

<b>DOCKET NO:</b> B - 4	<b>BOARD MEETING:</b> October 22-24, 2007	<b>PROJECT NO:</b> 07-017	<b>PROJECT COST:</b> Original: \$25,291,986 Current:
<b>FACILITY NAME:</b> Kindred Hospital-Chicago South		<b>CITY:</b> Hickory Hills	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> VII

**PROJECT DESCRIPTION:** The applicants propose to construct a long-term acute care hospital (“LTACH”) containing 52 long-term medical surgical beds (“M/S”) and eight intensive-care (“ICU”) beds in 54,231 gross square feet (“GSF”) of space.

The State Agency notes this application was initially considered by the State Board at its July 24, 2007 meeting. At this meeting, the applicants received an Intent-to-Deny (“ITD”). In response to the ITD, the applicants submitted additional material on August 9, 2007.

As part of their supplemental material, the applicants propose to reduce the number of beds at their Kindred Chicago Central Hospital by 60 beds. This reduction is contingent upon licensure of an equal number of beds at this proposed facility, Kindred Hospital Chicago-South. The State Agency notes Kindred Chicago Central Hospital has 107 M/S beds and seven ICU beds (according the 2006 IDPH Hospital Profile). The applicant, however, does not identify from which category of service they propose to reduce beds at their current facility.

Assuming the applicant is not eliminating its ICU category of service with this proposed reduction of beds at their current facility, the proposed reduction of M/S beds does not constitute the discontinuation of a category of service or a health care facility. Therefore, the reduction of these beds only requires a notification to the State Agency. The notification provided with this supplemental information is sufficient State Agency notification for the reduction of beds. It is noted these beds would be removed from the State Board’s Inventory upon approval of this project.

The State Agency notes that the proposed reduction of beds constitutes over a 50% reduction of services at the Kindred Chicago Central Hospital facility. Therefore, the reduction is subject to the requirements of Section 1130.240(c) Reporting and Notification Requirements, “Notice of Hospital Reduction of 50% or More in Health Care Services,” which states that:

*“Each hospital is required to notify HFPB, IDPH, and the State Senator and 2 State Representatives representing the legislative district in which the hospital is located of a*

*reduction in services of 50% or more, within 30 days after that reduction [20 ILCS 3960/12.4]. Reporting shall include the identification of the service, reasons for reduction and anticipated duration (permanent or temporary)."*

In the original State Agency Report ("OSAR"), there were 19 criteria reviewed for the project. Of this amount, four criteria were determined to not be applicable. From the remaining 15 requirements, the State Agency found the project met seven criteria. The applicants did not meet the following criteria:

Criterion 1110.320(a) - Establishment of Additional Hospitals

Criterion 1110.320(b) - Allocation of Additional Beds

Criterion 1110.530 - Variances to Bed Need

Criterion 1110.230(a) - Location

Criterion 1110.230(c) - Alternatives

Criterion 1110.230(d) - Need for the Project

Criterion 1110.230(e) - Size of the Project

Criterion 1120.210(a) - Financial Viability

Based on the supplemental information submitted by the applicants, the State Agency continues to make a negative finding on the eight above-referenced criteria.

**SUPPLEMENTAL**  
**STATE AGENCY REPORT**  
 Project #07-017

APPLICATION SUMMARY	
Applicants	THC-Chicago d/b/a Kindred Hospital Chicago-South and Kindred Healthcare, Inc.
Facility Name	Kindred Hospital-Chicago South
Location	Hickory Hills, Illinois
Application Received	February 1, 2007
Application Deemed Complete	February 15, 2007
Public Hearing Requested	Yes
Applicants' Deferred Project	No
Date Application Received Intent to Deny	July 24, 2007
Date by which Application must be reconsidered by the State Board	January 24, 2008
Applicants' Modified the Project	No

**I. The Proposed Project**

The applicants propose to construct an LTACH containing 52 long-term M/S and eight ICU beds in 54,231 GSF of space. The total estimated project cost is \$25,291,986.

