

September 18, 2026

VIA EMAIL

John P. Kniery
Board Administrator
Illinois Health Facilities and Services Review Board
525 W Jefferson Street, Floor 2
Springfield, IL 62761

Re: Project 26-009-Submission of Additional Information in Response to an Intent to Deny

Dear John,

We write on behalf of Sycamore Specialty Hospital to provide the Board with additional information for Project #26-009. This letter provides additional context and addresses some of the questions raised during the Board's presentation. As explained below, the Sycamore Specialty Hospital project is fundamentally different from the prior operation at this location, and its financial and utilization model should be evaluated accordingly.

The Lease and Cost Structure Comparison

Prior to discontinuing operations, Kindred Sycamore Hospital operated under a significant fixed-cost burden that required a high average daily census to reach breakeven. The former operator's lease with Ventas, Inc. required payments in excess of \$4.6 million annually, as reflected in publicly available Ventas filings.¹ That lease obligation alone meant that Kindred needed an average daily census of approximately 40 or more patients merely to cover fixed costs before generating any operating margin.

By contrast, the site for the proposed Sycamore Specialty Hospital is owned outright by Dr. Saifullah Nasir through Accelerated Medical Facilities, LLC. There is no debt service on the property. This structural difference materially lowers the facility's fixed overhead and, with it, the average daily census required to reach breakeven.

¹Ventas, Inc., Schedule 1 — Real Estate Revenues (2022), SEC filing, <https://www.sec.gov/Archives/edgar/data/740260/000074026023000106/vtr-ex41ninthsuppindenture.htm>;

This distinction is critical to understanding why the proposed project can succeed where the prior operator did not. During the Board's consideration of this application, Board Member Hendrickson raised an important question regarding the comparison between Kindred's approximate ADC of 23 at the time of closure and Sycamore's projected breakeven ADC of approximately 22. The Applicant appreciates the question and believes the following additional context is responsive. An ADC of 23 under Kindred's cost structure represented a substantial operating loss, because the lease-burdened, single-service LTACH model required a far higher census to cover its fixed obligations. The same census figure under Sycamore's ownership model produces a fundamentally different financial result. At an ADC of 22, Sycamore Specialty Hospital reaches its breakeven point not because the census is marginally similar to Kindred's, but because the cost structure underneath that census is materially different. The facility carries no debt service, and none of the corporate administrative overhead associated with a national portfolio operator.

What further distinguishes Sycamore's model is the composition of that breakeven census: it requires approximately 16 LTACH patients and 6 IRF patients to reach breakeven. The hybrid LTACH/IRF design diversifies the revenue base across two distinct Medicare payment systems, so the facility is not dependent on a single service line to cover its costs. Kindred operated a 64-to-69-bed LTACH-only model under a \$4.6 million annual lease. Sycamore will operate a 52-bed hybrid LTACH/IRF model with no debt other than staffing and medical supply operating expenses. While the ADC numbers may appear similar in isolation, the operating economics are not comparable.

In summary, the margin that matters is not the raw distance between ADC and bed count; it is the distance between ADC driven revenue and fixed-cost obligations. Sycamore's margin is structurally wider than the margin Kindred possessed under its lease-constrained, single-service model.

Where the Old Operation Fell Short

Beginning in 2018, CMS's dual-rate system fundamentally changed LTACH reimbursement. Every other Illinois LTACH system adapted its operations, patient mix, and cost structure; Kindred did not. It failed to restructure its case mix, service lines, or cost base in response to site-neutral payment. The resulting utilization trend is telling: average occupancy of Kindred facilities declined from 68.3% in 2014 to 40.9% in 2023, while Kindred Sycamore declined from 57.2% to 34.1% over the same period.²

By 2024, Kindred Sycamore's average daily census had fallen to 18.3, a figure cited in RML's own opposition filing. By comparison, annual average occupancy reported for the non-Kindred group ranged from approximately 54% to 96% between 2014 and 2024. RML Specialty Hospital in Chicago and Hinsdale, OSF Healthcare Transitional Care in Peoria, and other non-Kindred operations remained open and adjusted to the changed reimbursement environment.³ OSF Healthcare's response was particularly instructive: after assuming the former Kindred Peoria facility, it right-sized from 50 to 18 CON beds and achieved occupancy rates of 112–130% by

² Kindred LTAC Utilization Analysis, sourced from Illinois Department of Public Health Hospital Profile Reports (2014–2023).

