



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

DOCKET NO: H-05	BOARD MEETING: December 14, 2021	PROJECT NO: 21-026	PROJECT COST: Original: \$109,549,205
FACILITY NAME: Rush Specialty Hospital		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

DESCRIPTION: The Applicants [Rush University System for Health, Rush University Medical Center, Rush Partners, LLC., Select Medical Corporation, Select Illinois Holdings, Inc., and Rush Specialty Hospital, LLC.] propose the establishment of a 100-bed rehabilitation hospital in Chicago, Illinois. The cost of the project is \$109,549,205. The expected completion date is December 31, 2024.

The purpose of the Illinois Health Facilities Planning Act is to establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process. (20 ILCS 3960/2)

The Certificate of Need process required under this Act is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Board must assure that the establishment, construction, or modification of a health care facility or the acquisition of major medical equipment is consistent with the public interest and that the proposed project is consistent with the orderly and economic development or acquisition of those facilities and equipment and is in accord with the standards, criteria, or plans of need adopted and approved by the Board. Board decisions regarding the construction of health care facilities must consider capacity, quality, value, and equity.

<https://www2.illinois.gov/sites/hfsrb/Projects/Pages/Rush-Specialty-Hospital,-Chicago---21-026.aspx>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants [Rush University System for Health, Rush University Medical Center, Rush Partners, LLC., Select Medical Corporation, Select Illinois Holdings, Inc., and Rush Specialty Hospital, LLC.] propose the establishment of a 100-bed rehabilitation hospital in Chicago, Illinois. The cost of the project is \$109,549,205. The expected completion date is December 31, 2024.
- In conjunction with this project the Applicants will discontinue the 59-bed comprehensive physical rehabilitation unit at Rush University Medical Center. As of this report no application to discontinue the rehabilitation service at Rush University Medical Center has been filed with the State Board.
- The proposed facility will have 8,656 GSF of shell space located on the third floor of the facility. At this time the Applicants have not determined the use of the shell space. The Applicants are required to submit a certificate of need application to develop the shell space no matter the capital expenditure threshold at the time and or the categories of services involved.

PURPOSE OF THE PROJECT

- According to the Applicants this project proposes to meet the growing need for inpatient rehabilitation services and to address the identified need for increased access to Long-Term Acute Care services in the community. The Applicants state the current 59-bed rehabilitation unit at Rush University Medical Center is outdated and does not meet current standards of care. The 59-bed unit is all semi-private rooms, and the patient bathrooms no longer meet ADA standards. According to the Applicants the therapy gym areas at Rush University Medical Center due to its age and size is inadequate to provide ample therapy to each patient to maximize recovery and rehabilitation efforts. The equipment is outdated. According to the Applicants the age and the existing structure would not adequately support the equipment requirements. The Applicants believe including long-term acute care services with inpatient rehabilitation services improves healthcare delivery and access. According to the Applicants Rush University Medical Center has averaged over 400 patient days where it was unable to find placement in an LTAC setting for patients whose conditions warranted the provision of LTAC services. According to the Applicants there were multiple reasons for this. Sometimes it was due to capacity. Sometimes it was because patients were uninsured. Other times it was due to the patient's immigration status.

PUBLIC COMMENT:

- No public hearing was requested, and letters of support or opposition have been received by the State Board.

SUMMARY

- There is a calculated excess of 151 comprehensive physical rehabilitation beds in the HSAVI Comprehensive Physical Rehabilitation Planning Area and an excess of 171 LTAC beds in the HSA 6,7,8, & 9 LTAC Planning Area. The 10-mile GSA for this project encompasses the City of Chicago with a population of approximately 2.7 million.
- The Applicants have addressed a total 29 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.205 (b) (1) - Planning Area Need	The Applicants are proposing to establish a 56-bed comprehensive physical rehabilitation unit at the hospital. There is a calculated excess of 151 comprehensive physical rehabilitation beds in the HSA VI comprehensive physical rehabilitation planning area.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.205 (c)(1)– Unnecessary Duplication of Service	There are 11 hospitals within the 10-mile GSA with comprehensive physical rehabilitation beds. Not one of the hospitals is operating the comprehensive physical rehabilitation bed unit at the target occupancy rate of 85%.
Criterion 1110.205 (c) (2) – Maldistribution of Service	The comprehensive physical rehabilitation beds per thousand in the 10-mile GSA is .2190 or 1 bed per 4,567 residents. The number of comprehensive physical rehabilitation beds per thousand population is .1297 per thousand in the State of Illinois or 1 bed per 7,704 residents. If approved there will be a surplus of comprehensive physical rehabilitation beds in this 10-mile GSA based upon the ratio of beds to population.
Criterion 1110.205 (c) (3) – Impact on Other Hospitals	Based upon the utilization of the 11 hospitals providing comprehensive physical rehabilitation services in the 10-mile GSA it appears the proposed project will impact these hospitals.
Criterion 1110.265 (b) (1) – Planning Area Need	There is an excess of 171 LTAC beds in the HSAs 6, 7, 8 & 9. There is no need for LTAC Beds in this LTAC Planning Area.
Criterion 1110.265 (c) (1) – Unnecessary Duplication of Service	There are four hospitals providing LTAC services in the 10-mile GSA. One of the Hospitals is not operational [Woodlake Specialty Hospital]. The three hospitals currently operating are not at the 85% target occupancy.
Criterion 1110.265 (c) (2) – Maldistribution	There are 358 LTAC beds in this 10-mile GSA. The number of LTAC beds per thousand population in the 10-mile GSA is .1151 or 1 bed per 7,616 residents. There are 557 LTAC beds in the State of Illinois. The number of LTAC beds per thousand population is .0435 in the State of Illinois of 1 bed per 23,003 residents. Based upon the ratio of beds to population there is a surplus of LTAC beds in the 10-mile GSA.
Criterion 1110.265 (c) (3) – Impact on Other Facilities	Not one of the three hospitals is currently operating at the State Board’s target occupancy of 85%. The proposed LTAC service will impact these three hospitals in the 10-mile GSA.
Criterion 1110.265 (f) – Performance Requirements	The rule states that the bed capacity minimum that the project will result in a facility capacity of at least 50 LTACH beds located in an MSA and 25 LTACH beds in a non-MSA. The Applicants state the proposed freestanding facility will be for a total 100 beds, and the long-term acute care unit will be 44 LTAC beds.
Criterion 1120.140 (c) – Reasonableness of Project Costs	New construction and contingency costs are \$577.56 per GSF. This exceeds the State Board Standard of \$449.14 by \$128.42 per GSF or total of \$8,446,604.



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PROJECT #21-026
Rush Specialty Hospital
Chicago

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Rush University System for Health, Rush University Medical Center, Rush Partners, LLC., Select Medical Corporation, Select Illinois Holdings, Inc. Rush Specialty Hospital, LLC.
Facility Name	Rush Specialty Hospital
Location	Northwest Corner of Harrison and Loomis Street, Chicago, Illinois
Permit Holder	Rush University System for Health, Rush University Medical Center, Rush Partners, LLC., Select Medical Corporation, Select Illinois Holdings, Inc. Rush Specialty Hospital, LLC.
Operating Entity	Rush Specialty Hospital, LLC
Owner of Site	Rush University Medical Center
Total GSF	134,907
Application Received	August 20, 2021
Application Deemed Substantially Complete	August 23, 2021
Review Period Ends	December 21, 2021
Financial Commitment Date	December 14, 2023
Project Completion Date	December 31, 2024
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. The Proposed Project

The Applicants [Rush University System for Health, Rush University Medical Center, Rush Partners, LLC., Select Medical Corporation, Select Illinois Holdings, Inc., and Rush Specialty Hospital, LLC.] propose the establishment of a 100-bed rehabilitation hospital in Chicago, Illinois. The cost of the project is \$109,549,205. The expected completion date is December 31, 2024.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is **not** in conformance with the provisions of Part 1120.