The State Agency notes this application was initially considered by the State Board at its July 24, 2007 meeting. At this meeting, the applicants received an Intent-to-Deny ("ITD"). In response to the ITD, the applicants submitted additional material on August 9, 2007.

**II. Summary of Findings**

- A. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1110.
- B. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1120.

**III. General Information**

The applicants are THC-Chicago d/b/a Kindred Hospital Chicago-South and Kindred Healthcare, Inc. The operating entity will be THC-Chicago d/b/a Kindred Hospital Chicago-South. The owner of the site is Chicago Title Land Trust. The proposed facility will be located in Hickory Hills (Cook County, HSA VII) in the A-04 Hospital Planning Area. HSA VII includes DuPage County and Suburban Cook County (excluding Chicago). There are 11 acute care hospitals in the A-04 planning area and 33 acute care hospitals within HSA VII.

The September 2007 update to the State Board’s Inventory of Healthcare Facilities and Service and Need Determinations (“Inventory”) indicates a computed excess of 1,278 M/S-Pediatric beds and a computed need for three additional ICU beds in the A-04 planning area.

This is a substantive project, subject to both a Part 1110 and Part 1120 review. A public hearing for this project was held on March 14, 2007. Twenty-seven individuals attended the hearing with 12 registered in support, 11 registered in opposition and four registered as no testimony. The State Agency received 31 letters in support of the project and 14 letters in opposition to the project.

Project obligation will occur after permit issuance. The anticipated project completion date is May 1, 2009. The applicant will lease the land needed for the construction of the hospital.

**IV. The Proposed Project - Details**

The applicants propose to construct an LTACH containing 52 M/S and eight ICU beds. The facility will contain three floors with 54,231 GSF of space. The total estimated project cost is \$25,291,986. The proposed hospital will have 52 private rooms for the M/S beds. Kindred Healthcare Inc., proposes to lease approximately five acres of land for this project.

**V. Project Costs and Sources of Funds**

The project is being funded with cash and securities of \$25,291,986. Table Two displays the project’s cost and sources of funds information.

<b>TABLE TWO</b>			
<b>Project Costs and Sources of Funds</b>			
<b>Uses of Funds</b>	<b>Clinical</b>	<b>Non Clinical</b>	<b>Total</b>
Preplanning Costs	224,187	118,467	342,654
Site Survey and Soil Investigation	563,625	297,835	861,459
New Construction Contracts	11,928,562	6,303,383	18,231,946
Contingencies	596,428	315,169	911,597
A & E Fees	814,124	430,206	1,244,330
Movable or Other Equipment	2,420,788	1,279,212	3,700,000
<b>TOTALS</b>	<b>\$16,547,714</b>	<b>\$8,744,272</b>	<b>\$25,291,986</b>
<b>Sources of Funds</b>	<b>Clinical</b>	<b>Non Clinical</b>	<b>Total</b>
Cash and Securities			25,291,986
<b>TOTALS</b>			<b>\$25,291,986</b>

VI. State Agency Review

As referenced, the applicants received an ITD from the State Board at its July 24, 2007 meeting. As a result, only those criteria that received a negative finding in the OSAR will be evaluated in this Supplemental State Agency Report (“SSAR”).

VII. Review Criteria - Establishment of Additional Beds

A. Criterion 1110.320(a) - Establishment of Additional Hospitals

The criterion states:

“A proposed general hospital to be located within a Metropolitan Statistical Area (M.S.A.\*) must contain a minimum of 100 MS beds.

AGENCY NOTE: \*M.S.A.’s are defined and named in the U.S. Bureau of the Census Publication, Metropolitan Statistical Areas: 1984, available from the U.S. Government Printing Office, Washington, D.C. 20402.”