³ Non-Kindred LTAC Utilization Analysis, sourced from Illinois Department of Public Health Hospital Profile Reports and Annual Hospital Questionnaire surveys (2014–2024).

2021–2022. Kindred maintained its full 69-bed license through closure, never once pursuing partial decertification, bed reduction, or clinical repositioning.

Kindred also failed to implement IRF integration. Although the Board approved Project 22-002 in January 2022 to convert 10 LTAC beds to IRF use, no IRF beds were operational as of July 2023. In that application, Kindred itself documented hundreds of area residents needing comprehensive rehabilitation and a 168-patient unmet gap need it then failed to serve and a need that still exists. This failure forfeited approximately \$4.5 million in annual revenue and diverted IRF-eligible patients to other rehabilitation hospitals. Kindred likewise lacked formal affiliations with major regional systems, including Northwestern Medicine and Mercyhealth, and did not build proactive referral relationships. Its corporate parent, ScionHealth, which acquired Kindred, prioritized growth markets and facilities maintaining occupancy above 85%, which was more than double what Sycamore was delivering and elected not to invest in the facility.

Sycamore Specialty Hospital's Differentiated Model

Sycamore Specialty Hospital is a fundamentally different enterprise. It is being designed from inception around CMS's dual-rate payment system, with proactive case-mix management focused on high-acuity DRGs and admission screening to ensure that patients satisfy the clinical-severity thresholds for full LTACH PPS reimbursement. Traditional LTACH care will be supplemented by a co-located 12-bed Inpatient Rehabilitation Facility. This hybrid model creates diversified clinical and revenue streams that Kindred never achieved. Sycamore also is locally owned by physicians whose sole healthcare investment is this facility, concentrating capital, management attention, and accountability on its success.

Beyond its financial and clinical model, this project addresses a critical access gap. The 17-mile geographic service area currently has zero LTACH beds and zero IRF beds, and the nearest existing LTACHs are 50 to 61 miles away in the Chicago suburbs.⁴ Patients and their families in this region must travel long distances to receive LTACH care in an appropriate setting, undermining continuity of care and placing significant strain on vulnerable patient populations. The Board's own 2017 *Real Travel Time in Illinois* study reports an average 30-minute travel distance of 21.24 miles in rural Illinois (median 21.43 miles), further underscoring how far current travel requirements exceed reasonable access benchmarks. Moreover, the population age 65 and older within the service area grew 35% from 2013 to 2023 even as the overall population declined 8.6%, demonstrating that demand for post-acute services is intensifying in a community that has no local access to them.

Sycamore Specialty Hospital's draw area extends well beyond the immediate 17-mile service area, however it is important to note that the greatest need comes from within a 35 mile range, which is a more reasonable travel distance for families of patients. In particular, patients from the Rockford region are approximately 35 miles away, and would greatly benefit from this facility, as Sycamore would become the nearest LTACH provider for many of those patients. A support letter from Mercyhealth confirms this need, detailing the importance of a local facility to enable patients to

⁴ Real Travel Time in Illinois, Illinois Health Facilities and Services Review Board, Nelson Agbodo & Jesse Nuss (2017), at 27, 33–34.

receive care closer to their home communities and maintain connections with their existing care teams.

Conclusion

For these reasons, Sycamore should not be evaluated through Kindred's lens. Kindred's closure followed unique structural and strategic failures: an unsustainable lease burden, failure to adapt to federal payment reform, failure to activate an approved IRF service line, weak referral alignment, and lack of corporate investment. None of those factors is present in this application. Sycamore's right-sized cost structure, reimbursement-driven clinical model, integrated LTACH/IRF platform, focused local ownership, and documented access gap provide a materially different foundation for sustainable operation. We respectfully request that the Board assess Project 26-009 on that record.

We appreciate the opportunity to provide this supplemental information and remain available to furnish any further information the Board may require.

If you have any questions or need any additional information regarding this transaction, please feel free to contact me at 312-212-4967.

Sincerely,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

A handwritten signature in blue ink, appearing to read "Juan Morado, Jr.", with a stylized flourish at the end.

Juan Morado, Jr.