III. General Information

The Applicants are Rush University System for Health, Rush University Medical Center, Rush Partners, LLC., Select Medical Corporation, Select Illinois Holdings, Inc. and Rush Specialty Hospital, LLC.

Rush University System for Health is a not-for-profit health system and is the sole corporate member of Rush University Medical Center is a 727-bed hospital located in the Illinois Medical District, with additional hospitals in Aurora (Rush Copley Medical Center) and Oak Park (Rush Oak Park Hospital), ambulatory surgical treatment centers, its newly approved Ambulatory Care Building, and more than 30 clinical locations across the Chicago area. Rush University System for Health owns the following health facilities:

- Rush University Medical Center
- Rush Oak Park Hospital
- Rush Copley Medical Center
- Rush Surgicenter at the Professional Bldg. Ltd.
- Rush Oak Brook Surgery Center, LLC
- Rush-Copley Surgicenter, LLC

Rush Partners, LLC. is an Illinois limited liability company 100% owned by Rush University System for Health.

Rush-Select Holdings, LLC is a Delaware Corporation 26.5% owned by Rush University System for Health and 73.5% owned by Select Medical Corporation.

Select Medical Corporation is a Delaware for profit corporation that provides post-acute care as one of the largest operators of critical illness recovery hospitals [LTACH Hospitals], rehabilitation hospitals, outpatient rehabilitation clinics, and occupational health centers in the United States based on number of facilities. As of December 31, 2020, Select Medical Corporation operated 99 critical illness recovery hospitals in 28 states, 30 rehabilitation hospital in 12 states, and 1,788 outpatient rehabilitation clinics in 37 states and the District of Columbia.

Select Illinois Holdings, Inc. is a Delaware for profit corporation wholly owned by Select Medical Corporation.

Rush Specialty Hospital, LLC is a Delaware limited liability corporation owned 100% by Rush-Select Holdings, LLC. Rush Specialty Hospital, LLC., if this project is approved will have 56 comprehensive physical rehabilitation beds and 44 long-term acute care beds.

This is a substantive project subject to a 1110 and 1120 review. Financial commitment will occur after permit issuance. The occupancy target for both comprehensive physical rehabilitation beds and long-term acute care beds is 85%.

Table One below outlines the CY2020 number of beds and their utilization at Rush University Medical Center.

TABLE ONE						
Rush University Medical Center						
01/01/2020-12/31/2020						
	Beds	Admit	Days	ALOS	ADC	% Occ
Medical Surgical	356	18,005	98,629	5.48	270.22	75.90%
Pediatrics	20	855	3,944	4.61	10.81	54.03%
Intensive Care	132	7,768	40,181	5.17	110.08	83.40%
Obstetrics	34	2,623	7,958	3.03	21.80	64.13%
Neonatal	72	588	8,814	14.99	24.15	33.54%
Acute Mental Illness	54	844	5,830	6.91	15.97	29.58%
Rehabilitation	59	672	8,316	12.38	22.78	38.62%
Totals	727	31,355	173,672			

IV. Health Service Area

The proposed 100-bed hospital will be in the HSA-VI Health Service Area which is the City of Chicago. The geographical service area for a hospital project in the City of Chicago is 10-miles. There are approximately 2.7 million residents within this 10-mile GSA. There are 11 comprehensive physical rehabilitation facilities and 4 Long-term acute care hospitals operating within HSA VI. There is a calculated excess of 151 comprehensive physical rehabilitation beds and an excess of 171 long term acute care beds in the HSA-VI, VII, VIII, IX.

V. Project Details

The proposed 5-story freestanding hospital will be comprised of 56 comprehensive rehabilitation beds and 44 long-term acute care beds in a total of 134,907 GSF. All rooms will be private rooms. The ground floor will consist of a patient care/therapy area, administration, kitchen, support space, clinical storage, and a mechanical/electrical/data area. The second floor will contain 30 long-term acute care rooms, a patient care/therapy area, administration, materials management, a patient care staff area, and mechanical/electrical/data area. The third floor will contain 14 long-term acute care rooms, pharmacy, patient care/therapy area, a staff lounge area, storage, support space and approximately 8,656 GSF of shell space. The fourth floor will contain 28 rehabilitation beds, administration, patient care therapy area, mechanical/data, and support space. The fifth floor will contain 28 rehabilitation beds patient care staff area, mechanical/data area, an administration area, and support space. According to the Applicant any diagnostic or other related procedures that would need to be performed would most likely be performed at Rush University Medical Center unless the patient choice or other circumstances warranted the utilization of another facility.

VII. Project Costs and Source of Funds

The Applicants are funding this project with cash in the amount of \$109,549,205. Estimated start-up costs and operating deficit cost is \$6,983,149.

TABLE TWO Project Costs and Sources of Funds				
	Reviewable	Non-Reviewable	Total	% of Total
Use of Funds				
Preplanning	\$593,952	\$629,570	\$1,223,522	1.12%
Site Preparation	\$1,792,016	\$1,899,476	\$3,691,492	3.37%
Off Site Work	\$441,367	\$467,833	\$909,200	0.83%
New Construction Contracts	\$34,490,182	\$36,558,406	\$71,048,588	64.86%
Contingencies	\$3,438,838	\$3,645,049	\$7,083,887	6.47%
Architectural/Engineering Fees	\$2,005,000	\$3,133,795	\$5,138,795	4.69%
Consulting and Other Fees	\$3,127,358	\$3,314,891	\$6,442,249	5.88%
Movable or Other Equipment (not in construction contracts)	\$3,536,694	\$3,748,774	\$7,285,468	6.65%
Net Interest Expense During Construction (project related)	\$1,773,935	\$1,880,310	\$3,654,245	3.34%
Other Costs to Be Capitalized	\$1,491,170	\$1,580,589	\$3,071,759	2.80%
Total Uses of Funds	\$52,690,512	\$56,858,693	\$109,549,205	100.00%
Source of Funds				
Cash and Securities	\$52,690,512	\$56,858,693	\$109,549,205	100.00%
Total Source of Funds	\$52,690,512	\$56,858,693	\$109,549,205	100.00%

VIII. Background of the Applicant, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project

A) Criterion 1110.110 (a) – Background of the Applicant

The Applicants have attested that there has been no adverse action¹ taken against any of the facilities owned or operated by the Applicant and has authorized the Illinois Health

¹ "Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations. As defined in Section 1-129 of the Nursing Home Care Act [210 ILCS 45], "Type 'A' violation" means a violation of the Nursing Home Care Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility presenting a substantial probability that risk of death or serious mental or physical harm to a resident will result therefrom or has resulted in actual physical or mental harm to a resident. As defined in Section 1-128.5 of the Nursing Home Care Act, a "Type AA violation" means

Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicants' certificate of need. Certificate of Good Standing have been provided for the Applicants and the Applicants are in compliance with the reporting requirements of the State Board.

