



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-02	BOARD MEETING: June 7, 2022	PROJECT NO: 22-002	PROJECT COST: Original: \$6,686,286
FACILITY NAME: Kindred Hospital - Sycamore		CITY: Sycamore	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The Applicants (Kindred Hospital - Sycamore and Knight Health Holdings, LLC) propose the establishment of a 10-bed Comprehensive Physical Rehabilitation unit at Kindred Hospital – Sycamore located at 255 Edward Street, Sycamore. The Hospital currently has 69 LTAC beds. The cost of this project is \$6,686,286 and the expected completion date is April 30, 2024.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Kindred Hospital - Sycamore and Knight Health Holdings, LLC) propose the establishment of a 10-bed Comprehensive Physical Rehabilitation¹² unit at Kindred Hospital – Sycamore located at 225 Edward Street, Sycamore. The Hospital currently has 69 LTAC beds. The cost of this project is \$6,686,286 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 and no letters of opposition were received by the State Board.

PURPOSE OF THE PROJECT

- The purpose of this project is to establish a 10-bed comprehensive physical rehabilitation unit at the Hospital. According to the Applicants, the proposed project will achieve synergies in the operation of both the rehabilitation and LTAC programs, improve the utilization of the facility, and enhance the delivery of rehabilitation services for LTAC patients. The Applicants considered in addition to the proposed project, constructing an addition above or adjacent to the existing building, converting existing LTAC beds to a 10-bed rehabilitation unit or constructing a larger unit with 16 or more Comprehensive Physical Rehabilitation beds.

SUMMARY

- There is a calculated need for 4 inpatient comprehensive physical rehabilitation beds in the HSA I Comprehensive Physical Rehabilitation Planning Area. The Geographical Service Area for a project in DeKalb County is 17-miles. There are no inpatient comprehensive physical rehabilitation beds in the 17-mile GSA. The Applicants state the need/demand for this 10-bed unit is based upon the following:
 1. the calculated need for 4 inpatient rehab beds in the HSA I Planning Area.

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.

2. the Applicants' belief that 16.6% of LTAC Hospital Admissions benefit from inpatient rehab services; and
 3. patients in the 17-mile GSA that could utilize the 10-bed unit based upon the rehabilitation impairment codes (RIC).
- The Applicants have not met the following criteria.

Criterion	Reasons for Non-Compliance
77 ILAC 1110.205 (b) – Planning Area Need	There is a calculated need for 4 comprehensive physical rehabilitation beds in the HSA I Comprehensive Physical Rehabilitation Planning Area. The Applicants proposal exceeds the calculated need by 6-beds.
77 ILAC 1110.205 (c) Performance Requirements	The minimum hospital unit size for comprehensive physical rehabilitation is 16 beds. The Applicants are proposing a category of service with 10-beds.
77 IAC 1120.140 (c) – Reasonableness of Project Costs	Modernization and Contingencies total \$4,832,894 or \$520. per sq. footage. This appears high when compared to the State Board Standard of \$509.94 per GSF.



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State Board Staff Report Kindred Hospital - Sycamore Project #22-002

APPLICATION/CHRONOLOGY/SUMMARY	
Applicant	Kindred Hospital - Sycamore, and Knight Health Holdings, LLC
Facility Name	Kindred Hospital - Sycamore, and Knight Health Holdings, LLC
Location	255 Edward Street, Sycamore, Illinois
Permit Holder	Kindred Hospital - Sycamore, and Knight Health Holdings, LLC
Licensee/Operating Entity	Kindred Hospital - Sycamore
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	April 30, 2024
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 Hospital - Sycamore and Knight Health Holdings, LLC) propose the establishment of a 10-bed Comprehensive Physical Rehabilitation unit at Kindred Hospital – Sycamore located at 255 Edward Street, Sycamore. The Hospital currently has 69 LTAC beds. The cost of this project is \$6,686,286 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 Hospital – Sycamore and Knight Health Holdings, LLC d/b/a Scion Health.

Kindred was founded in 1985 as Vencor. Kindred, a public company, has gone through a number of mergers and acquisitions over the years. In 2018 Kindred was purchased for \$4.1 billion in a joint acquisition by Humana, TPG Capital, and Welsh, Carson, Anderson & Stowe. Kindred became a private company at the time of the 2018 acquisition. The State Board approved this change of ownership in March of 2018. 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-Sycamore 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 Hospital - Sycamore						
January 1, 2020 – December 31, 2020						
Services	Beds	Admissions	Days	ALOS	ADC	%
LTAC	69	423	11,442	27.0	31.3	45.3%
Total	69					

There is currently a **calculated need for 4 rehabilitation beds** in the HSA I Comprehensive Physical Rehabilitation 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 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 10 bed Comprehensive Physical Rehabilitation service at Kindred Hospital - Sycamore. The new 10 beds and supporting clinical space will be in 6,517 sq ft on the first floor of the hospital in space that is not now in use for clinical care. 885 sq ft of space for physical therapy/gym on the first floor will also be renovated. The modernization work totals 11,338 sq ft. This includes 3,936 sq ft of non-clinical space.

