



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-01 | BOARD MEETING: June 7, 2022 | PROJECT NO: 22-001 | PROJECT COST: Original: \$6,429,752 |
| FACILITY NAME: Kindred Chicago Northlake LLC | | CITY: Chicago | |
| TYPE OF PROJECT: Substantive | | | HSA: VI |

PROJECT DESCRIPTION: The Applicants (Kindred Chicago Northlake LLC, and Knight Health Holdings, LLC) propose the establishment of a 15-bed Comprehensive Physical Rehabilitation unit at Kindred Hospital Chicago North located at 2544 W. Montrose Avenue, Chicago. As part of this project the Applicants will discontinue 20 long-term acute care (LTAC) beds for a total of 113 LTAC beds. The cost of this project is \$6,429,752 and the expected completion date is April 30, 2024.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Kindred Chicago Northlake LLC, and Knight Health Holdings, LLC) propose the establishment of a 15-bed Comprehensive Physical Rehabilitation¹ unit at Kindred Hospital Chicago North located at 2544 W. Montrose Avenue, Chicago. As part of this project the Applicants will discontinue 20 long-term acute care² (LTAC) beds for a total of 113 LTAC beds. The cost of this project is \$6,429,752 and the expected completion date is April 30, 2024.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a category of service.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of support were received. One letter of opposition was and one letter of concern received by the State Board and those letters are attached to the end of this report.

PURPOSE OF THE PROJECT

- The Applicants state the reason for this project is to provide continuity of care for LTAC patients receiving care at the three Kindred LTAC facilities in Chicago. According to the Applicants the proposed 15-bed unit *“will achieve synergies in the operation of both the rehabilitation and LTAC programs, improve the utilization of Kindred Hospital Chicago North, and enhance the delivery of rehabilitation services for LTAC patients at three ScionHealth Chicago area facilities and others who may be admitted to the rehabilitation unit.”*
- The Applicants considered four alternatives to the proposed project: building an addition to the hospital, establishing rehab services at all three Kindred Hospitals in Chicago, constructing a larger unit of 16 or more beds, and developing the rehab program internally without the assistance of Lifepoint. All these alternatives were rejected because the capital costs were greater, and the inefficiencies associated with these alternatives were greater than the proposed project.

¹ **Comprehensive Physical Rehabilitation**" means a category of service provided in a comprehensive physical rehabilitation facility providing the coordinated interdisciplinary team approach to physical disability under a physician licensed to practice medicine in all its branches who directs a plan of management of one or more of the classes of chronic or acute disabling disease or injury. Comprehensive physical rehabilitation services can be provided only by a comprehensive physical rehabilitation facility.

² **Long-term care hospitals** (LTCHs) are certified as acute-care hospitals, but LTCHs focus on patients who, on average, stay more than 25 days. Many of the patients in LTCHs are transferred there from an intensive or critical care unit. LTCHs specialize in treating patients who may have more than one serious condition, but who may improve with time and care, and return home. LTCHs generally give services like respiratory therapy, head trauma treatment, and pain management. **Long-term care** usually refers to care that's basically custodial, like help with feeding or dressing, even if there's some health care given. Medicare doesn't cover this kind of care, which can be given in your own home or in facilities, like assisted living facilities. LTCHs are hospitals that give inpatient services to people who need a much longer stay to get well.

SUMMARY

- There is a calculated excess of 207 comprehensive physical rehabilitation beds in the HSA VI comprehensive physical rehabilitation planning area. Based upon the State Board's ratio of beds to population there is a maldistribution (surplus) of these rehab beds in the HSA VI planning area. Additionally, there is a surplus of rehabilitation beds in the 10-mile GSA. There are eleven hospitals that provide inpatient comprehensive physical rehabilitation services with 622 beds in the HSA VI Planning Area. None of the eleven facilities are at the target occupancy of 85% for rehabilitation services.
- The Applicants are basing need for this 15-bed unit on an analysis of eight Kindred LTAC Hospitals in the United States with inpatient rehab services. Based upon this analysis approximately 16.6% of the LTAC patients at these eight hospitals over a three-year period required rehab services. The Applicants utilized that percentage to estimate the number of patients at the three Kindred Hospitals in Chicago that would utilize inpatient rehab services. The Applicants are estimating, based upon the analysis referenced above, that the three Kindred Hospitals would refer 326 patients by the second year after project completion.
- The Applicants did not meet the following criteria.

