutive time (and 6th overall).
Health-grades Outstanding Patient Experience	In 2017, ROPH received the Healthgrades Outstanding Patient Experience Award, which recognizes hospitals that provide an overall outstanding patient experience.

Best Programs:

ADA Education	ROPH's diabetes program recognized by the American Diabetes Association as meeting the National Standards for Diabetes Self-Management Education.
American Stroke Association Stroke Gold Plus & Stroke Honor Roll Elite	In 2018, ROPH received the American Stroke Association's Get With The Guidelines® Stroke Gold Plus Quality Achievement Award. The hospital was also a recipient of the American Stroke Association's Target: Stroke Honor Roll Elite Award.
US News Best Hospitals – COPD and Heart Failure	U.S. News & World Report rated ROPH as High Performing in Chronic Obstructive Pulmonary Disease (COPD) and Heart Failure Care in its annual "Best Hospitals" issue, published August 8, 2017. The report also highlighted the hospital's four out of five-star rating in Patient Experience.
US News Best Hospitals – Skilled Care	In November 2017, Rush Oak Park Hospital again has been recognized as among the best Illinois hospitals for skilled care by U.S. News & World Report.

Best People:

NYU Improving Care	ROPH is one of 10 hospitals in Illinois to have earned New York University College of Nursing's Nurses Improving Care for Healthsystem Elders designation.
HRCF Healthcare Equality Index	In March 2018, for the fifth consecutive year, ROPH was recognized as a "Leader in LGBT Healthcare Equality" by the Human Rights Campaign Foundation.

SUMMARY OF HISTORICAL UTILIZATION AND FINANCIAL INFORMATION

Historical Utilization of Services

The following tables summarize certain consolidated historical utilization statistics for the Obligated Group for fiscal years ended June 30, 2018 and 2017:

Historical Utilization of Services

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Beds:		
Licensed	1,221	1,221
Staffed	1,021	1,012
Utilization Statistics:		
Admissions	49,294	49,566
Patient Days	242,424	249,584
Average length of stay	4.92	5.04
Adjusted Discharges	107,977	105,301
Occupancy:		
RUMC	70.3%	72.0%
ROPH	44.0%	46.5%
RCMC	60.8%	66.0%
Obligated Group	65.1%	67.6%
Emergency Room Visits:	181,126	183,999
Surgical Procedures:		
Inpatient	16,172	16,736
Outpatient	30,624	29,690
Total	46,796	46,426

Summary of Revenues and Expenses

The following selected financial data and additional information contained in this annual report describes the financial condition of the Obligated Group. Although RUMC and the other corporations referenced above are currently the only Obligated Group Members under the Master Indenture, RUMC controls, directly or indirectly, a number of other non-member entities whose revenues and expenses and results of operations are included in the Obligated Group audited consolidated financial statements. Such non-member joint ventures and investment entities are accounted for in the Obligated Group audited consolidated financial statements using the equity method of accounting or are consolidated depending upon the control exercised by the applicable Obligated Group Member.

Operating Results

The operating results of the Obligated Group for fiscal years ended June 30, 2018 and 2017:

Summary of Statement of Operations

(In thousands)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Net patient service revenue (1)	$ 2,142,515	$ 2,002,772
Other operating revenue	290,122	265,026
Total operating revenue	2,432,637	2,267,798
Salaries, wages and employee benefits	1,249,522	1,183,691
Supplies, utilities and other	728,022	672,854
Professional liability and other insurance	58,075	43,400
Purchased services	151,257	148,195
Depreciation and amortization	126,847	128,695
Interest	24,932	21,423
Total operating expenses	2,338,655	2,198,258
Operating income	93,982	69,540
Non-operating income	32,596	85,675
Excess of revenue over expenses	$ 126,578	$ 155,215

(1) Net patient service revenue is net of contractual allowances and discounts and net of the provision for uncollectible accounts for fiscal years ended June 30, 2018 and 2017.

Liquidity

The following table sets forth the Obligated Group's liquidity, namely unrestricted cash and cash equivalents and marketable securities, which include investments designated for capital purposes. Excluded from liquidity are investments limited as to use for donor purposes, interest in collateral pools, trust assets limited for use to the self-insurance program and debt service reserve funds:

(In thousands)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Unrestricted cash and cash equivalents	$ 156,882	$ 99,080
Unrestricted marketable securities	1,141,777	1,062,114
Total unrestricted cash and marketable securities	1,298,659	1,161,194
Total operating expenses	2,338,655	2,198,257
Depreciation and amortization	126,847	128,695
Total operating expenses less depreciation and amortization	$ 2,211,808	$ 2,069,562
Days cash on hand	214.3	204.8

Capitalization

The following tables reflect the Obligated Group's historical long-term indebtedness as a percentage of total capitalization for fiscal years ended June 30, 2018 and 2017:

Historical Long-Term Capitalization

(In thousands)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Long-term debt	$ 648,027	$ 661,324
Capital leases and other financing arrangements	55,262	23,888
Total debt	703,289	685,212
Unrestricted net assets	1,652,640	1,505,784
Total Capitalization	$ 2,355,929	$ 2,190,996
Capitalization Ratio	29.9%	31.3%

Sources of Revenue

The majority of revenue received by the Obligated Group is attributable to billed services provided to its patients. The payments made on behalf of these patients are from government programs such as Medicare and Medicaid, from managed care companies under negotiated contracts, from commercial insurance carriers with no negotiated contract and directly from patients. The following is a summary of gross patient service revenue payer mix for fiscal years ended June 30, 2018 and 2017:

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Medicare	32.4 %	32.8 %
Medicare Managed Care	6.9	5.9
Medicaid	5.9	6.1
Medicaid Managed Care	13.5	13.6
Blue Cross	24.2	24.0
Managed Care	13.8	14.3
Commercial & Self-Pay	3.2	3.3
Total	100.0 %	100.0 %

Debt Service Coverage

The following table sets forth the actual maximum annual debt service coverage on the Indebtedness of the Obligated Group for the fiscal years ended June 30, 2018 and 2017:

Debt Service Coverage

(In thousands)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Excess of revenues over expenses	$ 126,578	$ 155,215
Exclude certain special items:		
Change in fair value of interest rate swaps	4,402	7,139
Unrealized gain on trading securities	(1,975)	59,812
Net gain on sales	22,374	2,652
Net Income, excluding special items	101,777	85,612
Depreciation and amortization	126,847	128,695
Interest	24,933	21,423
Income available for debt service	$ 253,557	$ 235,730
Maximum Annual Debt Service Requirement	46,624	46,385
Maximum Annual Debt Service Coverage Ratio	5.4	5.1

Recent Financial Performance – Fiscal Years Ended June 30, 2018 and 2017

Drivers of Performance – Operating Revenue – Operating revenue increased by $164.8 million or 7.3% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018. The largest contributor to operating revenue is patient service revenue in the hospitals at 74.4% of operating revenue for fiscal year ended June 30, 2018.

Revenue Sources

	Fiscal Year Ended June 30, 2018 Operating Revenue	2018 % of Total	2017 Operating Revenue	2017 % of Total
Patient Service Revenue:				
Hospitals	$ 1,810,412	74.4%	$ 1,722,947	76.0%
Physician Practice Plans	332,098	13.6%	279,433	12.3%
University Services:				
Research	124,871	5.1%	113,143	5.0%
Education (*)	73,409	3.0%	70,510	3.1%
Other Operating Activities	91,847	3.9%	81,765	3.6%
Total	$ 2,432,637	100.0%	$ 2,267,798	100.0%

* Includes the Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College.

Net patient service revenue for the hospitals and physician practice plans combined increased by $140.1 million or 7.0% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018.

Reimbursement Environment and Payer Mix – Revenue for the hospitals includes payments from government programs such as Medicare and Medicaid, from managed care companies under negotiated contracts, from commercial insurance companies with no negotiated contract, and directly from patients. Governmental payers accounted for 58.7% of the Obligated Group's gross patient service revenues for fiscal year ended June 30, 2018. There have been modest increases in Medicare reimbursement in the last several years. Effective July 1, 2014, Medicaid reformed and updated its payment system. While the Obligated Group was among several Illinois facilities which would have seen reimbursement decreases due to this change, Medicaid committed to making transitional payments to hold hospitals harmless through June 2018. The state of Illinois and the Centers for Medicare and Medicaid Services (CMS) has approved a redesign of the Hospital Assessment Program effective July 1, 2018. The current system sunset on June 30, 2018. The redesign is not expected to have a material impact on the Obligated Group from the current program.

The Obligated Group is currently seeing a shift in its traditional payer mix of patients. In an effort to reduce the number of uninsured patients, the ACA provided for the creation of Health Insurance Exchanges ("HIX") and the expansion of Medicaid coverage for adults. This has resulted in increased hospital volume under new Blue Cross HIX plans as well as an increase in the overall Medicaid patient mix. Additionally, the number of self-pay patients has decreased slightly. The State of Illinois has moved a significant portion of its Medicaid population to Managed Care plans. Consequently, the Obligated Group has seen a marked increase in Medicaid Managed Care mix with a concurrent drop in traditional Medicaid.