B) Criterion 1110.110 (b) – Purpose of the Project

According to the Applicants this project proposes to meet the growing need for inpatient rehabilitation services and to address the identified need for increased access to Long-Term Acute Care services in the community. [Application for Permit pages 91-155]

Rehabilitation-56 Beds

The Applicants state the current 59-bed rehabilitation unit at Rush University Medical Center is outdated and does not meet current standards of care. The 59-bed unit is all semi-private rooms, and the patient bathrooms no longer meet ADA standards. According to the Applicants the therapy gym areas at Rush University Medical Center due to its age and size is inadequate to provide ample therapy to each patient to maximize recovery and rehabilitation efforts. The equipment is outdated. According to the Applicants the age and the existing structure would not adequately support the equipment requirements. The Applicants state the establishment of a dedicated specialty hospital will allow for the employment, training, and utilization of dedicated and experienced rehabilitation nurses, physical therapists, occupational therapists, speech-language pathologists, therapeutic recreational specialists, dietitians, social workers, and admissions coordinators - all with the common goal of providing patient care.

Long-term Acute Care -44 Beds

The Applicants believe including long-term acute care services with inpatient rehabilitation services improves healthcare delivery and access. According to the Applicants Rush University Medical Center has averaged over 400 patient days where it was unable to find placement in an LTAC setting for patients whose conditions warranted the provision of LTAC services. According to the Applicants there were multiple reasons for this. Sometimes it was due to capacity. Sometimes it was because patients were uninsured. Other times it was due to the patient's immigration status. Additionally, the Applicants believe that the combining the LTAC and rehab services will allow for the cross utilization of staff utilized by both services. LTAC and rehabilitation patients require the services of physical therapists, occupational therapists, speech therapists, respiratory therapists, and other staff. Cross training and utilization of staff will result in care efficiencies that may enable reduction in the cost of care for both rehabilitation and LTAC patients.

a violation of the Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility that proximately caused a resident's death. [210 ILCS 45/1-129]

C) Criterion 1110.110 (c) – Safety Net Impact

This project is classified as substantive and a safety net impact statement has been provided at the conclusion of this report.

D) Criterion 1110.110 (d) – Alternatives to the Propose Project

1. Maintain Status Quo

This alternative was rejected because the Applicants believe there is a need for LTAC service that is not being met in the community and the existing 59-bed rehabilitation unit at Rush University Medical Center has inherent limitations as to the scope and services that can be provided as part of a hospital unit. There are no capital costs for this alternative.

2. Renovate Existing Rehabilitation Service

According to the Applicants part of the motivation behind this project is to allow for the renovation and repurposing of the space in which the rehabilitation unit is currently located. The unit is in the Johnston R. Bowman building which was originally constructed in 1977. Rush University Medical Center has determined that significant investment is required to update the facility operational systems. The current unit is not built to current standards. According to the Applicants *“this alternative was rejected for three primary reasons: (1) the entire Bowman building where the unit is located requires renovation and the cost to renovate this specific space sufficient to bring it up to current licensing provisions, was excessive compared to the benefit the space was able to afford and would be inconsistent with Rush University Medical Center proposed future use of the building; (2) to meet the current industry standard of private rooms would necessitate converting rooms currently designated and utilized for double occupancy into private rooms and, given the limitations on available space, this would require bringing the bed count down to 42 beds, well below the amount needed; and (3) this option would leave the evident need for LTAC services unmet.”*

3. Establish a Different Size Facility

According to the Applicants both a smaller facility and larger facility was considered. A smaller facility was rejected because it would not address the need for services in the community. A larger facility than that proposed project was rejected because the proposed facility is being designed to provide services in addition to those already available, not in lieu of those services. According to the Applicants the idea of a smaller or larger facility was thoroughly discussed during the planning stages, but never developed to the point of assigning a financial value. The reason for this is the proposed project was determined to be the right option from a healthcare delivery perspective – it was not a financially driven decision.

4. Utilize Other Facilities and discontinuing the 59-bed Rehabilitation Unit at Rush University Medical Center

According to the Applicants this alternative was rejected because there are not enough existing facilities to meet the needs of the patient volume at Rush University Medical Center. Additionally, according to the Applicants, the proposed project is intended to address patient volumes from University of Illinois Hospital and Clinics and other area facilities.

IX. Size of the Project, Projected Utilization

A) Criterion 1110.120 (a) – Size of the Project

The Applicants are proposing 65,671 GSF of reviewable space for this hospital. The State Board has standards for comprehensive physical rehabilitation and long-term acute care beds. The State Board does not have standards for the therapy, clinical storage, patient care staff and rehab hallway space. The Applicants have met the size requirements of the State Board.

The Applicants provided this response as it relates to the size of the rooms for both comprehensive and LTAC beds. *“While not a question, our response would be twofold: the space, as designed, is consistent with the footprint utilized nationally by Select Medical in its nationally recognized facilities and is designed for maximum efficiency. Moreover, from a delivery perspective, a significant portion of the rehabilitation work is being performed outside of the patient room and for LTAC, there is sufficient space for patient, equipment, healthcare professionals, and family members. Ultimately, applicants are confident in the design of the proposed facility.”*

TABLE THREE					
Size of the Proposed Project					
		Proposed GSF		State Standard	
Category of Service	Beds	Proposed GSF	GSF per Bed	GSF Per Bed	Total GSF
Comprehensive Rehabilitation Beds	56	16,666	298	660	36,960
Long-Term Acute Care Beds	44	15,173	345	660	29,040
Therapy		10,741	No Standards		
Clinical Storage		7,108			
Patient Care Staff		5,654			
Rehab Hallway Space		10,329			
Total		65,671			

Shell Space

The proposed facility will have 8,656 GSF of shell space located on the third floor of the facility. At this time the Applicants have not determined the use of the shell space. The Applicants are required to submit a certificate of need application to develop the shell space no matter the capital expenditure threshold at the time and or the categories of services involved.

B) Criterion 1110.120 (b) - Projected Utilization

The Applicants believe by the second year of operation after project completion they will have a patient volume of 1,221 inpatient rehab patients and 409 LTAC patients. If the patient referrals materialize the Applicants will be at the target occupancy of 85% which is the State Board Standard.

TABLE FOUR Projected Utilization							
		Year 1	Year 2	Year 1	Year 2	State Standard	Met Standard
		ADC		Occupancy			
Comp. Rehab. Beds	56	45.38	47.60	81.036%	85.004%	85%	Yes
LTAC	44	35.62	37.45	80.949%	85.111%	85%	Yes

X. Comprehensive Physical Rehabilitation

A) Criterion 1110.205 (b) (1) - Planning Area Need

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population.

The Applicants are proposing to establish a 56-bed rehabilitation unit at this hospital. The Applicants intend to discontinue the 59-bed inpatient rehabilitation unit at Rush University Medical Center should this project be approved. There is currently a calculated excess of 151 comprehensive physical rehabilitation beds in the HSA VI comprehensive physical rehabilitation planning area. If the Board should approve this project, there will be an excess of 207 comprehensive physical rehabilitation beds in this planning area.