| Criterion | Reasons for Non-Compliance |
|---|--|
| 77 ILAC 1110.205 (b) – Planning Area Need | There is a calculated excess of 207 comprehensive physical rehabilitation beds in the HSA VI Comprehensive Physical Rehabilitation Planning Area. |
| 77 ILAC 1110.205 (b)(5) – Service Accessibility | There is no absence of comprehensive physical rehabilitation services in the HSA VI comprehensive physical rehabilitation planning area. No restrictive admission policies of existing providers have been identified by the Applicants. There are eleven hospitals that provide inpatient comprehensive physical rehabilitation services with 622 beds in the HSA VI Planning Area. None of the facilities are at the target occupancy of 85%. |
| 77 ILAC 1110.205 (c) – Unnecessary Duplication of Service | There are eleven hospitals in the City of Chicago (HSA VI) that maintain inpatient comprehensive physical rehabilitation services. None of these hospital's comprehensive physical rehabilitation units are at the target occupancy of 85%. Additionally, there are thirteen hospitals that maintain comprehensive physical rehabilitation units within the 10-mile radius. None of the hospital's rehab units are at the target occupancy of 85%. |

| | |
|---|--|
| 77 ILAC 1110.205 (c) –Maldistribution | <p>The number of rehabilitation beds within the 10-mile radius is 687 beds. The Applicants have stated there are approximately 2,819,248 residents within this 10-mile radius. The number of beds per thousand is .02436 in this 10-mile GSA. The State of Illinois has 1,697 rehab beds as of March 2022. The State of Illinois population is 13,129,333. The number of beds per thousand in the State of Illinois is .0129 per thousand in the State of Illinois.</p> <p>There is a maldistribution (surplus) of comprehensive physical rehabilitation beds in this 10-mile GSA as the beds per thousand in the 10-mile radius is 1.5 times the State of Illinois.</p> |
| 77 ILAC 1110.205 (c) Performance Requirements | <p>The minimum hospital unit size for comprehensive physical rehabilitation is 16 beds. The Applicants are proposing a category of service with 15-beds.</p> |
| 77 IAC 1120.140 (c) – Reasonableness of Project Costs | <p>Modernization and Contingencies total \$4,832,894 or \$515.45 per sq. foot. This appears high when compared to the State Board Standard of \$493.29 per GSF.</p> |



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State Board Staff Report Kindred Chicago Northlake Project #22-001

| APPLICATION/CHRONOLOGY/SUMMARY | |
|--|--|
| Applicant | Kindred Chicago Northlake LLC, and Knight Health Holdings, LLC |
| Facility Name | Kindred Hospital Chicago North a/k/a Kindred Chicago North |
| Location | 2544 West Montrose Avenue, Chicago, Illinois |
| Permit Holder | Kindred Chicago Northlake LLC, and Knight Health Holdings, LLC |
| Licensee/Operating Entity | Kindred Chicago Northlake, LLC |
| Owner of Site | Ventas Realty. Limited Partnership |
| Application Received | January 24, 2022 |
| Application Deemed Complete | January 25, 2022 |
| Review Period Ends | May 25, 2022 |
| Financial Commitment Date | June 7, 2023 |
| Project Completion Date | April 30, 2024 |
| Review Period Extended by the State Board Staff? | No |
| Can the Applicant request a deferral? | Yes |
| Expedited Review? | No |

I. The Proposed Project

The Applicants (Kindred Chicago Northlake LLC, and Knight Health Holdings, LLC) propose the establishment of a 15 bed Comprehensive Physical Rehabilitation service at Kindred Hospital Chicago North located at 2544 W. Montrose Avenue, Chicago. As part of this project the Applicants will discontinue 20 long-term acute care (LTAC) beds for a total of 113 LTAC beds. The cost of this project is \$6,429,752 and the expected completion date is April 30, 2024.

II. Summary of Findings

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

III. General Information

The Applicants are Kindred Chicago Northlake, LLC dba Kindred Hospital Chicago North and Knight Health Holdings, LLC d/b/a Scion Health.

Kindred was founded in 1985 as Vencor. Kindred was a public company and has gone through a number of mergers and acquisitions. In 2018 Kindred was purchased for \$4.1 billion in a joint acquisition by Humana, TPG Capital, and Welsh, Carson, Anderson & Stowe. Kindred was taken private at that time. In 2021 Humana divested its share of Kindred post-acute care facilities.

In 2018 LifePoint Health was purchased by Apollo Global Management for \$5.6 billion and merged with the private equity firm's RCCH HealthCare Partners. In October 2021 LifePoint Health and Kindred Healthcare joined their two organizations to form a 79-hospital company (Scion Health). The State Board approved this change of ownership of the four Illinois Kindred Hospitals in October of 2021. These four hospitals are:

| | |
|------------------------------------|--------------------------------------|
| Kindred Hospital Chicago Northlake | 94 LTAC beds |
| Kindred Hospital Chicago North | 31 AMI Beds and 133 LTAC Beds |
| Kindred Chicago-Lakeshore | 103 sub-acute care beds ³ |
| Kindred Hospital – Sycamore | 69 LTAC Beds |

Table One outlines the number of beds at Kindred Hospital Chicago North that have been authorized by the State Board. In addition, the table includes the admissions, number of days, average length of stay, average daily census, and occupancy percentage for 2020.

| TABLE ONE Kindred Chicago Hospital North January 1, 2020 – December 31, 2020 | | | | | | |
|---|------|------------|--------|-------|-------|-------|
| Services | Beds | Admissions | Days | ALOS | ADC | % |
| Acute Mental Illness | 31 | 618 | 4,990 | 8.07 | 13.67 | 44.1% |
| LTAC | 133 | 738 | 24,322 | 32.95 | 66.6 | 50.1% |
| Total | 164 | | | | | |

There is currently an excess of 207 rehabilitation beds in the HSA VI Hospital Planning Area. This project is considered a substantive project subject to a Part 1110 and Part 1120 review. Target occupancy for inpatient rehabilitation services is 85%.