The mix of patient service revenue, net of contractual allowances and discounts, (but before the provision for uncollectible accounts), recognized during the years ended June 30, 2018 and 2017, by major payer source, was as follows:

	2018		2017	
Medicare	$ 497,975	22.4 %	$ 463,730	22.1 %
Medicare Managed Care	92,986	4.2	77,211	3.7
Medicaid	145,500	6.5	131,901	6.3
Medicaid Managed Care	195,518	8.8	195,398	9.3
Blue Cross	668,321	30.1	629,264	30.0
Managed care	460,343	20.7	418,219	19.8
Commercial, self-pay, and other	162,949	7.3	185,048	8.8
Total patient service revenue, net of contractual allowances and discounts (but before provision for uncollectible accounts)	$ 2,223,592	100.0 %	$ 2,100,771	100.0 %

The combined Hospital Assessment Program's impact on the Consolidated Statements of Operations during fiscal years ended June 30, 2018 and 2017 was as follows:

Illinois Hospital Assessment Program Impact

	Fiscal Year Ended June 30,	
(In thousands)	**2018**	**2017**
Net patient service revenue	$ 110,409	$ 119,236
Supplies, utilities and other expense	54,125	52,596
Operating income	$ 56,284	$ 66,640

Physician Practice Plans – Total net patient service revenue from the physician practice plans increased $52.7 million or 18.8% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018 mainly due to increased volumes.

Other Operating Revenue – Other operating revenue represented 12.0% of total operating revenue for fiscal year ended June 30, 2018 and increased $24.7 million or 9.3% from fiscal year ended June 30, 2017. Other operating revenue consists primarily of external funding for research and internal fund support to research (43%), tuition and educational grants (25%), and other non-patient care service activities (32%). Other non-patient care service activities for fiscal year ended June 30, 2018 includes a $20.9 million gain on sale of property. See page 35, Recent Transactions, for additional details.

Drivers of Performance – Operating Expense – Operating expenses increased by $140.4 million or 6.4% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018. Operating costs as a percentage of operating revenue for fiscal years ended June 30, 2018 and 2017 were as follows:

Operating Costs as a Percentage of Operating Revenue

	Fiscal Year Ended June 30,	
	2018	**2017**
Salaries, wages and employee benefits	51.4%	52.2%
Supplies, utilities and other (including purchased services)	36.1%	36.2%
Depreciation and amortization	5.2%	5.7%
Professional liability and other insurance	2.4%	1.9%
Interest	1.0%	0.9%

Salaries, Wages and Employee Benefits – Salaries, wages and employee benefits increased by $65.8 million or 5.6% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018.

The table below shows the employed FTEs and employed physicians for the Obligated Group as of June 30, 2018 and 2017:

FTE and Employed Physicians Statistics

	As of Jun 30,		Percent
	2018	**2017**	**Change**
Number of Full-time Equivalents	11,709	11,611	0.8%
Number of Employed Physicians	734	687	6.8%

Note: Of the 11,709, FTEs, approximately 8.3% of non-clinical employees are represented by a union.

Depreciation and Amortization – Depreciation and amortization expense decreased $1.8 million or 1.4% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018.

Professional Liability and Other Insurance – Professional liability and other insurance expense increased $14.7 million or 33.8% from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018.

Interest Expense – Interest expense was $24.9 million for fiscal year ended June 30, 2018, which is an increase of $3.5 million or 16.4% from fiscal year ended June 30, 2017.

Significant Nonrecurring Items – During fiscal years ended June 30, 2018 and 2017 significant nonrecurring items impacted the Obligated Group's reported operating income as follows:

(In millions)	Fiscal Year Ended June 30 2018	Jun-18 Operating Margin	Fiscal Year Ended June 30 2017	Jun-17 Operating Margin
Operating income reported	**$94.0**	**3.9%**	**$69.5**	**3.1%**
Items impacting operating revenue	(23.5)	-1.0	(24.0)	-1.1
Items impacting operating expenses	17.7	0.7	0.7	0.0
Total adjustments	**(5.8)**	**-0.2**	**(23.3)**	**-1.0**
Adjusted operating income	**$88.2**	**3.6%**	**$46.2**	**2.0%**

Non-operating Income/Expense – Total non-operating income decreased by $53.1 million from fiscal year ended June 30, 2017 to fiscal year ended June 30, 2018. Non-operating income consists of investment income, unrestricted contributions, loss on extinguishment of debt, and interest rate swaps. The significant decrease is due to a decline in market returns.

Liquidity and Capital Resources – The Obligated Group's unrestricted cash and investments at market value increased by $137.5 million or 11.8% from June 30, 2017 to June 30, 2018, 214.3 days cash on hand as of June 30, 2018. The significant increase is the result of the sale of property, as described in the Recent Transactions section on page 35, as well as the improved cash collection discussed below. Included in unrestricted cash and investments was $124.0 million and $96.8 million of Specific Purpose Fund balances as of June 30, 2018 and June 30, 2017, respectively, and $63.9 million and $59.4 million of appreciation on the unrestricted portion of RUMC's endowment as of June 30, 2018 and June 30, 2017, respectively.

Excluded from unrestricted cash and investments were the following temporarily restricted assets:

- Appreciation on the restricted portion of RUMC's endowment fund of $283.9 million and $258.6 million as of June 30, 2018 and June 30, 2017, respectively. These temporarily restricted funds are used to support specific purposes such as research and education.

The Obligated Group as well as other Illinois hospitals have experienced significant delays in payments by the state of Illinois for amounts due under Medicaid, Medicaid Managed Care, and the Cigna/Aetna State of Illinois insurance programs over the last several years. While the Obligated Group did experience payment slowdowns during certain months of fiscal year 2018, by June 30, 2018 the Obligated Group's state of Illinois payments improved significantly and the overall state of Illinois receivables decreased for the fiscal year. The Obligated Group will continue to closely monitor the outstanding receivables from the state and evaluate any impact of possibly future delays in collections.

Capital Expenditures

Total capital expenditures for the Obligated Group amounted to $190.1 million for fiscal year ended June 30, 2018, an $18.4 million decrease from fiscal year ended June 30, 2017. The Obligated Group's construction commitments outstanding as of June 30, 2018 were $70.9 million.

MISCELLANEOUS

Ratings

Moody's, S&P and Fitch have assigned municipal bond ratings of "A1", "A+" and "A+," respectively, to the long-term debt of the Obligated Group. As of September 1, 2017, S&P affirmed the Obligated Group's A+ rating and "Stable" outlook. As of December 12, 2016, Fitch affirmed the Obligated Group's A+ rating and "Positive" outlook. As of January 20, 2017, Moody's affirmed the Obligated Group's A1 rating and "Stable" outlook.

Any explanation of the significance of such ratings may only be obtained from Moody's, S&P and Fitch. Certain information and materials not included in this Annual Report may have been furnished to Moody's, S&P and Fitch concerning the Obligated Group. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be revised downward or upward or withdrawn entirely by any of such rating agencies if, in the judgment of such rating agency, circumstances warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligated Group's outstanding bonds.

Community Benefits

Rush has an established charity care policy and maintains records to identify and monitor the level of charity care it provides. RUMC provides free care to all patients whose family income is 300% of the federal poverty level or less, and a 75% discount is available to all patients with family income up to 400% of the federal poverty level. All uninsured patients receive a tiered discount regardless of their ability to pay. Uninsured patients within 600% of FPL receive a 68% discount. Individuals over 600% of FPL receive a 50% discount.

RCMC provides free care to all patients whose family income is less than 200% of the federal poverty level and a 30% discount to all uninsured patients regardless of ability to pay, also providing discount balances to patients under 600% of the federal poverty level. Interest-free payment plans are also provided. Charity care includes the estimated cost of unreimbursed services provided and supplies furnished under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The estimated cost of charity care provided is determined using a ratio of cost to gross charges and multiplying that ratio by the gross unreimbursed charges associated with providing care to charity patients.

The table below shows the total community benefit provided during the fiscal years 2017 and 2016 by service type:

Community Benefits by Type

	Fiscal Year Ended June 30,			
(In thousands)	2017		2016	
Unreimbursed care provided to patients in the Hospitals	$ 305,377	74 %	$ 274,496	73 %
Support of education programs	52,017	13	48,261	13
Unreimbursed costs for research	30,391	7	33,080	9
Physician clinics providing primary and preventative care services to uninsured and Medicaid patients	7,966	2	8,465	2
Other	15,341	4	12,739	3
Total	$ 411,092	100 %	$ 377,041	100 %

Pension Plans

RUMC actively manages its defined benefit retirement plans and has established a formal pension risk strategy plan. This plan is reviewed annually by the Asset-Liability Committee of the Board. The Asset-Liability Committee was established in 2010 and is comprised of members of the Investment and Finance Committees, respectively. Risk management planning is comprehensive and incorporates plan design, funding, investment policy and risk transfer assessments.

- ***Funded Status*** – RUMC regularly measures its plans' funded status on a PPA Funded Ratio, FAS Funded Ratio and Economic Funded Ratio. These measurements utilize different time periods and discount rates to measure the liability and different smoothing methods for the assets held in the Master Retirement Trust. The FAS Funded Ratio found in the footnotes to the financial statements as of June 30, 2018, reflects a funded ratio of 98%.
- ***Funding*** – For the past eight consecutive calendar years, RUMC contributed more than the minimum required by Employee Retirement Income Security Act and the Code funding rules. During fiscal year ended June 30, 2018, RUMC contributed $34.0 million to the plan.

- ***Investment Policy*** – The portfolio's investment objective is to achieve a total return that meets or exceeds the plan's obligations over a full market cycle. This cycle is generally defined as rolling five year periods.

Effective January 1, 2015, a new defined benefit plan was established. This new plan (the "Pre-2015 Separations Plan" or the "Pre-2015 Plan"), is a spinoff of the current Retirement Plan. The Retirement Plan's benefit obligation and assets attributable to participants who terminated employment prior to January 1, 2015 with a vested benefit were transferred to the Pre-2015 Plan as of the effective date.