In response to this criterion the Applicants stated: *“The proposed project seeks to establish a 56 comprehensive rehabilitation beds in the GSA. Rush University Medical Center will file a Certificate of Exemption to discontinue its existing 59-bed comprehensive rehabilitation unit, and the actual discontinuation will be contingent upon approval of this project. The discontinuation of its 59-bed unit is envisioned to be effective upon the licensing and opening of the proposed 100 bed-hospital. This will be done to avoid any disruption in access to this necessary care. The proposed project seeks to re-establish only 56 of the existing 59 beds currently in the HSA’s inventory. As such, the result will be a net reduction of 3 beds in the HSA for this category of service, and the health care needs of the population served will still be met.”* [An exemption application to discontinue the 59-bed comprehensive physical rehabilitation at Rush University Medical Center has not been submitted as of the date of this report]

2) Criterion 1110.205 (b) (2) - Service to Planning Area Residents

The 10-mile GSA includes a population of approximately 2.7 million residents. The Applicants have stated that over 80% of the patients for the proposed 56-bed comprehensive rehabilitation unit will be coming from this 10-mile GSA. [page 165 of the Application for Permit]. The Applicants have successfully addressed this criterion.

3) Criterion 1110.205 (b) (3) Service Demand – Establishment of Comprehensive Physical Rehabilitation

The Applicants provided referral letters from Rush University Medical Center’s physicians and The University of Illinois Hospital & Health Sciences System Chief Medical Officer. The letters provide historical patient information for 1,477 patients that have been historically referred for rehabilitation services [pages 167-194 of the Application for Permit]. The Applicants have successfully addressed this criterion.

TABLE FIVE Physician Referrals			
Physicians	Specialty	Proposed Referrals	Historical Referrals
Connors	Neurology	370	377
Torquati	General Surgery, Plastic Surgery, Transplant, Urology	30	36
Liptay	Cardiothoracic and Vascular Surgery	80	84
Reiser	Internal Medicine	330	336
Byrne	Neurosurgery	170	179
Jacobs	Orthopedics	20	20
UI Health		164	445
Total		1,164	1,477

4) Criterion 1110. 205(b) (5) - Service Accessibility

The applicant shall document that at **least one of the following factors** exists in the planning area:

- i) The absence of the proposed service within the planning area.
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care, or charity care.
- iii) Restrictive admission policies of existing providers.
- iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.
- v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The number of beds being established or added for each category of service is necessary to improve access for planning area residents. There is a calculated excess of 151 comprehensive physical rehabilitation beds in this planning area. No restrictive admission policies have been identified nor has there been access limitations due to payor status. There are 11 Hospitals providing inpatient comprehensive physical rehabilitation services in the 10-mile GSA. None of these hospitals are at the target occupancy of 85% for all years reported [See Table Below]. The area population has been deemed a medically underserved population by the Secretary of Health and Human Resources. The Applicants have met one of the factors as required.

In response to this criterion the Applicants stated: *“The number of beds that are being proposed by this application are necessary to improve access for planning area residents. The proposed facility is in a medically underserved population (“MUA”) and the majority of the patients that benefit from the facility reside in the same MUA.”*

TABLE SIX Hospitals in the 10-mile GSA										
Hospitals	City	Miles	Beds	2020	2019	2018	2017	2016	2015	Ave
Insight Hospital and Medical Center ⁽¹⁾	Chicago	7	24	27.70%	29.60%	44.30%	49.30%	54.10%	51.80%	42.80%
Rush University Medical Center	Chicago	10.5	59	38.50%	43.00%	43.10%	46.30%	52.60%	58.50%	47.00%
Schwab Rehabilitation Hospital	Chicago	2	92	48.70%	45.70%	47.90%	46.30%	51.80%	59.10%	49.92%
Swedish Hospital	Chicago	7.5	25	33.30%	44.70%	42.60%	42.20%	46.10%	54.50%	43.90%
Advocate Illinois Masonic Medical Center	Chicago	5.5	22	71.70%	66.20%	64.90%	63.60%	61.80%	64.60%	65.47%
AMITA Health Saint Mary of Nazareth Medical Ctr.	Chicago	3	15	66.40%	76.60%	80.50%	51.60%	50.30%	56.00%	63.57%
Shirley Ryan AbilityLab	Chicago	2	262	80.30%	80.70%	81.70%	75.90%	66.70%	68.80%	75.68%
Pipeline Louis Weiss Memorial Hospital	Chicago	6.3	26	25.00%	18.50%	19.00%	23.20%	26.20%	34.00%	24.32%
Loyola Medicine MacNeal Hospital	Berwyn	7	12	62.60%	66.90%	66.80%	69.50%	72.40%	17.30%	59.25%
Loyola Health System at Gottlieb	Melrose Park	9.5	20	70.00%	70.20%	70.70%	81.00%	40.80%	74.18%	67.81%
Woodlake Specialty Hospital ⁽²⁾	Melrose Park	9.5	40	No data						
Ave			597	52.42%	54.21%	56.15%	54.89%	52.28%	53.88%	53.97%
1. Formerly Mercy Hospital and Medical Center – comprehensive physical rehabilitation service suspended. 2. Woodlake Specialty Hospital approved as Exemption #E-011-21 to reestablish Westlake Hospital. No data available. 3. Shriners Hospital for Children with 6-rehab beds is within the 10-mile GSA but was not considered in this analysis because the Hospital cares for children only.										

C) Criterion 1110.205 (c) (1) (2) (3) - Unnecessary Duplication/Maldistribution

1. Unnecessary Duplication of Service

As seen in the table above there are 11 hospitals providing inpatient comprehensive physical rehabilitation services in the 10-mile GSA. None of the hospitals are at the target occupancy of 85%. Based upon the information in the Table above there appears to be sufficient capacity to accommodate the workload identified by the Applicants.

2. Maldistribution

Approximately 36% of the comprehensive physical rehabilitation beds in the State of Illinois are within this 10-mile GSA. There are 597 comprehensive physical rehabilitation beds in this 10-mile GSA. The population in the 10-mile GSA is approximately 2,726,450. The comprehensive physical rehabilitation beds per thousand in the 10-mile GSA is .2190 or 1 bed per 4,567 residents.

There are 1,663 comprehensive physical rehabilitation beds in the State of Illinois. The population in the State of Illinois is approximately 12,812,508. The number of comprehensive physical rehabilitation beds per thousand population is .1297 per thousand in the State of Illinois or 1 bed per 7,704 residents.

To have a surplus of comprehensive physical rehabilitation beds in the 10-mile GSA the ratio of beds to population must be more than one and one-half times the State average. Based upon that ratio there is a surplus of comprehensive physical rehabilitation beds in the 10-mile GSA.

3. Impact on other Hospitals

Based upon the information reviewed it appears that the proposed project will lower the utilization of other area hospitals providing comprehensive physical rehabilitation service in the 10-mile GSA.

In response to this criterion the Applicants stated in part:

“Applicants are aware there will be a negative finding regarding adverse impact upon other area providers. However, we state herein that this project has been designed to allow RUMC to modernize and right-size their existing rehabilitation unit. In addition, RUMC and other facilities within the Illinois Medical District will be able to continue supporting other area providers, but also meet the existing need reflected in those referrals that accompany this project. The facilities to which RUMC refers patients will continue to receive referrals based on patient choice. If the goal of this project was to create an adverse impact upon other area providers, this facility would have been presented with significantly more beds than is proposed - a goal which could have been accomplished and supported almost entirely from internal referrals. Competition is not adverse impact. This provision is designed to avoid undermining the viability of other existing providers, a result this application makes evident is neither the intent nor would be the result of approving this project. The data also reflects that there will be no negative impact on area providers. Of

the 1032 historical RUMC rehabilitation patient referrals included with this application, 789 of those patients were treated at RUMC's existing rehabilitation unit. RUMC will be able to meet its obligation to refer patients to the proposed facility and can continue to refer patients to existing providers in the planning area."