³ "Subacute Care Hospital" means a designated site that provides medical specialty care for patients who need a greater intensity or complexity of care than generally provided in a skilled nursing facility but who no longer require acute hospital care. The average length of stay for patients treated in subacute care hospitals shall not be less than 20 days; for individual patients, the expected length of stay at the time of admission shall not be less than 10 days. A subacute care hospital is either a freestanding building or a distinct physical and operational entity within a hospital or nursing home building. A subacute care hospital shall only consist of beds currently existing in licensed hospitals or skilled nursing facilities. (Section 35 of the Alternative Health Care Delivery Act)

IV. The Proposed Project - Details

The project proposes the establishment of a 15 bed Comprehensive Physical Rehabilitation service at Kindred Hospital Chicago North. The new 15 beds and supporting clinical space will be in 8,920 square feet on the 3rd floor of the hospital. 456 square feet of space for physical therapy/gym on the first floor will also be renovated. The modernization work totals 10,207 square feet. This includes 831 sq ft of non-clinical space. The Applicants will discontinue 20 LTAC beds as part of this project reducing the number from 133 to 113 LTAC beds.

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of approximately \$6.4 million.

| TABLE TWO | | | | |
|-----------------------------------|-------------|----------------|-------------|------------|
| Project Uses and Sources of Funds | | | | |
| Uses of Funds | Reviewable | Non-Reviewable | Total | % Of Total |
| Preplanning Costs | \$18,000 | \$4,000 | \$22,000 | 0.34% |
| Modernization | \$4,202,517 | \$376,200 | \$4,578,717 | 71.21% |
| Contingencies | \$630,377 | \$56,431 | \$686,808 | 10.68% |
| A & E Fees | \$247,250 | \$27,473 | \$274,723 | 4.27% |
| Consulting and Other Fees | \$139,426 | \$15,492 | \$154,918 | 2.41% |
| Movable Equipment | \$360,239 | \$50,000 | \$410,239 | 6.38% |
| Other Costs | \$271,847 | \$30,500 | \$302,347 | 4.70% |
| Total Uses of Funds | \$5,869,656 | \$560,096 | \$6,429,752 | 100.00% |
| Sources of Funds | | | | |
| Cash and Securities | | | \$6,429,752 | 100.00% |
| Total Sources of Funds | | | \$6,429,752 | 100.00% |

VI. Background of the Applicant, Purpose of the Project, Safety Net Impact Statement, Alternatives

A) Criterion 1110.110 – Background of the Applicants

The Applicants have provided licensure and Joint Commission Accreditation documentation as required and have attested that no other adverse actions have been taken against any health care facility owned or operated by subsidiaries of Kindred Healthcare, LLC in the State of Illinois, directly or indirectly, within three years prior to the filing of this application. The Applicants appear willing and able, and have the qualifications, background, and character to adequately provide a proper standard of health care service for the community.

B) Criterion 1110.110 – Purpose of the Project

The purpose of this project is to establish a 15-bed comprehensive physical rehabilitation unit at the Hospital. In addition, with the establishment of this 15-bed unit 20 LTAC beds will be discontinued. According to the Applicants the 133 LTAC beds have had an ADC of 65 patients for the years 2015 thru 2020 or an occupancy of less than 50%. The Applicants state this low level of utilization is costly to operate and provides an opportunity for some bed closures and the introduction of another category of service to the hospital. The State's Inventory also shows an excess of 171 LTAC beds in the consolidated HSAs 6, 7, 8 and 9 Hospital Planning Areas.

C) Criterion 1110.110 (c) – Safety Net Impact Statement

The four Kindred Hospitals in Illinois did not have charity care for the years 2018, 2019 and 2020. The Safety Net Impact Statement is provided at pages 85-87 of the Application for Permit.

| TABLE THREE Medicaid Information | | | |
|--|---------------|---------------|---------------|
| Years | 2018 | 2019 | 2020 |
| Net Revenue | \$129,622,429 | \$102,578,417 | \$183,626,674 |
| Medicaid (Number) | | | |
| Inpatient | 462 | 342 | 365 |
| Outpatient | 0 | 0 | 0 |
| Medicaid (Revenue) | | | |
| Inpatient | \$34,202,430 | \$23,940,153 | \$44,845,758 |
| Outpatient | \$0.00 | \$0.00 | \$0.00 |
| % Of Medicaid to Net Revenue | 26.39% | 23.34% | 24.42% |