In addition to the pension programs, Rush also provides postretirement health care benefits for certain employees. Further benefits under the postretirement healthcare plans have been curtailed.

Contingencies

In fiscal year 2018, the Office of the Inspector General of the Department of Health and Human Services ("OIG") asked for a repayment of an alleged overpayment related to an audit of certain admissions to RUMC's Inpatient Rehabilitation Facility ("IRF") over a two year period (2015-2016). In addition, the OIG has also advised RUMC to audit four other years of admissions to the IRF. The OIG audit appears to be part of OIG's nationwide audits of IRF billing. In June-July 2018, National Government Services, RUMC's Medicare Administrator Contractor, recouped a total of $10.3 million through Medicare remittances associated with the two-year audit period. RUMC has appealed the OIG's determination on these claims and the amount of the recoupment through the appropriate administrative process. Further, RUMC is working with relevant federal agencies to resolve any potential claims related to the additional four year period. Any repayments recouped from or made by RUMC related to its IRF would be offset by any recoveries determined appropriate for RUMC at the end of the appeals process.

On December 22, 2017, the United States Congress passed "The Tax Cuts and Jobs Act." The tax reform bill includes certain provisions that may have an unfavorable impact on tax-exempt organizations. These provisions did not have any impact on the System during fiscal year 2018, and the System has estimated an immaterial impact for fiscal year 2019.

In addition, in the ordinary course of business, the System receives new lawsuits containing allegations of professional liability and/or general liability.

Investment Policies

The Obligated Group's investment program consists of unrestricted cash and investments, an endowment at RUMC and RCMC and investment trusts maintained for the specific purpose of funding RUMC's self-insured general and professional liability claims, and RUMC's defined benefit plan. The Investment Committee of the Board of Trustees at RUMC has the primary purpose of assisting the Board of Trustees in the oversight of RUMC's asset pools, and specifically, assets in the operating reserves, self-insurance trust, endowment fund, and Master Retirement Trust and investment offerings in the defined contribution plans. The Finance Committee of the Board of Directors at RCMC is responsible for determining and implementing all investment policies, selecting and terminating investment managers and reviewing investment performance.

The Obligated Group's unrestricted cash and investments consisted of the following as of June 30, 2018 and 2017:

Asset Summary *(in millions)*	**Total Unrestricted Cash and Investments Fiscal Year Ended June 30,**	
	2018	**2017**
Cash And Cash Equivalents	$ 157	$ 112
Fixed Income Securities	544	485
Public Equity	348	351
Multi-Asset	151	157
Other	99	56
Total	$ 1,299	$ 1,161

The objective of the RUMC self-insurance trust is to fund the self-insurance obligations of RUMC. As of June 30, 2018, the self-insurance trust assets had a market value of $135.0 million versus a market value of $141.8 million as of June 30, 2017. The following table shows the current asset allocation targets and ranges as well as the asset allocation as of June 30, 2018 and June 30, 2017 for the self-insurance trust:

			Percentage Trust Assets as of	
Asset Class	**Target Allocation and Range**		**Jun 30, 2018**	**Jun 30, 2017**
Fixed Income	75%	(+/-5%)	70%	71%
Domestic Equity	25%	(+/-5%)	23%	26%
Cash/Money Market	--	--	7%	3%
Total			100%	100%

RUMC uses the total return concept to record returns on investments in its self-insurance trust. RCMC does not maintain a self-insurance trust to fund its self-insurance obligations. As of June 30, 2018, approximately $21.0 million of RCMC's unrestricted cash and investments is set aside to fund self-insurance obligations.

Fair Value Measurements

As of June 30, 2018 and 2017, the Obligated Group held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities and short-term investments, certain restricted, trusteed and other investments, derivative instruments, and beneficial interests in trusts. Certain alternative investments, measured using either the cost or equity method of accounting, are excluded from the fair value disclosure provided herein.

Valuation Principles

Under FASB guidance on fair value measurements, fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs generally reflect market data from independent sources and are supported by market activity, while unobservable inputs are generally unsupported by market activity. The three-level valuation hierarchy, which prioritizes the inputs used in measuring fair value of an asset or liability at the measurement date, includes:

Level 1 inputs — Quoted prices (unadjusted) for identical assets or liabilities in active markets. Securities typically priced using Level 1 inputs include listed equities and exchange-traded mutual funds.

Level 2 inputs — Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in nonactive markets, and model-driven valuations whose inputs are observable for the asset or liability, either directly or indirectly. Securities typically priced using Level 2 inputs include government bonds (including US treasuries and agencies), corporate and municipal bonds, collateralized obligations, interest rate swaps, commercial paper and currency options.

Level 3 inputs — Unobservable inputs for which there is little or no market data available and are based on the reporting entity's own judgment or estimation of the assumptions that market participants would use in pricing the asset or liability. The fair values for securities typically priced using Level 3 inputs are determined using model-driven techniques, which include option-pricing models, discounted cash flow models, and similar methods. The level 3 classification includes beneficial interests in trusts.

Fair Value Measurements at the Balance Sheet Date

The following tables present Rush's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017:

Fair Value Measurements as of June 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Valued @ NAV**	**Total Fair Value**
Marketable securities and short-term investment	$ 1,736	$ 28	$ -	$ 21,199	$ 22,963
Fixed Income Securities:					
U.S. Government and Agency securities	-	226,069	-	-	226,069
Corporate Bonds	-	212,127	-	-	212,127
Asset Backed Securities and Other	-	47,605	-	-	47,605
Public Equity Securities	218,261	-	-	-	218,261
Fund Investments (Mutual/Commingled):					
Fixed Income Funds	237,138	-	-	-	237,138
Public Equity Funds	214,974	-	-	261,265	476,239
Multi Asset Class Funds	160,367	-	-	27,266	187,633
Alternative Investments:					
Hedge Funds	-	-	-	82,609	82,609
Private Equity Partnerships	-	-	-	74,301	74,301
Private Debt	-	-	-	53,229	53,229
Other:					
Derivative Assets	-	780	-	-	780
Trustee-held Investments	-	-	29,675	-	29,675
Pending Transactions	-	(45,113)	-	-	(45,113)
Total investments	$ 832,476	$ 441,496	$ 29,675	$ 519,869	$ 1,823,516
Obligations under interest rate swap agreements	$ -	$ (11,600)	$ -	$ -	$ (11,600)
Other derivative liabilities	-	(122)	-	-	(122)
Total liabilities at fair value	$ -	$ (11,722)	$ -	$ -	$ (11,722)

Fair Value Measurements as of June 30, 2017	Level 1	Level 2	Level 3	Valued @ NAV	Total Fair Value
Marketable securities and short-term investments	$ 1,711	$ -	$ -	$ 21,598	$ 23,309
Fixed Income Securities:					
U.S. Government and Agency securities	-	197,511	-	-	197,511
Corporate Bonds	-	180,338	-	-	180,338
Asset Backed Securities and Other	-	47,442	-	-	47,442
Public Equity Securities	277,126	-	-	-	277,126
Fund Investments (Mutual/Commingled):					
Fixed Income Funds	239,493	-	-	-	239,493
Public Equity Funds	196,943	-	-	182,576	379,519
Multi Asset Class Funds	203,712	-	-	10,947	214,659
Alternative Investments:					
Hedge Funds	-	-	-	89,282	89,282
Private Equity Partnerships	-	-	-	48,142	48,142
Private Debt	-	-	-	37,843	37,843
Other:					
Derivative Assets	-	212	-	-	212
Trustee-held Investments	-	-	27,863	-	27,863
Other Investments	-	-	-	-	-
Pending Transactions	-	(45,587)	-	-	(45,587)
Total investments	$ 918,985	$ 379,916	$ 27,863	$ 390,388	$ 1,717,152
Obligations under interest rate swap agreements	$ -	$ (16,002)	$ -	$ -	$ (16,002)
Other derivative liabilities	-	(213)	-	-	(213)
Total liabilities at fair value	$ -	$ (16,215)	$ -	$ -	$ (16,215)

Valuation Techniques and Inputs for Level 2 and Level 3 Instruments

The Level 2 and Level 3 instruments listed in the preceding fair value tables use the following valuation techniques and inputs as of the valuation date:

Fixed Income Securities – Fixed income securities consists primarily of U.S. Government and agency securities, corporate bonds, and asset backed securities, all of which are classified as Level 2. The fair value of investments in U.S. government and agency securities and corporate bonds was primarily determined using techniques consistent with the market approach, including matrix pricing and significant observable inputs of institutional bids, trade data, broker and dealer quotes, discount rates, issues spreads, and benchmark yield curves. The asset backed securities encompasses collateralized bond obligations, collateralized loan and mortgage obligations any other asset backed securities. The fair value of these securities was determined using techniques consistent with the market and income approach, such as discounted cash flows and matrix pricing.

Fund Investments – Investments in this category classified as Level 2 are held in a commingled fund that invests primarily in global equity and bond mutual funds. The fair value of this commingled fund is based upon the calculated NAV at the valuation date under a market approach. Investments in this category classified as NAV, which are invested in a multistrategy hedge fund, are priced on the last business day of each calendar month. The values of the underlying investments are estimated based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals. The underlying investment strategies can include long-short, global macro, fixed-income and currency hedges, and other tactical opportunity-related strategies.