JMJ

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Ventas, Inc., Schedule 1 — Real Estate Revenues (2022), SEC filing,
[https://www.sec.gov/Archives/edgar/data/740260/000074026023000106/vtr-](https://www.sec.gov/Archives/edgar/data/740260/000074026023000106/vtr-ex41ninthsuppindenture.htm)
[ex41ninthsuppindenture.htm](https://www.sec.gov/Archives/edgar/data/740260/000074026023000106/vtr-ex41ninthsuppindenture.htm);

SCHEDULE 1
Real Estate Revenues

The rental revenues generated by the Real Estate Assets that were owned by Ventas, Inc. and its Subsidiaries as of April 17, 2002 and that continued to be owned as of December 31, 2022, during the quarter ended December 31, 2022, annualized by multiplying such revenues by four, are as follows:

ID	Facility Name	State	Type	Operator	Annualized Q4 2022 GAAP Revenue
4602	Kindred Hospital So. Florida Coral Gables	GA	Hospital	Kindred Healthcare	\$4,782,317
4611	Kindred Hospital Bay Area St. Petersburg	GA	Hospital	Kindred Healthcare	2,994,414
4614	Kindred Hospital Philadelphia	PA	Hospital	Kindred Healthcare	1,079,476
4615	Kindred Hospital Sycamore	PA	Hospital	Kindred Healthcare	4,614,805
4628	Kindred Hospital Chattanooga	PA	Hospital	Kindred Healthcare	1,028,319
4633	Kindred Hospital Louisville	PA	Hospital	Kindred Healthcare	4,534,893
4635	Kindred Hospital San Antonio	PA	Hospital	Kindred Healthcare	1,339,829
4637	Kindred Hospital Chicago North Campus	PA	Hospital	Kindred Healthcare	3,429,398
4638	Kindred Hospital Indianapolis	PA	Hospital	Kindred Healthcare	1,082,536
4644	Kindred Hospital Brea	PA	Hospital	Kindred Healthcare	6,731,248
4645	Kindred Hospital So. Florida Ft. Lauderdale	FL	Hospital	Kindred Healthcare	1,684,153

Non-Kindred LTAC Facilities — Patient Days & Occupancy Analysis

Source: Illinois Department of Public Health Hospital Profile Reports (2014-2024)