D) `Criterion 1110.110 (d) - Alternatives

- Alternative 1: Construct an addition above or adjacent to the existing building
 - Alternative 2: Establish independent Comprehensive Physical Rehabilitation services at each of the three Kindred Chicago area facilities.
 - Alternative 3: Construct a larger unit with 16 or more Comprehensive Physical Rehabilitation beds.
 - Alternative 4: Establish and operate the inpatient rehabilitation unit without a corporate partner.
1. As shown above the Applicants considered four alternatives to the proposed project. The first alternative was rejected because of the additional cost of at least \$7,000,000 above the cost of the proposed project. Total capacity of the expanded facility would be 179 beds (133 LTAC, 31 AMI and 15 rehabilitation beds). The alternative would require about 12,500 sq ft of new construction.

2. The second alternative was rejected because according to the Applicants neither of the Chicago Kindred Hospitals; Kindred Chicago Lakeside and Kindred Chicago Northlake have sufficient space available at their current facilities to accommodate even small physical rehabilitation units and associated support space. Moreover, the cost of constructing units at each of the facilities is prohibitive. It is estimated that establishing three separate 7 - 10 bed units at each of the three facilities would cost between \$12,000,000 and \$17,000,000 in total. Additionally, 3 smaller units would create greater inefficiencies in operations in comparison to one 15 bed unit.
3. The Applicants considered converting several LTAC units at Kindred Hospital Chicago North. The unit on the third floor of this hospital has the best layout of existing rooms that can be converted to a maximum of **16** private rooms. According to the Applicants, private rehabilitation patient rooms are needed to enable a maximum census and operational efficiencies, unrestricted by gender or clinical conditions that come into play in semi-private rooms. As a result of the unit's size and layout restrictions, and the model of practice to have all patients in single rooms, this option was rejected. This option would cost several hundred thousand dollars more than the preferred option, the extra cost associated with equipment and furnishing costs.
4. The Applicants considered developing the service internally without a corporate partner (i.e Lifepoint).

VII. Inpatient 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.

Kindred Hospital Chicago North is in the HSA VI Comprehensive Physical Rehabilitation Planning Area. There is currently a calculated excess of 207 rehabilitation beds in this Planning Area.

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

According to the Applicants, the proposed 15 bed rehabilitation unit at Kindred Hospital Chicago North will serve primarily LTAC and Sub-Acute patients at the three Kindred facilities. The three Kindred Hospitals in Chicago (Kindred Chicago North, Kindred Hospital Northlake, and Kindred Lakeshore) provided care to 1,884 patients. According to the information provided 65.9% of these patients reside in HSA 6; 34.1% reside outside HSA 6. The Applicants have documented the primary purpose of the project is to provide care to the residents of the planning area.

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

The Applicants have stated the primary purpose of this project is to facilitate access for residents of the HSA VI Planning Area who are patients at the three Kindred Hospitals who require acute Comprehensive Physical Rehabilitation care. The Applicants are projecting an annual volume of 326 rehabilitation patients, with an average length of stay of 14.3 days. The resulting 4,662 patient days will result in an 85.2% occupancy of the 15 rehabilitation beds.

To identify service demand for this 15-bed unit, the Applicants relied upon the experience of Kindred's rehabilitation units in the United States that have been established at Kindred's eight existing LTAC facilities in the United States. Those 8 facilities had approximately 525 discharges or 16.6% of the 3,154 LTAC discharges were to rehabilitation units in the LTAC Hospital for the period from December 2020 to September 2021.

The table below documents the number of admissions at the four Kindred LTAC Hospitals from 2017 to 2020. The Applicants believe if the experience at the other Kindred LTAC Hospitals holds true that 16.6% of these admissions will utilize the proposed 15 bed rehabilitation unit.

| TABLE FOUR Methodology to estimate number of Expected Patients | | | | | | | |
|--|--------------|--------|--------|--------|--------|--------|-------------------------------|
| Year | LTAC | 2017 | 2018 | 2019 | 2020 | Ave | Projected Admissions 16.6% |
| Chicago North | Admissions | 741 | 651 | 495 | 738 | 656 | 109 |
| | Patient Days | 24,507 | 18,761 | 12,560 | 16,368 | 18,049 | |
| Chicago Northlake | Admissions | 618 | 466 | 384 | 449 | 479 | 80 |
| | Patient Days | 20,051 | 12,966 | 11,984 | 13,196 | 14,549 | |
| Chicago Central | Admissions | 443 | 413 | 318 | 321 | 374 | 62 ⁽¹⁾ |
| | Patient Days | 12,560 | 11,984 | 9,265 | 9,295 | 10,776 | |
| Lakeshore | Admissions | 630 | 507 | 498 | 523 | 540 | 90 |
| | Patient Days | 16,368 | 13,196 | 12,805 | 12,761 | 13,783 | |
| Total | | | | | | | 326 |
| 1. Kindred Chicago Central closed in 2021. The Applicants believe 75% of that population will utilize the proposed rehab unit. (62 *75% = 47 Admissions) | | | | | | | |