Beneficial Interest in Trusts – The fair value of beneficial interests in perpetual and charitable trusts classified as Level 3 was determined using an income approach based on the present value of expected future cash flows to be received from the trust or based on Rush's beneficial interest in the investments held in the trust measured at fair value. Since Rush is unable to liquidate the funds held and benefits only from the distributions generated off of such investments, the interest in such trusts are all shown in Level 3.

Obligations Under Interest Rate Swap Agreements – The fair value of Rush's obligations under interest rate swap agreements classified as Level 2 is valued using a market approach. The valuation is based on a determination of market expectations relating to the future cash flows associated with the swap contract using sophisticated modeling based on observable market-based inputs, such as interest rate curves. The fair value of the obligation reported in Rush's component balance sheets includes an adjustment for the Obligated Group's credit risk but may not be indicative of the value Rush would be required to pay upon early termination of the swap agreements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Rush believes that its methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investments in Entities that Report Fair Value Using NAV

Included within the fair value table above are investments in certain entities that report fair value using a calculated NAV or its equivalent. These investments consist of hedge fund of funds and private equity partnerships within alternative investments. The NAV instruments listed in the fair value measurement tables use the following valuation techniques and inputs as of the valuation date:

Marketable Securities and Short Term Investments – Marketable Securities and Short-Term Investments – Marketable securities and short term investments classified as NAV are invested in a short-term collective fund that serves as an investment vehicle for cash reserves. Fair value was determined using the calculated NAV as of the valuation date, based on a constant price. These funds are invested in high quality and short term money market instruments with daily liquidity.

Fund Investments – Investments within this category consist of public equity funds and multi-asset funds. The fair value of public equity funds classified at NAV are primarily determined using the calculated NAV at the valuation date under a market approach. This includes investments in commingled funds that invest primarily in domestic and foreign equity securities whose underlying values have a readily determinable market value or based on a net asset value. Multi-asset funds include investments in fund of funds that seek to provide both capital appreciation and income by investing in both traditional and alternative asset funds. The asset allocation is driven by the fund manager's long-range forecasts of asset-class real returns. Investments in this category classified as NAV are held in a commingled fund that invests primarily in global equity and bond mutual funds. Included in this category is a multistrategy hedge fund, priced on the last business day of each calendar month. The values for underlying investments are estimated based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals. The underlying investment strategies can include long-short, global macro, fixed-income and currency hedges, and other tactical opportunity-related strategies.

Alternative Investments – Investments within this category consist primarily of hedge fund of funds and private equity partnerships. The hedge fund of funds consist of diversified investments including equity long/short, credit long/short, event-drive, relative value, global opportunities, and other multistrategy funds. Hedge fund of funds investments are valued based on Rush's ownership interest in the NAV of the respective fund as estimated by the general partner, which approximates fair value. Effective July 1, 2012, Rush elected to measure all new private equity partnerships entered into on or after July 1, 2012, at fair value (see Note 2). Private equity partnerships are valued based on the estimated fair values of the nonmarketable private equity partnerships in which it invests, which is an equivalent of NAV.

The following table summarizes the attributes relating to the nature and risk of such investments as of June 30, 2018:

Entities that Report Fair Value Using NAV	Unfunded Commitments (In Thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fund Investments (Mutual/Commingled)	None	Daily/Monthly	1-15 days
Alternative Investments:			
Hedge Funds	None	Quarterly	65-95 days
Private Equity Partnerships	$ 115,773	Not currently redeemable	N/A
Private Debt	$ 17,979	Not currently redeemable	N/A

Endowment Investment and Spending Policies

Rush has adopted endowment investment and spending policies to preserve purchasing power over the long term and provide stable annual support to the programs supported by the endowment, including professorships, research and education, free care, student financial aid, scholarships, and fellowships. Approximately 17% and 18% of Rush's endowment is available for general purposes for the years ended June 30, 2018 and 2017, respectively.

The Investment Committee of the Board of Trustees is responsible for defining and reviewing the investment policy to determine an appropriate long-term asset allocation policy. The asset allocation policy reflects the objective with allocations structured for capital growth and inflation protection over the long term. The current asset allocation targets and ranges as well as the asset allocation as of June 30, 2018 and 2017, are as follows:

Asset Class	Target Allocation and Range	Percentage of Endowment Assets 2018	2017
Global equity	55% (+/- 5%)	56 %	56 %
Multi Asset Fund	15% (+/- 5%)	13	19
Private equity	15% (+/- 5%)	17	14
Fixed income	15% (+/- 5%)	15	11

To achieve its long-term rate of return objectives, Rush relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The expected long-term rate of return target of the endowment given its current asset allocation structure is approximately 7.0%. Actual returns in any given year may vary from this amount. Rush has established market-related benchmarks to evaluate the endowment fund's performance on an ongoing basis.

The Finance Committee of the Board of Trustees approves the annual spending policy for program support. In establishing the annual spending policy, Rush's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the endowment. The spending rate was 4.0% for the fiscal years ended June 30, 2018 and 2017, respectively, and income from the endowment fund provided $19,190 and $18,217 of support for Rush's programs during the fiscal years ended June 30, 2018 and 2017, respectively.

Interest Rate Swap Agreements

The Obligated Group currently is party to two interest rate swap agreements (the "Swap Agreements"), which were originally entered into in connection with the issuance of the Series 2006A Bonds, which were refinanced during the fiscal year 2009.

Management has not designated the Swap Agreements as hedging instruments. Amounts recorded in the accompanying consolidated statement of operations and changes in net assets for the Swap Agreements for fiscal years ended June 30, 2018 and 2017 were as follows:

Swap Disclosures

(In Thousands)	Reported As	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Change in Fair Value of Interest Rate Swaps	Nonoperating Income (Expense)	$ 4,402	$ 7,139
Net Cash Payments on Interest Rate Swaps	Interest Expense	$ (2,178)	$ (2,767)

The Swap Agreements also require either party to post collateral in the form of cash and certain cash equivalents to secure potential termination payments. The amount of collateral that is required to be posted is based on the relevant party's long-term credit rating. Based on its current rating, the Obligated Group is required to post collateral with the Swap Counterparties in the event that the market value of the Swap Agreements exceeds $(25.0) million or $(12.5) million for each Swap Agreement. As of June 30, 2018, the Obligated Group was not required to post any collateral with the Swap Counterparties.

Affiliations, Merger, Acquisition and Divestiture

Management of the Obligated Group is actively considering and evaluating potential affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, management reviews the use, compatibility and business viability of many of the operations of the Obligated Group, and from time to time Obligated Group Members may pursue changes in the use of, or disposition of, their facilities. The Members of the Obligated Group receive offers from and/or conduct discussions with third-parties about potential affiliations and joint venture opportunities. As a result, it is possible that the current organization, assets, operations and financial condition of the Obligated Group may change from time to time as a result of such affiliations, mergers, acquisitions and divestitures.

In addition to relationships with other hospitals and physicians, the Members of the Obligated Group may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home healthcare, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the Members of the Obligated Group. In addition, the Members of the Obligated Group may pursue 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 will consider these arrangements if there is a perceived strategic or operational benefit for the Obligated Group. Any such investment, venture, affiliate, development or acquisition may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Members of the Obligated Group 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 Obligated Group.

In the first quarter of fiscal year 2018, Rush System for Health, the sole-corporate member of RUMC and the parent entity of the Rush System, signed a non-binding letter of intent for Little Company of Mary Hospital and Health Centers, a community hospital with outpatient care centers, providing services to patients in south suburban Evergreen Park, IL, to potentially join the Rush System. The non-binding letter of intent was subject to further due diligence, regulatory approvals and the ultimate approvals of each entity's governing board and the Archdiocese of Chicago. In April 2018, Rush System for Health and Little Company of Mary Hospital and Health Centers mutually agreed to terminate their integration discussions.

Information Technology

The Obligated Group strives to be a national leader for the innovative use of informatics and technology to support safe, effective and efficient patient-centered quality healthcare, empowering customers and partners by advancing technology solutions that enable the Obligated Group to achieve its mission, vision and values. During fiscal year ended June 30, 2018, the Obligated Group has spent $127.4 million on IT expenditures, which represents 5.2% of its operating revenue.

Campus Transformation

RUMC is in the initial stages of a strategic master facility plan, which includes new developments on campus as well as other offsite investments.

In August 2018, RUMC filed a certificate of need application to build an eleven-story building of approximately 530,000 square feet, for the provision of outpatient services plus an attached parking deck. The new ambulatory destination center for cancer and neurological care proposed for the campus of RUMC will further the mission to improve health of the individuals and diverse communities we serve through the integration of outstanding patient care, education, research and community partnerships.

The services to be located in the building will focus on RUMC's cancer care and neurosciences programs. Among the outpatient clinical services to be provided are radiation therapy, infusion therapy, integrative medicine and imaging. The building will also serve as a primary site for clinical research and teaching programs offered through Rush University; with medical students, residents and fellows as well as nursing students, imaging and radiation therapy technology students and physicists actively engaged in the building's patient care and research activities.

Construction is planned to begin in fiscal year 2019 with a projected opening in fiscal year 2022. The estimated CON cost is approximately $473 million. RUMC will continue to assess the sizing and pricing of the building over the next fiscal year.

In September 2016, RUMC's certificate of need application was approved to build an outpatient health center within a new 15-story mixed used residential development in Chicago's South Loop neighborhood. Rush South Loop opened in October 2018 and occupies three floors of the building. The outpatient center includes primary care, obstetrics and gynecology, pediatrics, allergy, audiology, bariatric surgery, cancer surgery, cardiology, colorectal surgery, dermatology, endocrinology, otolaryngology, integrative behavioral medicine, neurology, pain management, plastic surgery, pulmonology, rheumatology, and urology.