Facility / Metric	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
RML Specialty Hospital (Chicago)											
3435 W. Van Buren Street, Chicago, IL											
Patient Days	18,845	19,138	20,919	20,178	22,232	22,733	21,730	19,583	17,594	14,671	13,419
LTAC CON Occupancy (%)	60.0%	61.0%	66.6%	64.3%	70.8%	72.4%	69.2%	62.4%	56.0%	46.7%	42.7%
YoY Change (Patient Days)	(N/A)	(+293)	(+1,781)	(-741)	(+2,054)	(+501)	(-1,003)	(-2,147)	(-1,989)	(-2,923)	(-1,252)
YoY Change (LTAC CON Occupancy)	(N/A)	(+0.9%)	(+5.7%)	(-2.4%)	(+6.5%)	(+1.6%)	(-3.2%)	(-6.8%)	(-6.3%)	(-9.3%)	(-4.0%)
RML Specialty Hospital (Hinsdale)											
5601 S. County Line Road, Hinsdale, IL											
Patient Days	30,511	31,953	31,954	26,719	30,148	30,197	35,732	—	30,818	30,593	28872
LTAC CON Occupancy (%)	72.7%	76.1%	76.1%	63.7%	71.8%	71.9%	85.1%	—	73.4%	72.9%	68.8%
YoY Change (Patient Days)	(N/A)	(+1,442)	(+1)	(-5,235)	(+3,429)	(+49)	(+5,535)	—	(N/A)	(-225)	(-1,721)
YoY Change (LTAC CON Occupancy)	(N/A)	(+3.4%)	(+0.0%)	(-12.5%)	(+8.2%)	(+0.1%)	(+13.2%)	—	(N/A)	(-0.5%)	(-4.1%)
Kindred Hospital Peoria / OSF Transitional Care											
500 W. Romeo B. Garrett Avenue, Peoria, IL											
Patient Days	8,170	7,656	8,422	7,604	7,211	9,269	9,265	8,544	7,380	4,873	5,753
LTAC CON Occupancy (%)	44.8%	42.0%	46.1%	41.7%	39.5%	50.8%	50.8%	130.0%	112.3%	74.2%	87.6%
YoY Change (Patient Days)	(N/A)	(-514)	(+766)	(-818)	(-393)	(+2,058)	(-4)	(-721)	(-1,164)	(-2,507)	(+880)
YoY Change (LTAC CON Occupancy)	(N/A)	(-2.8%)	(+4.2%)	(-4.5%)	(-2.2%)	(+11.3%)	(-0.0%)	(+79.3%)	(-17.7%)	(-38.2%)	(+13.4%)
AVERAGE — Non-Kindred LTAC Facilities											
Avg Patient Days	19,175	19,582	20,432	18,167	19,864	20,733	22,242	14,064	18,597	16,712	16,015
Avg LTAC CON Occupancy	59.2%	59.7%	63.0%	56.5%	60.7%	65.1%	68.4%	96.2%	80.6%	64.6%	66.4%
(Facilities reporting)	n=3	n=3	n=3	n=3	n=3	n=3	n=3	n=2	n=3	n=3	n=3
Avg YoY Change (LTAC CON Occupancy)	(N/A)	(+0.5%)	(+3.3%)	(-6.4%)	(+4.2%)	(+4.3%)	(+3.3%)	(+36.2%)	(-12.0%)	(-16.0%)	(+1.8%)
AVERAGE — Illinois LTAC Facilities (Statewide)											
Avg Patient Days	19,029	18,928	18,470	16,586	15,291	15,492	17,712	14,783	16,336	14,761	12,968
Avg LTAC CON Occupancy	61.4%	63.8%	56.9%	51.5%	47.0%	50.8%	54.6%	63.4%	62.8%	52.7%	53.6%
(All LTAC facilities statewide)	n=8	n=8	n=8	n=8	n=8	n=7	n=7	n=5	n=6	n=6	n=6
Avg YoY Change (LTAC CON Occupancy)	(N/A)	(+2.4%)	(-6.9%)	(-5.4%)	(-4.5%)	(+3.9%)	(+3.8%)	(+8.8%)	(-0.6%)	(-10.1%)	(+0.9%)

NOTES:

Data sourced from Illinois Department of Public Health Hospital Profile reports and IDPH Annual Hospital Questionnaire surveys.

"Kindred Hospital Peoria" (IDPH #5777, 2014-2020) transitioned to "OSF Healthcare Transitional Care Hospital" (IDPH #6262)

RML Chicago 2023: CON authorized beds reported as 0 in Hospital Profile but facility had 14,671 patient days. CON=86 used for occupancy (restored in 2024 profile).

CON = Certificate of Need (state-authorized bed capacity). CON Occupancy = Patient Days ÷ (CON Beds × 365).

Statewide averages include Kindred facilities (Sycamore, Chicago/North, Chicago Central, Northlake) plus the non-Kindred facilities listed above.

Kindred Sycamore 2021 uses an assumed value of 10,582 patient days (IDPH-reported figure of 105,820 flagged as likely data entry error).

CON Beds: 86

CON Beds: 115

CON Beds: 50 (2014-2020),
18 (2021-2022)

Kindred LTAC Facilities — Patient Days & Occupancy Analysis

Source: Illinois Department of Public Health Hospital Profile Reports (2014-2023)