Referral letters were provided. These referral letters were provided by the presidents of the medical staff at the three Kindred hospitals because the physicians refer only 1-3 patients per year. These letters documented patient by zip code of residence and the hospital or unit the patient was referred. These referral letters can be found in Appendix A of the Application for Permit. The table below summarizes the number of referrals and the facility the patient was referred.

| TABLE FIVE Referrals to Hospitals in the 10-Mile GSA | |
|--|-----------|
| Hospitals | Referrals |
| Shirley Ryan Ability Lab | 47 |
| Schwab Rehabilitation Hospital | 27 |
| Marianjoy Rehabilitation Center | 8 |
| Swedish Hospital | 8 |
| Loyola Health System - Gottlieb | 6 |
| Rush Univ Medical Center | 4 |
| Alexian Brothers Medical Center | 3 |
| Saint Mary of Nazareth | 3 |
| St. Joseph, Elgin | 2 |
| Louis A. Weiss Memorial Hospital | 2 |
| Christ Medical Center | 1 |
| Not recorded | 7 |
| Total | 118 |

D) Criterion 1110.205 (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 the following:

A) Service Restrictions

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 no absence of comprehensive physical rehabilitation services in the HSA VI comprehensive physical rehabilitation planning area. No restrictive admission policies of existing providers have been identified by the Applicants. There are eleven hospitals that provide inpatient comprehensive physical rehabilitation services with 622 beds in the HSA VI Planning Area. None of the facilities are at the target occupancy of 85%.

| TABLE SIX | | | | | |
|---|---------------|------|--------------|-------|-----------------------------|
| Hospitals in the HSA VI Planning Area with Rehab Beds | | | | | |
| Hospital | Planning Area | Beds | City | Miles | 2020 Utilization |
| Advocate Illinois Masonic Medical Center | VI | 22 | Chicago | 3.4 | 71.70% |
| AMITA St. Mary of Nazareth Hospital | VI | 15 | Chicago | 4.4 | 66.40% |
| AMITA Resurrection Medical Center | VI | 35 | Chicago | 7.3 | 39.00% |
| Insight Hospital & Medical Center | VI | 24 | Chicago | 11.9 | Service Temporary Suspended |
| Pipeline Louis A. Weiss Memorial Hospital | VI | 26 | Chicago | 2.7 | 25.00% |
| Rush Specialty Hospital | VI | 56 | Chicago | 9.1 | NA |
| Rush University Medical Center | VI | 59 | Chicago | 9.0 | 38.50% |
| Schwab Rehabilitation Center | VI | 92 | Chicago | 7.4 | 48.70% |
| Shirley Ryan AbilityLab | VI | 262 | Chicago | 7.8 | 80.30% |
| Swedish Hospital | VI | 25 | Chicago | 1.3 | 33.30% |
| Shiners Hospital for Children | VI | 6 | Chicago | | |
| Total Beds | | 622 | | | |
| Loyola University at Gottlieb Hospital | VII | 20 | Melrose Park | | 70.0% |
| Advocate Lutheran General Hospital | VII | 45 | Park Ridge | | 78.5% |
| Total Beds | | 687 | | | |

c) Unnecessary Duplication/Maldistribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:
 - A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.
 - B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
 - C) The names and locations of all existing or approved health care facilities located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) from the project site that provide the categories of bed service that are proposed by the project.
- 2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:
 - A) A ratio of beds to population that exceeds one and one-half times the State average.
 - B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or
 - C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
 - B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

As shown above there are eleven hospitals in the City of Chicago (HSA VI) that maintain inpatient comprehensive physical rehabilitation services. None of these hospital comprehensive physical rehabilitation units are at the target occupancy of 85%.

There are thirteen hospitals that maintain comprehensive physical rehabilitation units within the 10-mile radius. None of the hospital rehab units are at the target occupancy of 85%.

The number of rehabilitation beds within the 10-mile radius is 687 beds. The Applicants have stated there are approximately 2,819,248 residents within this 10-mile radius. The number of beds per thousand is .02436 in this 10-mile GSA.

The State of Illinois has 1,697 rehab beds as of March 2022. The State of Illinois population is 13,129,333. The number of beds per thousand in the State of Illinois is .0129 per thousand in the State of Illinois. There is a maldistribution (surplus) of comprehensive physical rehabilitation beds in this 10-mile GSA as the beds per thousand in the 10-mile radius is 1.5 times the State of Illinois.