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of approximately \$6.7 million.

TABLE TWO				
Project Uses and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning Costs	\$17,000	\$6,000	\$23,000	0.34%
Modernization	\$3,351,820	\$1,316,560	\$4,670,380	69.85%
Contingencies	\$502,773	\$197,784	\$700,557	10.48%
A & E Fees	\$269,859	\$94,680	\$364,539	5.45%
Consulting and Other Fees	\$191,200	\$63,718	\$254,918	3.81%
Movable Equipment	\$251,025	\$97,009	\$348,034	5.21%
Other Costs	\$254,388	\$70,470	\$324,858	4.86%
Total Uses of Funds	\$4,838,065	\$1,846,221	\$6,686,286	100.00%
Sources of Funds				
Cash and Securities			\$6,683,286	100.00%
Total Sources of Funds			\$6,686,286	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 10-bed comprehensive physical rehabilitation unit at the Hospital. According to the Applicants, the proposed project will achieve synergies in the operation of both the rehabilitation and LTAC programs, improve the utilization of the facility, and enhance the delivery of rehabilitation services for LTAC patients at Kindred Hospital Sycamore and others who may **be** admitted to the rehabilitation unit. The State's Inventory shows a **calculated need** for 4 comprehensive physical rehabilitation beds in Health Service Area I.

The Applicants believe there is an unmet inpatient rehabilitation need in the 17-mile GSA based on a review of COMPdata using rehabilitation impairment codes to identify individuals that needed inpatient rehabilitation care for the Fiscal Year ended September 30, 2020. The Applicants identified 605 patients/residents from within the 17-mile GSA that would have benefited from comprehensive rehabilitation care. Of the 605 residents identified, 437 patients received comprehensive physical rehabilitation care from this 17-mile area. The Applicants believe that difference (168 patients) could be accommodated in the proposed new 10-bed unit.

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

The four Kindred Hospitals in Illinois did not provide charity care for the years 2018, 2019 and 2020. The Safety Net Impact Statement is provided at pages 91-93 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: Convert existing LTAC beds to 10 bed rehabilitation unit.
- 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 \$4,000,000 above the cost of the proposed project. This alternative was rejected because of the additional cost compared to the selected project, and the disruption to existing inpatient clinical services due to the construction. Site constraints also prohibit constructing an addition that expands the building footprint
2. The second alternative would cost significantly less than converting and equipping the first-floor space for the rehabilitation unit. However, the option was rejected for two reasons. As shown in the HFSRB profile for year 2020, peak census of the 69 LTAC beds had been 69 patients. And with the onset of COVID-19, giving up beds at a time of high demand is not good public health practice. In addition, the division and modernization of any of the existing LTAC units would not enable the creation of a separate and distinct acute rehabilitation unit that would meet licensure and CMS certification requirements.
3. The Applicants state the space available does not allow for a unit larger than ten beds. According to the Applicants a ten-bed unit would not be large enough to achieve operational efficiencies. But its adjacency to the LTAC units at Kindred Hospital Sycamore enables sharing of staff and other resources from the LTAC service. It would be possible to develop some double occupancy rooms, but for the past decade the model of practice has been to provide patients with private rooms. Private rooms enable a maximum census and operational efficiencies, unrestricted by gender or clinical conditions that come into play in double occupancy semi-private rooms. While it would be preferred to meet the State standard of a minimum of 16 beds, that is not feasible if all rooms are to be private. Nor does the available space have the capacity to accommodate a larger sized unit. 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). This alternative poses the option of building the program internally without assistance by LifePoint or another facilitating corporate organization. This would save the management fee, although start-up and operating costs would still be incurred by Kindred Hospital Sycamore.

VII. Project Size and Projected Utilization

A) Criterion 1110.120 (a) – Projected Size

The proposed project will comprise 7,402 GSF of clinical space. This space will include the 10-bed unit at 6,517 GSF of space or 651.7 GSF per bed as well as 885 GSF of space for physical therapy. The State Board Standard is 660 GSF per bed. The State Board does

not have a standard for physical therapy space. The Applicants have successfully addressed this criterion.

B) Criterion 1110.120 (b) – Projected Utilization

The Applicants are estimating 244 patients utilizing the 10-bed unit by the first full year after project completion. According to the Applicants' ScionHealth's national experience with facilities that provide both LTAC and Comprehensive Physical Rehabilitation, 16.6% of LTAC patients receive rehabilitation care, with an average rehab length of stay of 14.3 days. 16.6% of the 423 LTAC patients at Sycamore in 2020 yields 70 annual rehabilitation patients. With an ALOS of 14.3 days the 70 patients generate 1,001 rehabilitation patient days for an ADC of 2.7 patients for the first full year of operation.