The OSAR

*The applicants propose a new hospital within an MSA with 52 M/S and eight ICU beds. Based on the current State Board rule, the applicants have not met the requirements of this criterion.*

The SSAR

The applicant provided information to address this criterion. The applicants note there is precedent for Board approval of LTAC hospitals that have fewer beds than required by this criterion. The applicant also references the long-term care criterion (Section 1110.2930) that only requires a minimum of 50 beds. However, the applicant is not proposing a long-term care facility.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ESTABLISHMENT OF ADDITIONAL HOSPITALS CRITERION (77 IAC 1110.320(a)).

B. Criterion 1110.320(b) - Allocation of Additional Beds

The criterion states:

“The applicant proposing to establish a category of service must document that access to the service will be improved. Documentation shall consist of at least one of the following:

- 1) The proposed service is not available within the planning area;
- 2) Existing facilities have restricted admission policies resulting in access limitations;
- 3) Existing service providers are experiencing occupancy levels in excess of the category of service target levels;
- 4) The travel time to existing service providers are excessive (exceeds 45 minutes) for area residents to be served by the project.”

### The OSAR

#### Medical Surgical Beds

*The applicants propose 52 M/S beds. Based on the State Board’s June 2007 Inventory update, there is a computed excess of 1,278 M/S beds in the planning area. As a result, the applicants do not meet the first requirement of the criteria. The applicants did not provide evidence of restrictive admission policies for M/S service at other area providers; therefore, the applicants do not meet the second requirement of the criteria. As shown in Table Five, two of the 11 planning area providers (Advocate Christ Hospital – Oak Lawn and St. James Hospital – Olympia Fields) experienced occupancy levels during 2005 in excess of the State Board’s target occupancy; while the remaining nine providers did not achieve target occupancy. Thus, the applicants do not meet the third requirement of this criterion. Finally, there are providers of M/S service within 45 minutes travel time of the applicants’ proposed site that have excess capacity (see Table Five). As a result, the applicants do not meet the fourth requirement of this criterion. Overall, the applicants do not meet the requirements of this criterion for the addition of M/S beds because none of the four stated requirements are met.*

#### ICU Beds

*The applicants propose eight ICU beds for the facility. Based on the June 2007 Inventory update, there is a computed need for 13 additional ICU beds in the planning area. Therefore, the applicants meet the first requirement of the criteria. The applicants did not provide evidence of restrictive admission policies for ICU service at other area providers; therefore, the applicants do not meet the second criteria. Three area providers (Adventist LaGrange*

*Memorial Hospital - LaGrange, St. James Hospital - Olympia Fields and St. James Hospital - Chicago Heights) did not achieve target occupancy during 2005. Thus, the applicants do not meet the third requirement of this criterion. Finally, there are providers of ICU service that are within 30 minutes travel time of the applicants' proposed site that have excess capacity (see Table Five). As a result, the applicants do not meet the fourth requirement of this criterion. Since there is a computed need for additional ICU beds in the planning area the applicants do meet the requirements of this criterion for the addition of ICU beds. As noted, however, the applicants could not meet the requirements for the addition of M/S beds. As a result, a positive finding cannot be made for this criterion.*