E) Criterion 1110.205 (e) - Staffing

1) Availability – Review Criterion

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

The Applicants state Kindred Hospital Chicago North will meet all licensing requirements set forth by the State of Illinois as well as all staffing standards established by the Joint Commission and Commission on Accreditation of Rehabilitation facilities (CARF).

The Applicants stated while during this nationwide pandemic, staffing has become more challenging, Kindred Hospital Chicago North does not anticipate staffing challenges for this rehabilitation unit. Through ScionHealth's continued relationship with LifePoint's rehabilitation services division, ScionHealth's priority will be to provide the opportunity for the current staff of Kindred Hospital Chicago North to cross train or accept comparable positions with Kindred Hospital Chicago North's new Comprehensive Physical Rehabilitation unit. In addition, as nationwide corporations, ScionHealth and LifePoint both have a service network which include large pools of qualified professionals upon which to draw. ScionHealth and LifePoint have established teams of recruitment specialists, experienced in the recruitment of rehabilitation professionals, a computer database of qualified candidates, a strategic plan for targeting appropriate academic institutions as well as a defined set of policies and procedures for all recruitment activities. Together, ScionHealth and LifePoint have multiple resources available to assist with the identification and recruitment of appropriate and qualified personnel:

F) Criterion 1110.205 (f)-Performance Requirements – Bed Capacity Minimums

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 15 comprehensive physical rehabilitation beds and not 16 as required by this criterion.

G) 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 necessary assurance that the 15-bed unit will be at target occupancy within two years after project completion.

VIII. Financial Viability and Economic Feasibility

- A) Availability of Funds**
- B) Financial Viability**
- C) Reasonableness of Project Financing**
- D) Terms of Debt Financing**

This project is being funded by cash in the amount of \$6,429,752. The Applicants have provided their financial statements and those statement have been included in the information forwarded to the State Board. The Applicants consider their financial statements proprietary. In response to these criteria the Applicants stated the funds for this project will be provided by \$6,429,752 of existing combined current **assets** all four **(4)** of ScionHealth's Illinois facilities:

- Kindred Hospital Chicago North
- Kindred Hospital Chicago Northlake
- Kindred Chicago Lakeshore
- Kindred Hospital Sycamore

Kindred Chicago Northlake, LLC (d/b/a Kindred Hospital Chicago North) does not have a bond rating. In lieu of submitting a rating agency report, the Applicants attested that financial resources are available and are sufficient to fund Kindred Chicago Northlake, LLC's total project costs. As of October 31, 2021, ScionHealth's four Illinois facilities had Current Assets of \$44,245,610.35 and Current Liabilities of \$28,876,347.53. The difference between these balances reflects net working capital of \$15,369,262.82. According to the Applicants this is sufficient to fund the \$6,429,752 to fund Kindred Chicago Northlake, LLC's total project costs.

E) Reasonableness of Project Costs

Preplanning Costs of \$18,000 are less than 1% of modernization, contingencies, and equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

Modernization and Contingencies total \$4,832,894 or \$515.45 per sq. foot. This appears high when compared to the State Board Standard of \$493.29 per GSF.

Contingency costs total \$630,377 or 15% of modernization costs. This appears reasonable when compared to the State Board Standard of 15%.

Architectural and Engineering Fees are \$247,250 or 5.12% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 6.54-9.82%.

The State Board does not have a standard for the following:

| | |
|---------------------------|-----------|
| Consulting and Other Fees | \$139,426 |
| Movable Equipment | \$360,239 |

| | |
|-------------|-----------|
| Other Costs | \$271,847 |
|-------------|-----------|