D) Criterion 1110.205 (e) - Staffing

The Applicants stated the proposed facility will maintain the necessary clinical and professional staff to meet applicable State of Illinois regulations and certification criteria required by the Centers for Medicare and Medicaid Services. All patient care staff that are required to be registered with the Illinois Department of Financial and Professional Regulation will maintain their licenses and meet the requisite requirement for continued education [Application for Permit pages 198-199]. The Applicant has successfully addressed this criterion.

E) Criterion 1110.205 (f) - Performance Requirements

- 1) *The minimum freestanding facility size for comprehensive physical rehabilitation is a minimum facility capacity of 100 beds.*
- 2) *The minimum hospital unit size for comprehensive physical rehabilitation is 16 beds.*

The Applicants are proposing a 56-bed comprehensive physical rehabilitation unit as part of a 100-bed hospital. The Applicants have met the requirements of this criterion.

F) Criterion 1110.205 (g) -Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The Applicants provided the required assurance at page 230. The Applicants have met the requirements of this criterion.

XI. Long-Term Acute Care

Under Medicare for Long-Term Acute Care Service, the patient must need more than 25 days of hospitalization. The average length of stay of a person in an LTACH is approximately 30 days. The types of patients typically seen in LTACHs include those requiring:

- a. Prolonged ventilators use or weaning
- b. Ongoing dialysis for chronic renal failure
- c. Intensive respiratory care
- d. Multiple IV medications or transfusions
- e. Complex wound care/care for burns

A) Criterion 1110.265 (b) (1) - 77 Ill. Adm. Code 1100

The number of LTACH beds to be established is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory. The number of LTACH beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

The LTAC planning area for this project in Chicago is HSAs 6, 7 8 & 9. This planning area includes the City of Chicago, Suburban Cook and DuPage County and the Illinois Counties of Kane, Lake, McHenry, Grundy, Kankakee, Kendall, and Will. The population in this planning area is approximately 7.82 million.

There is calculated excess of 171 LTAC beds in this planning area. The Applicants are proposing to add 44 LTAC beds to this planning area. Should the State Board approve this project there will be a calculated excess of 215 LTAC beds in this planning area.

B) Criterion 1110.265 (b) (2) - Service to Planning Area Residents

Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

The 10-mile GSA includes a population of approximately 2.7 million residents. The Applicants have stated that over 80% of the patients for the proposed 44-bed LTAC unit will be coming from this 10-mile GSA. [page 204 of the Application for Permit].

C) Criterion 1110.265(b) (3) - Service Demand

The number of beds proposed to establish a new category of hospital bed service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. Additionally, the applicant shall identify the type of patients that will be served by the project by providing the anticipated diagnosis (by DRG classification) for anticipated admissions to the facility. The applicant shall also indicate the types of service (e.g., ventilator care, etc.) to be provided by the project.

The Applicants propose to establish a 44-bed LTAC category of service at the proposed 100-bed hospital. The target occupancy for LTAC service is 85%. The Applicants believe they will refer 443 patients to the proposed 44-bed LTAC unit. The Applicants are assuming an Average Length of Stay of 33 days. [443 patients x 33 days = 14,619 days or 91.03% occupancy by the second year.

TABLE SEVEN			
Physician Referrals LTAC			
Physician	Specialty	Referrals	
		Historical	Projected
Connors	Neurology	52	40
Torquati	General Surgery, Plastic Surgery, Transplant, Urology	28	20
Liptay	Cardiothoracic and Vascular Surgery	29	20
Reiser	Internal Medicine	373	340
UI Health	Chief Medical Officer	117	23
Total		599	443

In follow-up correspondence submitted by the Applicants below is a list of the top DRGs for patients admitted to Select Medical LTACHs across their national network over 2020 and 2021. This list identifies the types of patients that would anticipate being served by the facility's LTAC beds and the associated DRGs.

- **DRG Description**
- 981 EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC
- 949 AFTERCARE W CC/MCC
- 919 COMPLICATIONS OF TREATMENT W MCC
- 871 SEPTICEMIA OR SEVERE SEPSIS W/O MV >96 HOURS W MCC
- 870 SEPTICEMIA OR SEVERE SEPSIS W MV >96 HOURS
- 862 POSTOPERATIVE & POST-TRAUMATIC INFECTIONS W MCC
- 682 RENAL FAILURE W MCC
- 637 DIABETES W MCC
- 592 SKIN ULCERS W MCC
- 559 AFTERCARE, MUSCULOSKELETAL SYSTEM & CONNECTIVE TISSUE W MCC
- 539 OSTEOMYELITIS W MCC
- 371 MAJOR GASTROINTESTINAL DISORDERS & PERITONEAL INFECTIONS W MCC
- 314 OTHER CIRCULATORY SYSTEM DIAGNOSES W MCC
- 291 HEART FAILURE & SHOCK W MCC
- 288 ACUTE & SUBACUTE ENDOCARDITIS W MCC
- 208 RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR SUPPORT ≤96 HOURS
- 207 RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR SUPPORT >96 HOURS
- 189 PULMONARY EDEMA & RESPIRATORY FAILURE
- 177 RESPIRATORY INFECTIONS & INFLAMMATIONS W MCC
- 166 OTHER RESP SYSTEM O.R. PROCEDURES W MCC
- 56 DEGENERATIVE NERVOUS SYSTEM DISORDERS W MCC
- 4 TRACH W MV >96 HRS OR PDX EXC FACE, MOUTH & NECK W/O MAJ O.R.

In response to this criterion the Applicants stated in part:

“As previously mentioned in the application RUMC data reflects that on an annual basis, there are an average of over 400 patient days where it was unable to find placement in an LTAC setting for patients whose conditions warranted the provision of LTAC services. Consider the following: 400 patient days, presuming an average length of stay of 33 days, would justify 12 fully utilized LTAC beds all on its own. That is 12 fully utilizable beds simply meeting the needs of indigent and underserved individuals that no other healthcare facilities are caring for. These individuals need access to this care, and it is a core tenet of this Board to facilitate this type of access to care. Simply put, there are too many days and too many instances in which patients are forced to obtain care outside of the LTAC category of service because there are no available beds. Applicants cannot speak to why so many beds of the competitors are never set up given the documented need RUMC has experienced. Whether it is because of their inability to staff them or to create the illusion of capacity or whether it is simply that they are unwilling to provide the necessary services to the patient population RUMC serves is unknown. What is known is that there is a need for additional services that this project proposes to meet, and this project is designed to do so while still supporting the existing facilities that have, thus far, been unable to meet the needs of this patient population.” [Application for Permit page 220]

D) Criterion 1110.265 (b) (5) - Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access for planning area residents.

The applicant shall document that at **least one of the following factors** exists in the planning area:

- i) The absence of the proposed service within the planning area.
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care, or charity care.
- iii) Restrictive admission policies of existing providers.
- iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.
- v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

There is a calculated excess of 171 LTAC beds in this planning area. No restrictive admission policies have been identified nor has there been access limitations due to payor status. There are 4 Hospitals providing LTAC services in the 10-mile GSA. One of the Hospitals is not operational [Woodlake Specialty Hospital]. None of these hospitals are at the target occupancy of 85% for all years reported [See Table Below]. The area population has been deemed a medically underserved population by the Secretary of Health and Human Resources. The Applicants have met one of the factors as required.

In response to this criterion the Applicants stated

“The number of beds that are being proposed by this application are necessary to improve access for planning area residents. The proposed facility is in a medically underserved area (“MUA”) and the majority of the patients that benefit from the facility reside in the same MUA.”