RUMC filed two additional certificate of need applications in August 2016 to build a three-story medical professional building focused on orthopedic-related services in Oak Brook. Both applications were approved in October 2016. The medical building will house three primary tenants: a multi-specialty ambulatory surgical treatment center, offices for Midwest Orthopaedics at Rush and offices for other faculty physicians of RUMC. The building is projected to open in winter 2018. The outpatient center will include Rush primary care physicians, GYNs, and specialists in breast surgery, allergy, colorectal surgery, dermatology, endocrinology, ENT, gastroenterology, hepatology, neurosurgery, plastic surgery, rheumatology, surgical oncology, transplant and vascular surgery.

In October 2016, ROPH filed a certificate of need application to build a new emergency department which was approved in January 2017. The new emergency department will increase the square footage from the current emergency department and is projected to open in summer 2019.

Recent Transactions

In December 2017, RUMC entered into a sale leaseback transaction over two properties on RUMC's campus with a real estate investment firm. The sale resulted in cash proceeds of $76.6 million and a gain on sale recorded within other operating revenue of $20.9 million. RUMC will lease the space for ten years with lease payments totaling $46.2 million. Selling these properties and leasing back the space allows RUMC to strengthen its financial position and provide additional capital for reinvestment in other programs.

There were no other significant or material transactions outside the ordinary course of business during fiscal year ended June 30, 2018.

Subsequent Events

The System has evaluated events occurring subsequent to the balance sheet date through October 17, 2018, the date this annual report was issued. There were no material subsequent events during this time period.

CONSOLIDATED FINANCIAL STATEMENTS

RUSH SYSTEM FOR HEALTH
Consolidated Balance Sheets

(Dollars in thousands)

	As of June 30, 2018	As of June 30, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 157,303	$ 99,241
Accounts receivable for patient services — net of allowance for doubtful accounts of $81,267 and $83,946 for June 30, 2018 and 2017 respectively	333,444	309,455
Other accounts receivable — net of reserves of $952 and $1,188 as of June 30, 2018 and 2017, respectively	59,464	58,509
Self-insurance trust — current portion	20,346	25,182
Other current assets	67,564	60,409
Total current assets	638,121	552,796
ASSETS LIMITED AS TO USE AND INVESTMENTS:		
Investments	1,141,777	1,062,114
Limited as to use by donor or time restriction	598,020	556,234
Self-insurance trust — less current portion	114,617	116,621
Total assets limited as to use and investments	1,854,414	1,734,969
PROPERTY AND EQUIPMENT — net of accumulated depreciation of $1,511,504 and $1,431,026 as of June 30, 2018 and 2017, respectively	1,497,632	1,467,804
OTHER ASSETS	54,339	61,813
TOTAL ASSETS	$ 4,044,506	$ 3,817,382
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 70,752	$ 77,178
Accrued expenses	308,317	274,200
Estimated third-party settlements payable	180,107	182,817
Current portion of accrued liability under self-insurance program	30,964	36,207
Current portion of long-term debt	13,156	12,393
Total current liabilities	603,296	582,795
LONG-TERM LIABILITIES:		
Accrued liability under self-insurance program — less current portion	181,462	194,566
Postretirement and pension benefits	24,392	68,458
Long-term debt — less current portion, net	598,371	616,412
Line of Credit	36,500	32,519
Obligations under capital lease and other financing arrangements	51,470	20,540
Other long-term liabilities	118,706	86,349
Total long-term liabilities	1,010,901	1,018,844
Total liabilities	1,614,197	1,601,639
NET ASSETS:		
Unrestricted	1,652,774	1,505,945
Temporarily restricted	496,865	438,112
Permanently restricted	280,670	271,686
Total net assets	2,430,309	2,215,743
TOTAL LIABILITIES AND NET ASSETS	$ 4,044,506	$ 3,817,382

See notes to the consolidated financial statements.

Note 1: The June 30, 2018 and 2017 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2018 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

RUSH SYSTEM FOR HEALTH
Consolidated Statements of Operations and Changes in Net Assets

(Dollars in thousands)

	For the Years Ended June 30,	
	2018	**2017**
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 2,223,592	$ 2,100,771
Provision for uncollectible accounts	(81,078)	(97,999)
Net patient service revenue less provision for uncollectible accounts	2,142,514	2,002,772
University services:		
Tuition and educational grants	73,409	70,510
Research and other operations	123,440	113,013
Other revenue	93,274	81,503
Total revenue	2,432,637	2,267,798
EXPENSES:		
Salaries, wages, and employee benefits	1,249,522	1,183,691
Supplies, utilities, and other	728,022	672,854
Insurance	58,075	43,400
Purchased services	151,257	148,195
Depreciation and amortization	126,847	128,695
Interest expense	24,932	21,423
Total expenses	2,338,655	2,198,258
OPERATING INCOME	93,982	69,540
NON-OPERATING INCOME (EXPENSE):		
Investment income and other	35,055	82,875
Unrestricted contributions	1,835	2,738
Fundraising expenses	(10,105)	(8,578)
Net gain on sale	1,409	1,501
Change in fair value of interest rate swaps	4,402	7,139
Total non-operating income	32,596	85,675
EXCESS OF REVENUE OVER EXPENSES	$ 126,578	$ 155,215

Note 1: The June 30, 2018 and 2017 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2018 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

(Continued)

RUSH SYSTEM FOR HEALTH
Consolidated Statements of Operations and Changes in Net Assets

(Dollars in thousands)

	For the Years Ended June 30, 2018	2017
UNRESTRICTED NET ASSETS		
Excess of revenue over expenses	$ 126,578	$ 155,215
Net assets released from restrictions used for purchase of property and equipment	1,919	1,654
Postretirement related changes other than net periodic postretirement cost	18,210	41,695
Other	123	6,427
INCREASE IN UNRESTRICTED NET ASSETS	146,830	204,991
RESTRICTED NET ASSETS		
TEMPORARILY RESTRICTED NET ASSETS:		
Pledges, contributions, and grants	61,843	48,349
Net assets released from restrictions	(49,808)	(47,849)
Net realized and unrealized gains on investments	46,717	90,881
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	58,752	91,381
PERMANENTLY RESTRICTED NET ASSETS:		
Pledges and contributions	7,172	2,754
Investment gains on trustee-held investments	1,812	3,551
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	8,984	6,305
INCREASE IN NET ASSETS	214,566	302,677
NET ASSETS — Beginning of year	2,215,743	1,913,066
NET ASSETS — End of year	$ 2,430,309	$ 2,215,743

Note 1: The June 30, 2018 and 2017 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2018 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

(Concluded)

RUSH SYSTEM FOR HEALTH
Consolidated Statements of Cash Flows

(Dollars in thousands)

	For the Years Ended June 30, 2018	2017
OPERATING ACTIVITIES:		
Increase in net assets	$ 214,566	$ 302,677
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	126,847	128,695
Postretirement-related changes other than net periodic postretirement cost	(18,210)	(41,695)
Provision for uncollectible accounts	81,078	97,999
Change in fair value of interest rate swaps	(4,402)	(7,139)
Net unrealized and realized gains on investments	(80,884)	(176,941)
Restricted contributions and investment income received	(15,468)	(11,493)
Investment gains on trustee held investments	(1,812)	(1,264)
Gain on sale of property and equipment	(22,354)	(2,652)
Changes in operating assets and liabilities:		
Accounts receivable for patient services	(105,067)	(128,876)
Accounts payable and accrued expenses	37,910	(18,693)
Estimated third-party settlements payable	(2,710)	(1,446)
Postretirement and pension benefits	(25,856)	(27,986)
Accrued liability under self-insurance program	(14,413)	372
Other changes in operating assets and liabilities	(13,604)	(1,377)
Net cash provided by operating activities	155,621	110,181
INVESTING ACTIVITIES:		
Additions to property and equipment	(190,087)	(208,524)
Acquisition of Castle Orthopedics and Sports Medicine SC, and Castle Surgicenter	-	(18,000)
Proceeds from sale of equipment	78,624	1,581
Purchase of investments	(2,152,407)	(1,377,664)
Sale of investments	2,129,306	1,419,661
Net cash used in investing activities	(134,564)	(182,946)
FINANCING ACTIVITIES:		
Proceeds from restricted contributions and investment income	15,468	11,493
Proceeds from Line of Credit	3,981	17,925
Payment of deferred financing costs	(476)	-
Payment of long-term debt	(13,343)	(11,103)
Payment of obligations under capital lease and other financing arrangements	(3,340)	(1,236)
Proceeds from financing arrangements	34,715	-
Net cash provided by financing activities	37,005	17,079
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,062	(55,686)
CASH AND CASH EQUIVALENTS — Beginning of year	99,241	154,927
CASH AND CASH EQUIVALENTS — End of year	$ 157,303	$ 99,241
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest — including capitalized interest of $459 and $767 for the years ended June 30, 2018 and 2017, respectively	$ 25,982	$ 24,659
Noncash additions to property and equipment	$ 16,435	$ 30,027

Note 1: The June 30, 2018 and 2017 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2018 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

APPENDICES

RUSH SYSTEM FOR HEALTH
Consolidating Balance Sheet Information

As of June 30, 2018

(Dollars in thousands)