F) Direct Operating Costs

G) Effect of the Project on Capital Costs

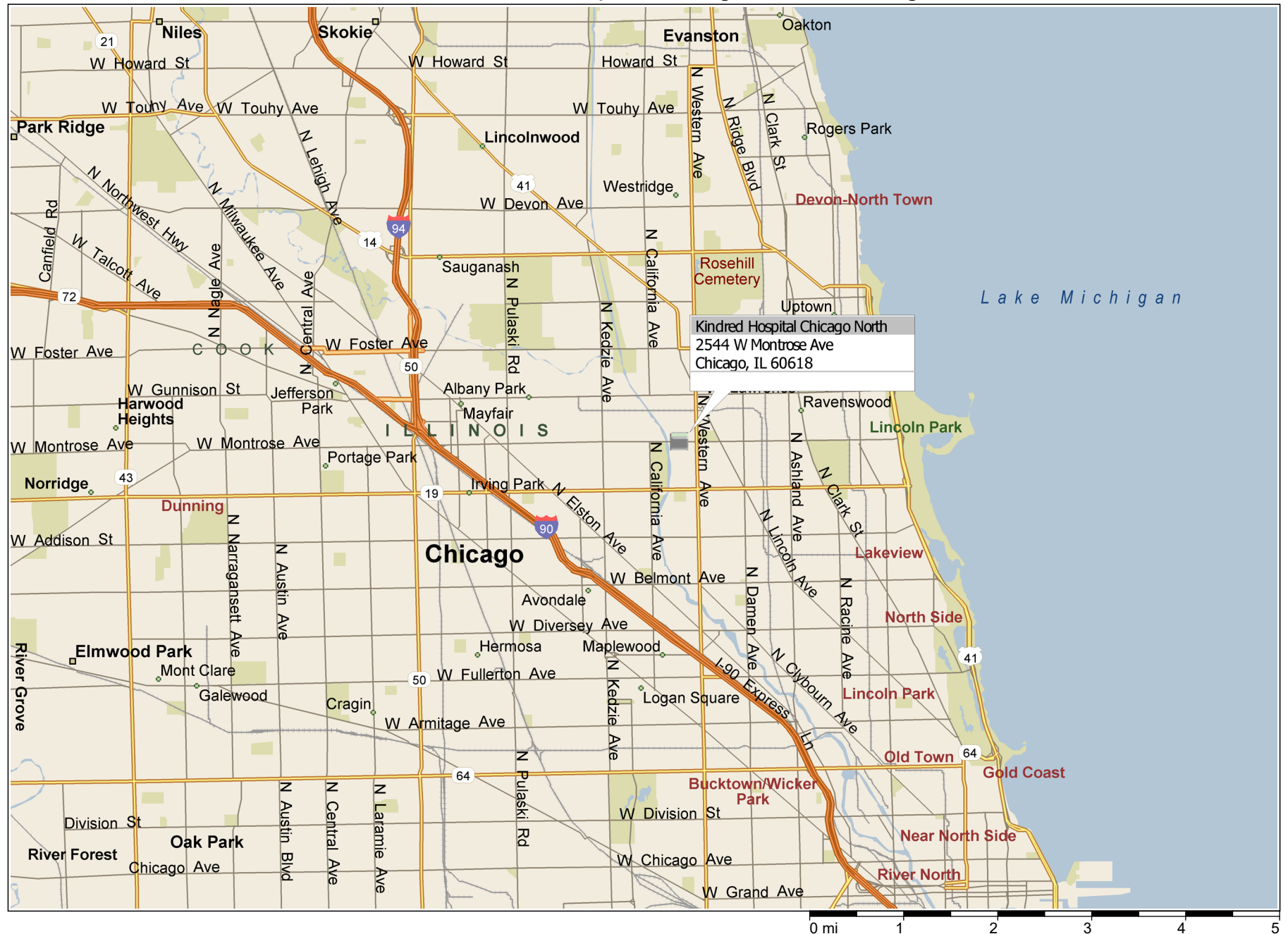
The Applicants are estimating a \$875 per equivalent patient day and \$39.45 per equivalent patient day for capital costs. The State Board does not have a standard for these costs.

Bed need for Comprehensive Physical Rehabilitation is calculated by first determining the State minimum utilization rate. This is calculated by dividing the state total patient days for Comprehensive Physical Rehabilitation by the State estimated total population to get an overall use rate. This overall rate is multiplied by 0.6 (60%) to establish the *State minimum utilization rate*.

The *actual utilization rate* for the planning area is calculated by dividing area base year patient days for Comprehensive Physical Rehabilitation by the planning area total estimated base year population. The actual utilization rate is compared to the State minimum use rate; the *planned use rate* is the greater of the two.

The planned use rate is multiplied by the area projected total population five (5) years from the base year to calculate the projected patient days for the planning area. The patient days are divided by 365 to find the Average Daily Census, which is divided by 0.85 (85% utilization target) to determine the projected number of Comprehensive Physical Rehabilitation beds needed in the planning area. This number is compared to the current authorized Comprehensive Physical Rehabilitation beds to determine if additional beds are needed or if there is an excess of beds in the planning area.

#22-001 Kindred Hospital Chicago North - Chicago



May 16, 2022

VIA FEDERAL EXPRESS

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

RE: Project 22-001 Kindred Hospital Chicago North Statement of Opposition

Dear Chairwoman Savage:

This letter is being provided to document Shirley Ryan AbilityLab's opposition to application 22-001, proposing the establishment of a comprehensive inpatient physical rehabilitation ("rehabilitation") unit at Kindred Hospital-Chicago North.

As the Board is aware, Chicago is grossly over-bedded in terms of comprehensive inpatient rehabilitation beds, and the approval of this duplicative project could set a precedent for subsequent projects.

In its deliberations, we would ask that the Board members consider the following.