TABLE EIGHT

Hospitals with LTAC Services in the 10-mile GSA

Hospitals	City	Beds	2020	2019	2018	2017	2016	2015
RML Specialty Hospital Chicago	Chicago	86	69.00%	72.40%	70.80%	64.30%	66.50%	61.00%
Kindred Chicago Central Hospital	Chicago	95	26.70%	26.70%	34.60%	36.20%	43.30%	52.20%
Kindred Hospital Chicago North	Chicago	133	50.00%	32.90%	41.30%	50.50%	55.30%	62.20%
Woodlake Specialty Hospital ⁽¹⁾	Melrose Park	44	No Data					
Total		358						

1. Woodlake Specialty Hospital approved as Exemption #E-011-21 to reestablish Westlake Hospital. No data available.

D) Criterion 1110.265 (c) (1) (2) (3) - Unnecessary Duplication/Maldistribution

1. Unnecessary Duplication of Service

As can be seen by the table above the existing Hospitals providing LTAC services are not operating at the target occupancy of 85%. It appears the establishment of this LTAC services will result in an unnecessary duplication of service.

2. Maldistribution

There are 358 LTAC beds in this 10-mile GSA. The population in the 10-mile GSA is approximately 2,726,450. The number of LTAC beds per thousand population in the 10-mile GSA is .1151 or 1 bed per 7,616 residents

There are 557 LTAC beds in the State of Illinois. The population in the State of Illinois is approximately 12,812,508. The number of LTAC beds per thousand population is .0435 in the State of Illinois of 1 bed per 23,003 residents.

To have a surplus of LTAC beds in the 10-mile GSA the ratio of beds to population must be more than one and one-half times the State average. Based upon that ratio there is a surplus of LTAC beds in the 10-mile GSA. Approximately 64% of all LTAC beds in the State of Illinois are in this 10-mile GSA.

3) Impact on Other Hospitals

It appears the proposed establishment of this category of service will impact the three hospitals currently providing LTAC services in this 10-mile GSA.

In response to this criterion the Applicants stated:

“The proposed facility will not result in the maldistribution of services. There are 219 approved beds in the 10-mile GSA surrounding the proposed facility and only 148 were set up and available for patient care according to 2019 HFSRB annual surveys. The failure to staff all approved beds in the geographic service area creates an illusion of availability where none exists because 33% of the LTAC beds were never set up. This is not a new phenomenon. Despite being approved for 86 beds, RML has not reflected staffing more than 69 beds in any of the data it reported to the Health Facilities and Services Review Board since 2015. Kindred Hospital Chicago North has not operated more than 91 since 2015 and lowered the number of staff beds to 80 staff beds in 2018 and 79 staffed beds in 2019.”

RML Chicago Hospital stated in opposition

“RML opposes approval of the LTAC-component of Rush/Select’s Application, as the proposed LTAC beds are not needed (as clearly indicated by the Board’s own 2021 Inventory of Health Care Facilities and Services and Need Determinations for the Planning Area), a large unnecessary investment in duplicative LTAC services would occur (counter to the express intent behind enactment of the State’s CON program), and considerable negative impact on other (already financially-challenged) area LTAC facilities would result. Moreover, the proposed project would provide no increased services or access to care for area patients.”

“RUMC is currently the largest referral source (by a wide margin) to RML Chicago, representing almost 23% of RML Chicago’s total admissions; it is also a significant referral source to RML Hinsdale, representing more than 7% of RML Hinsdale’s total admissions. Likewise, the University of Illinois Hospital (“UIH”) is the fifth largest referral source to RML Chicago, representing an additional almost 7% of RML Chicago’s total admissions. On a combined basis, RUMC and UIH contributed more than 29% of RML Chicago’s admissions and more than 17% of RML’s total admissions over the two-year period ended June 30, 2021.” [See opposition letter from RML Chicago Hospital dated November 24, 2021.]

E) Criterion 1110. 265 (e) - Staffing Availability

The Applicants stated the proposed facility will maintain the necessary clinical and professional staff to meet applicable state of Illinois regulations and certification criteria required by the Centers for Medicare and Medicaid Services (CMS). All patient care staff that are required to be registered with the Illinois Department of Financial and Professional Regulation will maintain their licenses and meet the requisite requirement for continued education. [Application for Permit page 227]

F) Criterion 1110.265 (f) - Performance Requirements

- 1) *Bed Capacity Minimum*
An applicant shall document that the project will result in a facility capacity of at least 50 LTACH beds located in an MSA and 25 LTACH beds in a non-MSA.
 - 2) *Length of Stay*
 - A) *An applicant proposing to add beds to an existing service shall document that the average length of stay (ALOS) for the subject service is consistent with the planning area's 3-year ALOS.*
 - B) *Documentation shall consist of the 3-year ALOS for all hospitals within the planning area (as reported in the Annual Hospital Questionnaire).*
 - 3) *Be certified by Medicare as a Long-Term Acute Care Hospital within 12 months after the date of project completion.*
1. The Applicants state the proposed freestanding facility will be for a total 100 beds, and the long-term acute care unit will be 44 beds. The rule requires that the facility's capacity of at least 50 LTACH beds in an MSA.
 2. The Applicants are not proposing to add beds to an existing LTACH service.
 3. The Applicants confirmed their intention to obtain Medicare certification as a Long-Term Acute Care Hospital within 12 months after the date of project completion

G) Criterion 1110.265 (g) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, within 30 months of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The Applicants provided the required assurance as required at page 230. The Applicants have met the requirements of this criterion

XII. Financial Viability Economic Feasibility

A) Criterion 1120.120 – Availability of Funds

B) Criterion 1120.130 – Financial Viability

C) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements

D) Criterion 1120.140 (b) – Terms of Debt Financing

The Applicants are funding this project with cash in the amount of \$109,549,205. The Rush Specialty Hospital, LLC will fund the project costs with cash and cash equivalents obtained from Select Medical Corporation. Select Medical Corporation has sufficient resources to fund this project.

RUSH Obligated Group is comprised of Rush System for Health d/b/a Rush University System for Health and its various wholly owned or ultimately controlled subsidiaries. Moody's, S&P and Fitch have assigned municipal bond ratings of "A1", "A+" and "AA-" respectively, to the long-term debt of the Obligated Group.

TABLE NINE Audited Data (in thousands)				
	Rush University System for Health June 30 th		Select Medical Corporation December 31 st	
Selected Financial Data [Audited]	2020	2019	2020	2019
Cash and Investments	\$1,800,840	\$1,299,863	\$577,061	\$335,882
Net Property and Equipment	\$1,611,191	\$1,552,941	\$943,420	\$998,406
Long term debt	\$1,028,682	\$688,630	\$3,389,398	\$3,419,943
Net Assets	\$1,567,468	\$1,726,399	\$1,252,973	\$929,035
Patient service revenue	\$2,233,576	\$2,315,770		
Other operating revenue	\$422,312	\$295,494		
Total operating revenue	\$2,655,888	\$2,611,264	\$5,531,713	\$5,453,922
Total operating expenses	\$2,732,632	\$2,553,391	\$5,054,068	\$4,982,041
Operating (loss) income	-\$76,744	\$57,873	\$456,473	\$264,749
Non-operating (expense) income	-\$103,093	\$22,735	-\$111,867	-\$63,718
(Deficit) excess of revenue over expenses	-\$179,837	\$80,608	\$344,606	\$201,031

Based upon the information provided, the Applicants have sufficient resources to fund this project and have qualified for the financial waiver. [Application for Permit pages 231-431]. There is no debt being used to fund this project; therefore criteria 1120.140 (a) and 1120.140 (b) are not applicable to this project.