	RUMC	RCMC	Eliminations	Obligated Group	Rush System for Health Parent	Parent Eliminations	Rush System for Health
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 136,562	$ 20,320	$ -	$ 156,882	$ 421	$ -	$ 157,303
Accounts receivable for patient services — net of allowance for doubtful accounts of $67,856 and $13,411 for RUMC and RCMC respectively	275,072	58,372	-	333,444	-	-	333,444
Other accounts receivable, net	61,888	-	(2,424)	59,464	-	-	59,464
Self-insurance trust — current portion	20,346	-	-	20,346	-	-	20,346
Other current assets	54,514	13,034	-	67,548	16	-	67,564
Total current assets	548,382	91,726	(2,424)	637,684	437	-	638,121
ASSETS LIMITED AS TO USE AND INVESTMENTS:							
Investments	841,453	300,324	-	1,141,777	-	-	1,141,777
Limited as to use by donor or time restriction	586,326	11,694	-	598,020	-	-	598,020
Self-insurance trust — less current portion	114,617	-	-	114,617	-	-	114,617
Total assets limited as to use and investments	1,542,396	312,018	-	1,854,414	-	-	1,854,414
PROPERTY AND EQUIPMENT — net of accumulated depreciation of $1,246,490 and $265,014 for RUMC and RCMC respectively	1,289,697	207,935	-	1,497,632	-	-	1,497,632
OTHER ASSETS	31,500	29,411	(6,572)	54,339	-	-	54,339
TOTAL ASSETS	$ 3,411,975	$ 641,090	$ (8,996)	$ 4,044,069	$ 437	$ -	$ 4,044,506
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	50,169	22,704	(2,424)	70,449	354	(51)	70,752
Accrued expenses	283,534	24,783	-	308,317	-	-	308,317
Estimated third-party settlements payable	138,597	41,510	-	180,107	-	-	180,107
Current portion of accrued liability under self-insurance programs	27,920	3,044	-	30,964	-	-	30,964
Current portion of long-term debt	10,600	2,556	-	13,156	-	-	13,156
Total current liabilities	510,820	94,597	(2,424)	602,993	354	(51)	603,296
LONG-TERM LIABILITIES:							
Accrued liabilities under self-insurance programs — less current portion	167,517	13,945	-	181,462	-	-	181,462
Postretirement and pension benefits	24,392	-	-	24,392	-	-	24,392
Long-term debt — less current portion, net	499,427	98,944	-	598,371	-	-	598,371
Line of Credit	-	36,500	-	36,500	-	-	36,500
Obligations under capital lease and other financing arrangements	51,470	-	-	51,470	-	-	51,470
Other long-term liabilities	110,655	14,623	(6,572)	118,706	-	-	118,706
Total long-term liabilities	853,461	164,012	(6,572)	1,010,901	-	-	1,010,901
Total liabilities	1,364,281	258,609	(8,996)	1,613,894	354	(51)	1,614,197
NET ASSETS:							
Unrestricted	1,282,134	370,506	-	1,652,640	83	51	1,652,774
Temporarily restricted	493,194	3,671	-	496,865	-	-	496,865
Permanently restricted	272,366	8,304	-	280,670	-	-	280,670
Total net assets	2,047,694	382,481	-	2,430,175	83	51	2,430,309
TOTAL LIABILITIES AND NET ASSETS	$ 3,411,975	$ 641,090	$ (8,996)	$ 4,044,069	$ 437	$ -	$ 4,044,506

RUSH SYSTEM FOR HEALTH
Consolidating Statement of Operations and Changes in Net Assets Information

For Fiscal Year Ended June 30, 2018

(Dollars in thousands)

	RUMC	RCMC	Obligated Group	Rush System for Health Parent	Parent Eliminations	Rush System for Health
REVENUE:						
Patient service revenue (net of contractual allowances and discounts)	$ 1,827,340	$ 396,252	$ 2,223,592	$ -	$ -	$ 2,223,592
Provision for uncollectible accounts	(46,355)	(34,723)	(81,078)	-	-	(81,078)
Net patient service revenue less provision for uncollectible accounts	1,780,985	361,529	2,142,514	-	-	2,142,514
University services:						
Tuition and educational grants	73,409	-	73,409	-	-	73,409
Research and other operations	123,440	-	123,440	-	-	123,440
Other revenue	85,373	7,901	93,274	1,758	(1,758)	93,274
Total revenue	2,063,207	369,430	2,432,637	1,758	(1,758)	2,432,637
EXPENSES:						
Salaries, wages, and employee benefits	1,043,382	206,140	1,249,522	248	(248)	1,249,522
Supplies, utilities, and other	636,565	91,457	728,022	51	(51)	728,022
Insurance	57,501	574	58,075	6	(6)	58,075
Purchased services	113,331	37,926	151,257	1,453	(1,453)	151,257
Depreciation and amortization	104,304	22,543	126,847	-	-	126,847
Interest expense	19,781	5,151	24,932	-	-	24,932
Total expenses	1,974,864	363,791	2,338,655	1,758	(1,758)	2,338,655
OPERATING INCOME	88,343	5,639	93,982	-	-	93,982
NON-OPERATING INCOME (EXPENSE):						
Investment income and other	16,694	18,361	35,055	-	-	35,055
Unrestricted contributions	1,702	133	1,835	-	-	1,835
Fundraising expenses	(9,487)	(618)	(10,105)	-	-	(10,105)
Net gain on sale	-	1,409	1,409			1,409
Change in fair value of interest rate swaps	2,508	1,894	4,402	-	-	4,402
Total non-operating income	11,417	21,179	32,596	-	-	32,596
EXCESS OF REVENUE OVER EXPENSES	$ 99,760	$ 26,818	$ 126,578	$ -	$ -	$ 126,578

(Continued)

RUSH SYSTEM FOR HEALTH
Consolidating Statement of Operations and Changes in Net Assets Information

For Fiscal Year Ended June 30, 2018

(Dollars in thousands)

	RUMC	RCMC	Obligated Group	Rush System for Health Parent	Parent Eliminations	Rush System for Health
UNRESTRICTED NET ASSETS						
Excess of revenue over expenses	$ 99,760	$ 26,818	$ 126,578	$ -	$ -	$ 126,578
Net assets released from restrictions used for purchase of property and equipment	1,919	-	1,919	-	-	1,919
Postretirement related changes other than net periodic postretirement cost	18,210	-	18,210	-	-	18,210
Other	252	(102)	150	(27)	-	123
INCREASE IN UNRESTRICTED NET ASSETS	120,141	26,716	146,857	(27)	-	146,830
RESTRICTED NET ASSETS						
TEMPORARILY RESTRICTED NET ASSETS:						
Pledges, contributions, and grants	61,118	725	61,843	-	-	61,843
Net assets released from restrictions	(48,694)	(1,114)	(49,808)	-	-	(49,808)
Net realized and unrealized gains on investments	46,185	532	46,717	-	-	46,717
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS NET ASSETS	58,609	143	58,752	-	-	58,752
PERMANENTLY RESTRICTED NET ASSETS:						
Pledges and contributions	6,957	215	7,172	-	-	7,172
Investment gains on trustee-held investments	1,812	-	1,812	-	-	1,812
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	8,769	215	8,984	-	-	8,984
INCREASE IN NET ASSETS	187,519	27,074	214,593	(27)	-	214,566
NET ASSETS — Beginning of year	1,860,175	355,407	2,215,582	110	51	2,215,743
NET ASSETS — End of year	$ 2,047,694	$ 382,481	$ 2,430,175	$ 83	$ 51	$ 2,430,309

(Concluded)

Financial Results Compared to Budget for Fiscal Year Ended June 30, 2018

The System Board is required to set the System strategic plan and annual budget as well as approve the strategic plans, annual operating budgets, and the financial and capital priorities for RUMC and RCMC. The budget remains in effect the entire fiscal year. An actual to budget comparison and analysis is presented monthly in the interim financial statements, and the information for the fiscal year ended June 30, 2018 is presented below.

Summary of Statement of Operations

	Fiscal Year Ended June 30, 2018		**Actual vs Budget Comparison**	
(In thousands)	**Actual**	**Budget**	**Variance**	**Variance %**
Net patient service revenue	$ 2,142,515	$ 2,131,183	$ 11,332	0.5%
Other operating revenue	290,122	251,152	38,970	15.5%
Total operating revenue	2,432,637	2,382,335	50,302	2.1%
Salaries, wages and employee benefits	1,249,522	1,241,219	(8,303)	-0.7%
Supplies, utilities and other	728,022	708,541	(19,481)	-2.7%
Professional liability and other insurance	58,075	58,659	584	1.0%
Purchased services	151,257	141,073	(10,184)	-7.2%
Depreciation and amortization	126,847	128,970	2,123	1.6%
Interest	24,932	25,454	522	2.1%
Total operating expenses	2,338,655	2,303,916	(34,739)	-1.5%
Operating income	93,982	78,419	15,563	19.8%
Non-operating income	32,596	39,510	(6,914)	-17.5%
Excess of revenue over expenses	$ 126,578	$ 117,929	$ 8,649	7.3%

Covenant Compliance Certificate

The following calculations are pursuant to the financial covenants expressed in the Amended and Restated Master Trust Indenture dated February 1, 2015 for the Rush University Medical Center Obligated Group.