- Kindred Hospital-Chicago North's position that the locating of a comprehensive inpatient rehabilitation unit in a long-term acute care hospital ("LTAC") will result in a convenience for patients has limited merit for a number of reasons:
 - The applicants anticipate that the patients to be admitted to the proposed rehabilitation unit will come from Kindred's three Chicago LTACs (as well as a small minority from other facilities). Therefore, only patients previously admitted to Kindred's one hospital will "benefit" from the "convenience", while all others, including those from Kindred's other LTACs will be transferred regardless of whether or not this project is approved.
 - Patients in need of inpatient rehabilitation are/will be transferred only once, and therefore it is not a significant imposition; right now patients are being transferred once.
 - Patients need not be transferred great distances, as there are three providers located within 15 minutes of the applicant hospital, and

those three providers have, on average, 42.4 rehabilitation beds vacant on any given day. And, in the metropolitan Chicago area (HSAs 6, 7 and 8) there are a total of 21 rehabilitation providers with 1,150 approved beds and a 2019 average daily census of 740 patients, resulting in a 64% occupancy rate (HFSRB data).

- Any “convenience” experienced by a patient not needing to be transferred would be offset by the broader scope of services provided by already experienced rehabilitation professionals offered through the larger rehabilitation providers in Chicago such as Shirley Ryan AbilityLab, Rush University Medical Center, and Schwab Rehabilitation Hospital, each of which is operating below the HFSRB’s 85% target occupancy rate..
- A critical shortage of trained staff for rehabilitation providers exists in the Chicago area market, and the need to staff yet another rehabilitation provider will only make existing providers’ ability to recruit and retain personnel more difficult.

Career Builder tracks job openings and the number of candidates seeking positions. Its recent Chicago area data for rehabilitation programs’ most common employee categories documents the challenges that existing providers are facing:

| <u>Position</u> | <u>Supply (Candidates)</u> | <u>Demand (Job Openings)</u> |
|------------------------|--------------------------------|----------------------------------|
| Physical Therapist | 25 | 433 |
| Occupational Therapist | 39 | 2,244 |
| Speech Pathologist | 16 | 1,766 |
| Registered Nurse | 171 | 16,843 |

- The applicant hospital’s change of ownership Certificate of Exemption (“COE”) application was approved on November 22, 2021. That application stated that no “changes to the scope of services” to be provided at the hospital were anticipated:

Criterion 1130.520(b)(9) A description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.

None are currently anticipated.

It appears that at some point prior to the Board's consideration of the change of ownership COE application, a decision contradicting the above response to Criterion 1130.520(b)(9) was made by the applicants, but not expressed to the Board or its staff.

Specifically, on November 24, 2022, a mere two days following the approval of the COE, a letter of determination was sent from the Illinois Department of Natural Resources ("DNR") for inclusion in the CON application (Attachment 6) now under consideration. Receipt of a letter of determination from DNR typically takes two to three weeks, making it highly likely that the decision to seek approval for the establishment of a comprehensive inpatient physical rehabilitation unit was made either prior to the filing of the COE application or during its review.

Because the applicants did not inform the HFSRB of its plans to seek approval for the establishment of the proposed comprehensive inpatient physical rehabilitation unit, the public, including existing providers, were not given an opportunity to comment on the proposal to establish another rehabilitation program at the time the COE application was being reviewed by HFSRB staff and considered by the Board.

The proposed establishment of another inpatient rehabilitation program in Chicago represents an unnecessary duplication of services, will not improve access in any appreciable manner, and will be detrimental to the existing underused providers. As such, on behalf of the Shirley Ryan AbilityLab, we respectfully encourage the Board to turn down this proposed project.

Sincerely Yours,



Nancy E. Paridy, JD, LLM
President, Chief Administrative Officer

cc: M. Constantino

May 16, 2022

VIA FEDERAL EXPRESS

Ms. Debra Savage, Chair
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

Dear Ms. Savage:

We wish to provide you and the Illinois Health Facilities and Services Review Board (the “HFSRB”) with a statement of concern related to the plans of Kindred Hospital of Chicago North (hereafter “Kindred”) to establish a 15-bed comprehensive physical rehabilitation unit.

Our primary concern with this request is that there is no shortage of rehabilitation beds in the Chicago Area, as you are likely aware. The addition of another provider will not improve patient access to acute inpatient rehabilitation care.

Quantitatively, as we are confident your staff will point out, there is no calculated need for additional comprehensive physical rehabilitation beds/facilities in Chicago, with every single provider of the service operating under the HFSRB’s target occupancy rate in 2020. In fact, and as documented in the most recent addendum to the HFSRB’s *Inventory of Health Care Facilities*, an excess of 203 rehabilitation beds already exists in the City of Chicago.

Schwab Rehabilitation Hospital respectfully asks the HFSRB to consider the plentiful number of rehabilitation beds in Chicago and the subsequent impact of adding unnecessary rehabilitation beds when making the decision regarding approval of the Kindred request.

We appreciate your time and attention to this important matter.

Sincerely,

Julia M. Libcke RN, DNP, CRRN, NEA-BC
President, Schwab Rehabilitation Hospital & Care Network
Vice President Post-Acute Care Sinai Health System

Michelle Gittler, MD
Medical Director, Schwab Rehabilitation Hospital & Care Network
CMO Post-Acute Care Sinai Health System

cc: Michael Constantino (by email)