E) Criterion 1120.140 (e) – Reasonableness of Project Costs

Preplanning Costs total \$593,952 and are 1.43% of new construction, contingencies, and movable equipment costs of \$41,465,714. This appears reasonable when compared to the State Board Standard of 1.8% or \$746,383.

Site Preparation Costs total \$1,792,016 and are 4.72% of new construction and contingencies cost of \$37,929,020. This appears reasonable when compared to the State Board Standard of 5% or \$1,896,451.

New Construction and Contingency costs total \$37,929,020 or \$577.56 per GSF. This appears HIGH when compared to the State Board Standard of \$449.14 per GSF. This exceeds the State Board Standard by \$8,446,604.

Contingency Costs total \$3,438,838 and are 9.97% of new construction costs. This appears reasonable when compared to the State Board Standard of 10% or \$3,792,902.

Architectural and Engineering Fees total \$2,005,000 and are 5.29% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 7.68 % or \$2,912,949.

The State Board does not have a standard for these costs.

Consulting and Other Fees	\$3,127,358
Movable or Other Equipment	\$3,536,694
Net Interest Expense During Construction	\$1,773,935
Other Costs to Be Capitalized	\$1,491,170

F) Criterion 1120.140 (e) - Direct Operating Cost

The Applicants are estimating direct operating cost of \$995 per day. The State Board does not have a standard for this criterion.

G) Criterion 1120.140 (f) – Total Effect of the Project on Capital Costs

The Applicants are estimating the capital costs per day of \$37. The State Board does not have a standard for this criterion.

SAFETY NET IMPACT STATEMENT

[See pages 443-454 of the Application for Permit]

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

This project should have no impact on essential safety net services in the community. In fact, as described on page 102 of the project's application there have been multiple instances in the past where indigent patients and individuals with undocumented immigration status have been forced to obtain care in non-ideal settings due to the lack of availability of these services. This should help reduce the strain on safety net services given the unquestionable commitment RUMC and Select Medical have to the provision of safety net services.

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

There is no basis to believe this should impact the ability of other area providers to cross-subsidize safety net services.

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

While this application does not involve a discontinuation RUMC is a leading provider of safety net services within this HSA and will remain so. It should not adversely impact any other remaining safety net service providers.

TABLE TEN RUSH UNIVERSITY MEDICAL CENTER Charity Care and Medicaid Information			
Net Patient Revenue	\$1,200,210,722	\$1,288,187,571	\$1,359,753,800
CHARITY CARE			
Charity (# of patients)	2017	2018	2019
Inpatient	480	476	349
Outpatient	11,655	12,224	11,035
Total	12,135	12,700	11,384
Charity (cost in dollars)			
Inpatient	\$10,686,523	\$7,388,724	\$8,667,696
Outpatient	\$10,917,270	\$10,645,902	\$11,728,611
Total	\$21,603,793	\$18,034,626	\$20,396,307
% of Charity Care to Net Revenue	1.80%	1.40%	1.50%
MEDICAID			
Medicaid (# of patients)			
Inpatient	6,981	8,134	7,665
Outpatient	107,016	114,735	120,775

TABLE TEN RUSH UNIVERSITY MEDICAL CENTER Charity Care and Medicaid Information			
Net Patient Revenue	\$1,200,210,722	\$1,288,187,571	\$1,359,753,800
Total	113,997	122,869	128,440
Medicaid (revenue)			
Inpatient	\$100,059,000	\$112,923,000	\$125,248,000
Outpatient	\$31,698,000	\$30,265,000	\$30,265,000
Total	\$131,757,000	\$143,188,000	\$155,513,000
% of Medicaid to Net Revenue	10.98%	11.12%	11.44%

TABLE ELEVEN Payor Mix Rush Specialty Hospital					
	Year 1	Year 2	Year 3	Year 4	Year 5
Medicare	44.90%	52.00%	52.60%	52.10%	51.80%
Medicare HMO	10.40%	10.10%	10.20%	10.10%	10.00%
Medicaid	16.80%	13.50%	13.30%	13.10%	13.60%
Medicaid HMO	5.70%	4.50%	4.20%	4.40%	4.20%
Commercial	21.90%	19.50%	19.30%	19.40%	19.40%
Charity Care	0.20%	0.20%	0.40%	0.80%	1.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

TABLE TWELVE
Projected Income and Balance Sheet
Rush Specialty Hospital

Rush Specialty Hospital			Rush Specialty Hospital		
Income Statement			Balance Sheet		
	Year 1	Year 2		Year 1	Year 2
Gross Patient Revenue	\$158,828,518	\$169,621,806	Cash	\$8,870,954	\$10,301,405
Contractual Allowances	\$101,753,725	\$87,968,736	Acct. Rec	\$4,156,455	\$7,026,366
Other Deductions from Revenue	\$23,824,278	\$25,443,271	Other Current Assets	\$0	\$0
Total Deductions	\$125,578,003	\$113,412,007	Total Current Assets	\$13,027,410	\$17,327,771
Net Patient Revenue	\$33,250,515	\$56,209,799	PP&E	\$9,978,082	\$10,138,082
Other Revenue	\$1,127	\$1,127	Acc. Dep	-\$1,508,055	-\$3,026,967
Total Revenue	\$33,251,642	\$56,210,926	PP&E Net	\$8,470,027	\$7,111,115
Salaries and Benefits	\$19,414,563	\$25,365,024	Other Assets	\$100,000	\$100,000
Supplies	\$3,169,365	\$3,986,867	Total Assets	\$21,597,437	\$24,538,886
Administrative Services	\$2,098,247	\$3,521,357			
Depreciation and Amortization	\$1,508,055	\$1,518,912	Acct. Payable	\$2,872,641	\$3,244,081
Other Operating Expense	\$14,066,479	\$15,477,621	Accrued Salaries	\$746,714	\$975,578
Total	\$40,256,709	\$49,869,781	Other Current Liabilities	\$0	\$0
			Total Current Liabilities	\$3,619,355	\$4,219,659
Income (Loss)	-\$7,005,067	\$6,341,145			
			LTD ⁽¹⁾	\$6,983,149	\$2,983,149
			Equity	\$18,000,000	\$18,000,000
			Retained Earnings	-\$7,005,067	-\$663,922
			Net Equity	\$10,994,933	\$17,336,078

1. The debt is directly related to the cost associated with the demonstration/certification period which occurs in Year 1. Select Medical Corporation will be funding the operations of the Joint Venture through second full year by which point Select Medical estimates the facility will be at full capacity. The debt on the balance sheet accounts for this operating funding and the Joint Venture entity will look to pay that debt off to Select with cash from operations in Year 2.