(Dollars in Thousands)

I. MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO:

Net income, excluding net gains and losses on sales [1]		$ 101,615
Add: Depreciation expense		126,847
Add: Interest expense		24,933
Revenues available for debt service		$ 253,395
Maximum annual debt service		$ 46,625
Revenues available for debt service	$ 253,395	5.43
Maximum annual debt service	$ 46,625	
Ratio exceeds 1.20	(please check)	X

II. DAYS CASH ON HAND:

Unrestricted cash and cash equivalents		$ 156,882
Add: Unrestricted marketable securities		1,141,777
Unrestricted cash and marketable securities		$ 1,298,659
Number of days in period		365
Unrestricted cash and marketable securities x 365		$ 474,010,535
Total operating expenses		$ 2,338,655
Less: Depreciation expense		(126,847)
Total operating expenses - depreciation expense		$ 2,211,808
Unrestricted cash and marketable securities x 365	$ 474,010,535	214.3
Total operating expenses - depreciation expense	$ 2,211,808	
Days exceed 65	(please check)	X

[1] Maximum annual and historical debt service coverage ratios are calculated based on revenues available for debt service of the Obligated Group and exclude the change in fair value of interest rate swaps and unrealized gains and losses on unrestricted investments. Revenues available for debt service also excludes net gains and losses on sales, a component of nonoperating income.

Covenant Compliance Certificate - Continued

(Dollars in Thousands)

III. HISTORICAL DEBT SERVICE COVERAGE RATIO:

Net income, excluding net gains and losses on sales [1]			$	101,615
Add: Depreciation expense				126,847
Add: Interest expense				24,933
Revenues available for debt service			$	253,395
Payments of debt			$	17,383
Add: Interest expense				24,933
Annual debt service			$	42,316
Revenues available for debt service	$	253,395		5.99
Annual debt service	$	42,316		
Ratio exceeds 1.10	(please check)			X

Notes:

[1] Maximum annual and historical debt service coverage ratios are calculated based on net revenue available for debt service of the Obligated Group and exclude unrealized gains and losses on unrestricted investments, the change in fair value of interest rate swaps still outstanding and net gains and losses on sales, a component of nonoperating income.

[1] Maximum annual and historical debt service coverage ratios are calculated based on revenues available for debt service of the Obligated Group and exclude the change in fair value of interest rate swaps and unrealized gains and losses on unrestricted investments. Revenues available for debt service also excludes net gains and losses on sales, a component of nonoperating income.

Board Leadership

The following is a listing of the present Voting Trustees of Rush University Medical Center. Members of the Executive Committee (1), Audit Committee (2) Finance Committee (3) and Rush System for Health Board (4) are further identified.

Board Member	Professional Affiliation	Years of Service
William M. Goodyear (1, 4) Chairman	Retired Chairman, Navigant Consulting Inc.	23
Susan Crown (1, 4) Vice-Chairman	Chairman and Chief Executive Officer, Owl Creek Partners, LLP	31
James W. DeYoung (1) *Vice-Chairman*	Managing Member, D-W Investments, LLC	41
Jay L. Henderson (1, 3, 4) *Vice-Chairman*	Retired Vice Chairman of Client Service, PricewaterhouseCoopers LLP	15
Peter C. B. Bynoe, Esq. (1, 4)	Senior Counsel, DLA Piper US LLP and Managing Director, Equity Group Investments	25
E. David Coolidge III (1, 3, 4)	Vice Chairman, William Blair & Company	32
Christine A. Edwards (1, 2, 4)	Capital Partner, Winston & Strawn	17
Larry Field (3)	Chief Executive Officer, Field Holdings	24
Robert F. Finke (1, 2, 3)	Senior Counsel, Mayer Brown LLP	18
Larry Goodman, MD (1, 4)	Chief Executive Officer, Rush University Medical Center	16
Sandra P. Guthman (1, 4)	Chairman, Polk Bros. Foundation	11
William J. Hagenah (1)	Retired Senior Vice President, Bank One Corp.	14
William K. Hall (1, 2)	General Partner, Procyon Advisors LLP	15
John L. Howard (2)	Senior Vice President and General Counsel, W.W. Grainger, Inc.	5
Sheldon Lavin (3)	Chairman and Chief Executive Officer, OSI Group LLC	11

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
Aylwin B. Lewis (2)	Director, The Walt Disney Company	9
Pamela Forbes Lieberman (2)	Director, A.M. Castle & Co.	5
Paul E. Martin (2)	Senior Vice President and Chief Information Officer, Baxter International	2
Mary K. McCarthy	Immediate Past President, Rush University Medical Center Woman's Board Attorney, Cook County Mandatory Arbitration Program	4
Andrew J. McKenna, Jr. (3)	Chief Executive Officer, Interactive Content Services	10
Mark C. Metzger, JD (1, 4)	Immediate Past Chairman, Rush-Copley Medical Center Founder and Principal, Law Offices of Mark C. Metzger	7
Wayne L. Moore (1, 2)	Retired Managing Director, Goldman Sachs & Co.	12
Michael J. O'Connor, JD (3)	Co-President, Aon plc	8
William H. Osborne (2)	VP, The Boeing Company	8
Sheila A. Penrose (1)	Chairman, Jones Lang LaSalle	10
Perry R. Pero (2)	Retired Vice Chairman, Northern Trust Corporation	23
Stephen N. Potter (1, 3)	President, Northern Trust Asset Management	9
Eric A. Reeves (3)	Managing Director and Chief Administrative Office, Duchossois Capital Management	7
John W. Rogers Jr. (1, 4)	Chairman and Chief Executive Officer, Ariel Investments	28
Dino Rumoro, DO(1)	Immediate Past President, Rush University Medical Center Medical Staff Chairman, Rush University Medical Center Department of Emergency Medicine	3
E. Scott Santi (1)	Chairman and Chief Executive Officer, Illinois Tool Works	5
Gloria Santona, Esq. (2)	Of Counsel, Baker & McKenzie LLP	15
Carole Browe Segal (1, 4)	President, Segal Family Foundation	27
Alejandro Silva (3)	Retired Chairman & Chief Executive Office, Evans Food Group	10
Jennifer W. Steans	President and Chief Executive Officer, Financial Investments Corp.	4

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
Jonathan W. Thayer (3)	Senior Executive Vice President and Chief Financial Officer, Exelon Corp.	4
John R. Willis (1)	Retired Managing Partner, Willis Stein & Partners	18
James A. Bell	Retired Corporate President and Chief Financial Officer, The Boeing Corporation	7
Matthew Boler	President and Chief Executive Officer, The Boler Company	5
John L. Brennan	Head of Private Wealth Management, William Blair & Co.	10
Marca Bristo	Co-Founder, President, and Chief Executive Officer, Access Living of Metro Chicago	10
Karen B. Case	President of Commercial Real Estate, The PrivateBank	5
Kelly McNamara Corley	Executive Vice President and General Counsel, Discover Financial Services	4
Bruce W. Dienst (4)	Vice Chair, Rush-Copley Medical Center President and Chief Executive Officer, Simpson Technologies Corp.	5
William A. Downe (4)	President and Chief Executive Officer, BMO Financial Group	8
Francesca Maher Edwardson	Retired Chief Executive Officer, American Red Cross of Chicago and Northern Illinois	6
Charles L. Evans, PhD	President and Chief Executive Officer, Federal Reserve Bank of Chicago	8
William J. Friend	Founder and Managing Partner, Core Capital Management LLC	20
H. John Gilbertson	Retired Managing Director, Goldman Sachs & Co.	7
Christie Hefner	Chairman, Hatch Beauty	25
Marcie B. Hemmelstein	President, Carylon Foundation	15
Marvin J. Herb	Chairman, Herbco LLC	22
John W. Higgins	Chairman and Chief Executive Officer, Higgins Development Partners	15

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
Ron Huberman	Chief Executive Officer, Benchmark Analytics	10
Anthony D. Ivankovich, MD	Past President, Rush University Medical Center Medical Staff Chairman Emeritus, Rush University Medical Center Department of Anesthesiology	13
Kip Kirkpatrick	Co-Chief Executive Officer, The Vistria Group	10
Fred A. Krehbiel	Partner, KF Partners, LLC	34
Anthony M. Kotin, MD	Immediate Past President, Rush Medical College Alumni Association Chief Medical Officer, ComplexCare Solutions	5
The Rt. Rev. Jeffrey D. Lee	Bishop of Chicago, Episcopal Diocese of Chicago	9
Susan R. Lichtenstein	Of Counsel, Riley Safer Holmes & Cancila	7
Todd Lillibridge (3)	President and Chief Executive Officer, Lillibridge Healthcare Services, Inc. Executive Vice President of Medical Property Operations, Ventas	3
Gary E. McCullough	Chief Executive Officer, GEM Advisory Services	7
James S. Metcalf	Retired Chairman and Chief Executive Officer, USG Corp.	5
William A. Mynatt, Jr. (1)	Chairman and Chief Executive Officer, Dovenmuehle Mortgage Inc.	3
Marcia P. Murphy, DNP	Immediate Past President, RPSL Nurses Alumni Association Faculty, Rush University College of Nursing	4
Martin H. Nesbitt	Co-Chief Executive Officer, The Vistria Group	6
Karl Palasz	Immediate Past President, Rush Associates Board Managing Director, William Blair & Company, LLC	5
Aurie A. Pennick	Retired Executive Director and Treasurer, Field Foundation of Illinois	11
Karen C. Reid	Past President, Rush University Medical Center Woman's Board	22
Thomas E. Richards	Chairman and Chief Executive Officer, CDW	7
Jesse H. Ruiz	Partner, Drinker Biddle & Reath, LLP	8
John J. Sabl	Partner, Sidley Austin LLP	8