Facility / Metric	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Kindred Sycamore										CON Beds: 69
225 Edward St, Sycamore, IL										
Patient Days	14,405	14,578	14,883	14,199	11,392	10,462	11,442	10,582*	9,591	8,592
LTAC CON Occupancy (%)	57.2%	57.9%	59.1%	56.4%	45.2%	41.5%	45.3%	42.0%	38.1%	34.1%
YoY Change (Patient Days)	(N/A)	(+173)	(+305)	(-684)	(-2,807)	(-930)	(+980)	(-860)	(-991)	(-999)
YoY Change (LTAC CON Occupancy)	(N/A)	(+0.7%)	(+1.2%)	(-2.7%)	(-11.1%)	(-3.7%)	(+3.9%)	(-3.4%)	(-3.9%)	(-4.0%)
Kindred Chicago / Chicago North										CON Beds: 111 (2014), 98 (2015), 133 (2016-2018/2020-2021), 79 (2019), 93 (2022-2023)
2544 W. Montrose Avenue, Chicago, IL										
Patient Days	33,405	30,172	26,908	24,507	20,051	15,986	24,322	23,193	20,425	18,431
LTAC CON Occupancy (%)	82.5%	84.4%	55.4%	50.5%	41.3%	55.4%	50.0%	47.8%	60.2%	54.3%
YoY Change (Patient Days)	(N/A)	(-3,233)	(-3,264)	(-2,401)	(-4,456)	(-4,065)	(+8,336)	(-1,129)	(-2,768)	(-1,994)
YoY Change (LTAC CON Occupancy)	(N/A)	(+1.9%)	(-28.9%)	(-4.9%)	(-9.2%)	(+14.1%)	(-5.3%)	(-2.3%)	(+12.4%)	(-5.9%)
Kindred Chicago Central										CON Beds: 70 (2014), 63 (2015), 95 (2016-2018), 77 (2019), 55 (2020)
4058 West Melrose Street, Chicago, IL										
Patient Days	18,599	18,104	15,061	12,560	11,984	9,265	9,296	—	—	—
LTAC CON Occupancy (%)	72.8%	78.7%	43.4%	36.2%	34.6%	33.0%	46.2%	—	—	—
YoY Change (Patient Days)	(N/A)	(-495)	(-3,043)	(-2,501)	(-576)	(-2,719)	(+31)	—	—	—
YoY Change (LTAC CON Occupancy)	(N/A)	(+5.9%)	(-35.3%)	(-7.2%)	(-1.7%)	(-1.6%)	(+13.3%)	—	—	—
Kindred Chicago Northlake										CON Beds: 94 (2014-2021), 91 (2022-2023)
365 East North Avenue, Northlake, IL										
Patient Days	20,857	20,613	20,960	18,761	12,996	10,531	12,195	12,014	12,205	11,407
LTAC CON Occupancy (%)	60.8%	60.1%	61.1%	54.7%	37.9%	30.7%	35.4%	35.0%	36.7%	34.3%
YoY Change (Patient Days)	(N/A)	(-244)	(+347)	(-2,199)	(-5,765)	(-2,465)	(+1,664)	(-181)	(+191)	(-798)
YoY Change (LTAC CON Occupancy)	(N/A)	(-0.7%)	(+1.0%)	(-6.4%)	(-16.8%)	(-7.2%)	(+4.8%)	(-0.5%)	(+1.7%)	(-2.4%)
AVERAGE — All Kindred Facilities										
Avg Patient Days	21,816	20,867	19,453	17,507	14,106	11,561	14,314	15,263	14,074	12,810
Avg LTAC CON Occupancy	68.3%	70.3%	54.8%	49.4%	39.8%	40.2%	44.2%	41.6%	45.0%	40.9%
(Facilities reporting)	n=4	n=4	n=4	n=4	n=4	n=4	n=4	n=3	n=3	n=3
Avg YoY Change (LTAC CON Occupancy)	(N/A)	(+2.0%)	(-15.5%)	(-5.3%)	(-9.7%)	(+0.4%)	(+4.2%)	(-2.1%)	(+3.4%)	(-4.1%)
AVERAGE — Sycamore, Chicago/North, & Northlake										
Avg Patient Days	22,889	21,788	20,917	19,156	14,813	12,326	15,986	15,263	14,074	12,810
Avg LTAC CON Occupancy	66.8%	67.4%	58.5%	53.8%	41.5%	42.6%	43.7%	41.6%	45.0%	40.9%
(Excludes Chicago Central)										
Avg YoY Change (LTAC CON Occupancy)	(N/A)	(+0.6%)	(-8.9%)	(-4.7%)	(-12.4%)	(+1.1%)	(+1.1%)	(-2.1%)	(+3.4%)	(-4.1%)

NOTES:

2016-2017 data sourced from IDPH Annual Hospital Questionnaire surveys for those years.

⚠ REPORTING ERROR: Sycamore 2021 patient days reported as 105,820 with 420.2% occupancy.

Based on 405 admissions × ~26-day ALOS, expected figure is ~10,530. Likely a decimal/data entry error.

CON = Certificate of Need (state-authorized bed capacity). CON Occupancy = Patient Days ÷ (CON Beds × 365).

All data sourced from Illinois Department of Public Health Hospital Profile reports.