TABLE THIRTEEN				
Financial Ratio Rush Specialty Hospital				
		Rush Specialty Hospital		
		Financial Ratios		
	State Standard	Year 1		Year 2
Current Ratio	>2.0	3.60		4.11
Net Income %	>3%	-21.00%		11%
LTD to Capitalization	<50%	39.00%		15.00%
Projected Debt Service Coverage	>2.50	-4.17		6.98
Days Cash on Hand	>75	83.56		77.77
Cushion Ratio	>7	7.40		8.6

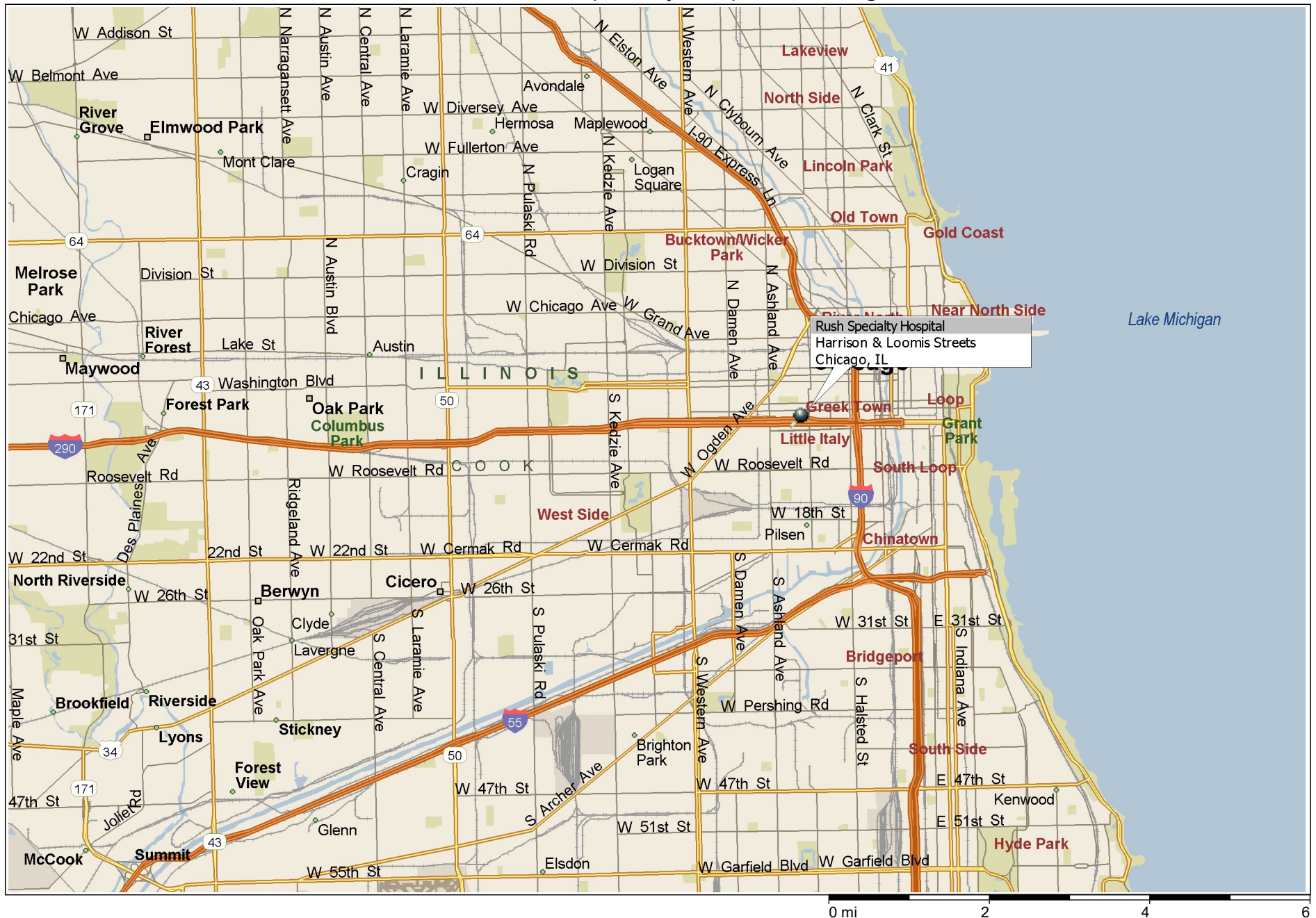
TABLE FOURTEEN			
Financial Assumptions			
			Comments:
Volume [ADC]	58.1	80.7	Volumes are consistent with Select's history with new starts, taking into consideration position control and the ability to recruit and hire.
Net Revenue Rate [PPD]	\$1,569	\$1,908	As a new start in Year 1, the Joint Venture will need to complete a demonstration/certification period with CMS to qualify to receive Medicare payments. Rates are discounted during this period. Post-demonstration/certification period, Year 2 assumes full Medicare rates, the pricing of which is based on rates earned in similar markets.
Salaries, Wages, and Benefits (PPD)	\$916	\$861	Salaries Wages Benefits assumes a full leadership staff and a full clinical staff to meet the volume projections. Year 1 Salaries Wages Benefits is projected higher than Year 2 as the volume is much lower. Once the hospitals are able to achieve a higher occupancy rate in Year 2, the Joint Venture will be able to run at a more efficient pace, thus lowering the Salaries Wages Benefits Per Patient Day. COLA increases for Salaries, Wages, and Benefits employees are factored into these costs year-over-year.
Total Expenses	\$1,899	\$1,693	Supplies, rental equipment, repairs & maintenance, physician fees, taxes, etc. have been built into these projections. 1-2% increases are assumed year-over-year. Year 2's projection is lower than Year 1 due to efficiencies gained with a higher volume in Year 2.
1. Information provided by the Applicants in Email dated November 24, 2021.			

TABLE FIVTEEN	
Itemization of Project Costs	
Preplanning Costs	
Feasibility Assessments	\$652,545
Arch./Consult. Selection	\$570,977
Total	\$1,223,522
Site Preparation	
Driveways and Walkways	\$230,000
Parking	\$2,543,892
Demo and Site Clearing	\$431,600
Exterior Signage	\$27,500
Landscaping	\$362,000
Flagpole	\$5,500
Exterior Lighting	\$75,000
Fencing	\$16,000
Total	\$3,691,492
Off Site Work	
Public Sidewalks & Drives	\$462,175
Parkway Landscaping	\$207,025
Street Restoration	\$140,000
Streetlights	\$100,000
Total	\$909,200
Architectural and Engineering	
Design	\$5,138,795
Consulting	
Zoning and Local Approvals	\$130,000
CON-Related	\$105,000
Moving/Commissioning	\$40,000
Interior Signage	\$184,101
Artwork	\$110,240
Construction Management	\$5,477,460
Misc. Other	\$395,448
Total	\$6,442,249
Movable Equipment	
Patient Rooms	\$3,272,358
Gym	\$486,807
Therapy	\$1,810,803

TABLE FIVTEEN Itemization of Project Costs	
Pharmacy	\$19,595
Furniture	\$440,960
Misc.	\$1,254,946
Total	\$7,285,469
Other Costs to be Capitalized	
IT System	\$2,320,264
Security System	\$177,000
Kitchen Equipment	\$574,495
Total	\$3,071,759

TABLE SIXTEEN Cost Space Requirements	
Comprehensive Physical Rehab Beds	16,666
LTACH Beds	15,173
Physical Therapy	10,741
Clinical Storage	7,108
Patient Care Staff	5,654
Rehab Hallway Space	10,329
Total Clinical	65,671
NON-REVIEWABLE	
Administrative	4,626
BOH Circulation	2,595
Circulation	11,924
Elevator Shaft	1,848
Kitchen	2,994
Interstitial Space	3,397
Mechanical Shaft	1,515
Mechanical/ Electrical/ Data	5,798
Public Space	9,629
Storage	1,474
Support	2,802
Vertical Circulation	3,556
Mechanical Penthouse	8,180
Shell Space	8,898
Total Non-clinical	69,236
Total	134,907

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