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
John F. Sandner	Retired Chairman of the Board, Chicago Mercantile Exchange	26
Joan E. Steel	Founder and Managing Partner, Alpha Wealth Advisors LLC	5
Carl W. Stern	Chairman, Carl W. Stern Associates LLC	18
Carol Streicher	Partner, Healthcare Deal Advisor, KPMG LLP President, Rush Associates Board	2
Charles A. Tribbett III	Co-head, Board and Chief Executive Advisory Group, Russell Reynolds Associates	10
Gregory W. Welch	Senior Partner, Spencer Stuart	6
Thomas A. Wilson	Chairman and Chief Executive Officer, Allstate Insurance Corp.	18
Robert A. Wislow	Chairman, CBRE Inc.	29
Barbara Jil Wu, PhD	Retired Faculty, Northwestern University	12
Stephen Quazzo	Chief Executive Officer, Pearlmark Real Estate	1
Alison Li Chung	Founder and President, TeamWerks	1
Philip A. Canfield	Managing Director, GTCR	2
Kapila Anand	Retired Partner, KPMG	1
Debra S. Beck (1)	President, RUMC Woman's Board	2
Kenneth J. Tuman, MD (1)	Chairman, RUMC Department of Anesthesiology President, RUMC Medical Staff	1
Marilyn Wideman, DNP	President, RPSL Nurses Alumni Association and School of Nursing Dean, Purdue University Global	2
Karen Jaffee Cofsky	Vice President, Oil-Dri Corporation of America	1
Peter M. Ellis	Partner, ReedSmith	1

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
David C Habiger	President and CEO, J.D. Power	1
Thomas C. Lanctot	Retired Partner, William Blair	1
José Luis Prado	Chairman and CEO, Evans Food Group	1
Joan S. Rubschlager	The Paul A. and Joan S. Rubschlager Foundation	1
David H. B. Smith, Jr.	EVP and General Counsel, Mutual Fund Directors Forum	1
Christopher L. Coogan, MD	President, RUMC Almuni Assn, Professor of Urology, RUMC	1

Board Leadership – Continued

The following is a listing of the present members of the Copley Board of Directors. Members of the Executive Committee (1), Audit Committee (2) and Finance Committee (3) are further identified.

Board Member	Professional Affiliation	Years of Service
Bruce Dienst (1) *Chairman*	President & Chief Operating Officer, Simpson Technologies Corp.	17
William Skoglund (1) *Vice Chairman*	Retired President & Chief Executive Officer, Old Second Bancorp	16
Trish Anen	Principal - Sullivan Cotter	7
James Baka (2)	President, Calamos Wealth Management	5
Cati Cederoth (1, 3)	Director, Huron Consulting Group	7
Patrick Carmody	President - Innovative Modular Solutions	1
Mark Metzger (1)	Attorney & Mediator, Law Offices of Mark C. Metzger	17
Richard Edelman (1)	President, PMR Inc.	19
Barry C. Finn (1)	President & Chief Executive Officer, Rush-Copley Medical Center	16
Ronald Hem (1)	Partner, Alschuler, Simantz & Hem	17
Garrett Katula, D.O.	Vice Chief of Staff - Family Pratice Physician	1
Stephen Kelanic, M.D.	Chief of Staff - Otolaryngologist	4
Herbert Knight (2)	Retired, Tenneco Inc.	26
Maryanne Locklin	Associate Professor, Aurora University	12
Dave Mead (2)	Retired, Bufka & Rodgers	7
Avery Miller	Retired Senior Vice President, Rush University Medical Center	12
Luis Perez (3)	National Channel Manager, New Business - Ace Hardware	1
Christine Sobek (1)	President, Waubonsee Community College	16
Andrew VanEekeren (2)	Chief Financial Officer, Vanee Foods	5

Medical Staff

The following table presents information relating to the composition of the Medical Staff of Rush University Medical Center as of June 30, 2018:

Specialty	Total Medical Staff	% Board Certified	Average Age
Anesthesiology	48	85%	48
Cardiovascular-Thoracic Surgery	29	93%	52
Dermatology	18	100%	56
Diagnostic Radiology & Nuclear Medicine	40	88%	47
Emergency Medicine	41	78%	38
Family Medicine	22	95%	48
Internal Medicine	328	83%	49
Neurological Sciences	58	98%	47
Neurological Surgery	22	91%	48
Obstetrics & Gynecology	46	96%	53
Ophthalmology	42	95%	52
Orthopedic Surgery	82	55%	43
Otorhinolaryngology	19	89%	50
Pathology	19	100%	55
Pediatrics	106	98%	51
Physical Medicine and Rehabilitation	14	93%	44
Preventive Medicine	2	100%	66
Psychiatry	47	94%	51
Radiation Oncology	7	86%	50
Surgery	56	85%	50
TOTAL / AVERAGE	**1046**	**87%**	**49**

Medical Staff - Continued

The following table presents information relating to the composition of the Medical Staff of Rush-Copley Medical Center as of June 30, 2018:

Specialty	Total Medical Staff	% Board Certified	Average Age
Allergy	5	100.0%	49
Anesthesiology	10	100.0%	42
Cardiology	16	100.0%	46
Dentistry	2	0.0%	52
Dermatology	6	100.0%	51
Emergency Medicine	45	95.5%	43
Endocrinology	3	100.0%	43
Family Medicine	44	97.7%	47
Gastroenterology	15	91.7%	48
Gynecologic Oncology	2	100.0%	42
Hematology/Oncology	7	100.0%	54
Infectious Disease	5	100.0%	47
Internal Medicine	52	96.1%	46
Maternal -Fetal Medicine	6	100.0%	53
Neonatology	7	100.0%	59
Nephrology	8	100.0%	52
Neurological Surgery	4	100.0%	45
Neurology	10	90.0%	48
OB/Gyn	26	92.3%	50
Ophthalmology	9	100.0%	56
Otolaryngology	8	100.0%	51
Pathology	6	100.0%	58
Pediatrics	38	94.7%	48
Pediatric Cardiology	12	100.0%	46
Pediatric Genetics	1	100.0%	57
Pediatric Neurology	5	100.0%	55
Pediatric Pulmonology	2	100.0%	46
Pediatric Radiology	23	100.0%	48
Pediatric Surgery	5	100.0%	44
Physical Medicine & Rehabilitation	18	100.0%	49
Podiatry	21	66.0%	44
Psychiatry	2	100.0%	47
Pulmonary/Critical Care	11	100.0%	49
Radiation Oncology	3	100.0%	38
Radiology	42	100.0%	43
Reproductive Health	1	100.0%	74
Rheumatology	2	100.0%	49
Surgery,Cardiothoracic	9	88.0%	54
Surgery. General	13	100.0%	53
Surgery, Orthopedic	16	73.8%	49
Surgery, Plastic	2	100.0%	52
Urogynecology	4	100.0%	50
Urology	2	100.0%	45
TOTAL / AVERAGE	528	96.0%	48

Medical Staff - Continued

The following table presents information relating to the composition of the Medical Staff of Rush Oak Park Hospital as of June 30, 2018:

Specialty	Total Medical Staff	% Board Certified	Average Age
Advanced Heart Failure and Transplant Cardiology	2	100%	37
Allergy & Immunology	6	100%	48
Anesthesiology	15	93%	48
Cardiovascular Disease	17	94%	51
Clinical Cardiac Electrophysiology	4	100%	40
Colon and Rectal Surgery	2	50%	40
Complex General Surgical Oncology	1	0%	38
Critical Care Medicine	2	100%	39
Dentistry	2	0%	67
Dermatology	9	100%	47
Diagnostic Radiology	28	89%	49
Emergency Medicine	16	88%	47
Endocrinology, Diabetes and Metabolism	6	100%	48
Family Medicine	31	77%	51
Female Pelvic Medicine and Reconstructive Surgery	1	0%	34
Foot and Ankle Surgery	8	63%	63
Foot Surgery	7	29%	46
Gastroenterology	24	92%	50
General Surgery	3	67%	46
Hematology	2	0%	68
Hematology/Oncology	7	86%	49
Hospice and Palliative Medicine	1	100%	36
Infectious Disease	14	100%	47
Internal Medicine	34	85%	51
Internal Medicine/Pediatrics	1	100%	52
Intervetional Cardiology	8	100%	52
Nephrology	14	93%	50
Neurology	12	96%	45
Neuroradiology	5	40%	40
Obstetrics and Gynecology	7	86%	45
Occupational Medicine	1	0%	75
Oncology	2	100%	71
Opthalmology	14	93%	54
Oral and Maxillofacial Surgery	3	67%	55
Orthopedic Surgery/Sports Medicine	17	76%	51
Otolaryngology	5	100%	53
Pathology	12	100%	53
Pediatrics	1	100%	61
Physical Medicine and Rehabilitation	10	100%	44
Plastic and Reconstructive Surgery	5	60%	47
Psychiatry	8	100%	41
Pulmonary Disease	8	88%	49
Radiation Oncology	8	75%	54
Rheumatology	4	75%	41
Sleep Medicine	1	100%	43
Sports Medicine	7	57%	38
Surgery	21	81%	53
Surgery of the Hand	4	75%	48
Surgical Critical Care	1	100%	50
Thoracic and Cardiac Surgery	5	80%	45
Transplant Hepatology	6	100%	53
Urology	10	100%	57
Vascular & Interventional Radiology	5	80%	46
Vascular Neurology	1	100%	37
Vascular Surgery	2	50%	53
TOTAL / AVERAGE	450	78%	49