The Applicants believe there is an unmet inpatient rehabilitation need in the 17-mile GSA based on a review of COMPdata using rehabilitation impairment codes to identify individuals that needed inpatient rehabilitation care for the Fiscal Year ended September 30, 2020. The Applicants identified 605 patients/residents from within the 17-mile GSA that would have benefited from comprehensive rehabilitation care. Of the 605 residents identified 437 patients received comprehensive physical rehabilitation care from this 17-mile area. The Applicants believe that difference (168 patients) could be accommodated in the proposed new 10-bed unit.

$$\begin{aligned} & [70 \text{ patients} \times 14.3 \text{ days} = 1,001 \text{ days}] \\ & [168 \text{ patients} \times 12.1 \text{ days} = \underline{2,033} \text{ days}] \\ & \quad [Total \ 3,034 \text{ days}] \\ & [3034 \text{ patient days}/365\text{days} = 8.51 \text{ ADC} = 85.1\%] \end{aligned}$$

VIII. 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 Sycamore is in the HSA I Comprehensive Physical Rehabilitation Planning Area. There is currently a calculated need for 4 rehabilitation beds in this Planning Area. The number of beds being requested exceeds the calculated need.

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

According to the Applicants, the proposed 10 bed rehabilitation unit at Kindred Hospital Sycamore will serve the residents of the Health Service Area I. The Applicants provided documentation demonstrating that approximately 51% of the LTAC patients of the Hospital resided in the HSA I Planning area. [A list of discharges from Kindred Hospital-Sycamore for a 7-month period ending April 30, 2022, was provided at pages 68-71 of the Application for Permit]

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 I Planning Area who are patients at the Kindred Hospital-Sycamore who require acute Comprehensive Physical Rehabilitation care. The Applicants are projecting an annual volume of 244 patients in the 10-bed unit by the second year after project completion. The resulting 3,103 patient days will result in an 85% occupancy of the 10 rehabilitation beds.

The Applicants state the demand for this 10-bed unit is based upon the following:

4. the calculated need for 4 inpatient rehab beds in the HSA I Planning Area.
5. the Applicants belief that 16.6% of LTAC Hospital Admissions benefit from inpatient rehab services; and
6. there are patients in the 17-mile GSA that could utilize the 10-bed unit based upon the RIC codes.

As stated above, the Applicants believe there is an unmet inpatient rehabilitation need in the 17-mile GSA based on a review of COMP data using rehabilitation impairment codes (“RIC”) to identify individuals that needed inpatient rehabilitation care for the Fiscal Year ended September 30, 2020. The Applicants identified 605 residents who **could** have benefited from comprehensive rehabilitation care in the 17-mile GSA. Of the 605 patients identified, 437 patients received comprehensive physical rehabilitation care. The Applicants believe that difference (168 patients) could be accommodated in the proposed new 10-bed unit.

A referral letter was provided by the chief medical officer at Kindred Hospital-Sycamore. 72 patients were referred to inpatient rehab units during a 12-month period ending September 30, 2021 from Kindred Hospital – Sycamore] [See Application for Permit Appendix A]

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 one 65-bed Comprehensive Physical Rehabilitation Hospital in the HSA I Planning Area. – Van Matre Encompass Rehabilitation Hospital in Rockford. No restrictive admission policies of existing providers have been identified by the Applicants. Van Matre operated at 82.1% occupancy in CY 2020.

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 is one hospital in the HSA I Planning Area that maintains inpatient comprehensive physical rehabilitation services. As shown above that hospital is not at target occupancy.

The number of rehabilitation beds within the planning area is 65 beds. The Applicants have stated there are approximately 685,600 residents within this planning area radius. The number of beds per thousand is .0984 in this HSA I Planning Area.

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 .129 per thousand in the State of Illinois. Based upon the ratio of beds to population there is not a surplus of beds in this 17-mile GSA.

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 – Sycamore 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 - Sycamore to cross train or accept comparable positions with Kindred Hospital- Sycamore 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. [Application for Permit pages 79-81 for complete discussion]

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 10 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 have provided the necessary attestation that they will be at target occupancy within two years after project completion. [Application for Permit page 82]

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 \$6,686,286. 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 \$6,686,286 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 Hospital – Sycamore 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 Hospital – Sycamore 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 \$6,686,286 to fund Kindred Hospital – Sycamore total project costs.

The Applicants did provide financial statements which they believe to be proprietary. Those statements have been included in the information forwarded to the Board Members for their review.

E) Reasonableness of Project Costs

Preplanning Costs of \$17,000 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 \$3,854,593 or \$520.75 per sq. footage. This appears high when compared to the State Board Standard of \$509.94 per GSF.

Contingency costs total \$502,773 or 15% of modernization costs. This appears reasonable when compared to the State Board Standard of 15%.

Architectural and Engineering Fees are \$269,859 or 7.00% 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	\$191,200
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Movable Equipment	\$251,052
Other Costs	\$254,388

F) Direct Operating Costs

G) Effect of the Project on Capital Costs

The Applicants are estimating a \$991.20 per equivalent patient day and \$53.75 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.

#22-002 Kindred Hospital-Sycamore - Sycamore