**TABLE FIVE**  
*Acute Care Facilities within the A-04 Planning Area*

<i>Facility</i>	<i>City</i>	<i>M-S Beds</i>	<i>Occupancy</i>	<i>ICU Beds</i>	<i>Occupancy</i>	<i>Travel Time (minutes)</i>	<i>Distance (miles)</i>
<i>Advocate Christ Hosp</i>	<i>Oak Lawn</i>	<i>368</i>	<i>92.5%</i>	<i>103</i>	<i>67.0%</i>	<i>14</i>	<i>5.0</i>
<i>Palos Community Hosp</i>	<i>Palos Hts</i>	<i>315</i>	<i>61.6%</i>	<i>24</i>	<i>61.1%</i>	<i>10</i>	<i>6.1</i>
<i>Little Company of Mary Med Ctr</i>	<i>Evergreen Pk</i>	<i>339</i>	<i>42.9%</i>	<i>29</i>	<i>74.4%</i>	<i>20</i>	<i>7.1</i>
<i>Adventist LaGrange Mem Hosp</i>	<i>LaGrange</i>	<i>165</i>	<i>59.1%</i>	<i>27</i>	<i>33.4%</i>	<i>15</i>	<i>8.1</i>
<i>RML Health Providers</i>	<i>Hinsdale</i>	<i>174</i>	<i>40.1%</i>	<i>0</i>	<i>NA</i>	<i>13</i>	<i>8.8</i>
<i>St. James Hospital</i>	<i>Olympia Flds</i>	<i>108</i>	<i>86.6%</i>	<i>26</i>	<i>50.1%</i>	<i>20</i>	<i>10.9</i>
<i>Oak Forest Hospital</i>	<i>Oak Forest</i>	<i>137</i>	<i>45.2%</i>	<i>8</i>	<i>89.5%</i>	<i>20</i>	<i>11.3</i>
<i>Ingalls Memorial Hosp</i>	<i>Harvey</i>	<i>355</i>	<i>49.1%</i>	<i>26</i>	<i>78.1%</i>	<i>19</i>	<i>13.8</i>
<i>Advocate South Suburban Hosp</i>	<i>Hazel Crest</i>	<i>207</i>	<i>65.2%</i>	<i>20</i>	<i>60.5%</i>	<i>23</i>	<i>15.8</i>
<i>St. James Hospital</i>	<i>Chicago Hts</i>	<i>307</i>	<i>42.3%</i>	<i>20</i>	<i>39.7%</i>	<i>31</i>	<i>21.6</i>
<i>St. Francis Hospital</i>	<i>Blue Island</i>	<i>319</i>	<i>45.5%</i>	<i>28</i>	<i>68.7%</i>	<i>47</i>	<i>37.9</i>

*Bed and occupancy data obtained from 2005 IDPH Annual Hospital Questionnaire. Distance and travel time computed using Map Quest.*

The SSAR

For comparison purposes, the State Agency has revised Table Five from the OSAR and included data from the 2006 hospital profiles. This information is contained in Table Three.

Facility	City	M-S Beds	Occupancy	ICU Beds	Occupancy	Travel Time (minutes)	Distance (miles)
Advocate Christ Hosp	Oak Lawn	368	88.0%	103	63.9%	14	5.0
Palos Community Hosp	Palos Hts	315	65.8%	24	64.9%	10	6.1
Little Company of Mary Med Ctr	Evergreen Pk	339	45.1%	29	22.0%	20	7.1
Adventist LaGrange Mem Hosp	LaGrange	165	60.9%	27	33.8%	15	8.1
RML Health Providers	Hinsdale	174	36.3%	0	NA	13	8.8
St. James Hospital	Olympia Flds	118	84.7%	26	76.0%	20	10.9
Oak Forest Hospital	Oak Forest	137	43.0%	8	85.5%	20	11.3
Ingalls Memorial Hosp	Harvey	355	47.5%	26	78.6%	19	13.8
Advocate South Suburban Hosp	Hazel Crest	207	59.1%	20	61.9%	23	15.8
St. James Hospital	Chicago Hts	307	42.8%	20	42.5%	31	21.6
St. Francis Hospital	Blue Island	319	47.3%	28	64.7%	47	37.9

Bed and occupancy data obtained from 2006 IDPH Annual Hospital Questionnaire. Distance and travel time computed using Map Quest.

The applicants provided supplemental information to address this criterion. The applicants propose to discontinue 60 beds at their Kindred Chicago Central Hospital upon licensure of an equal number of beds at Kindred Chicago-South. Kindred Chicago-South is licensed for 107 M/S beds and seven ICU beds.

The applicants explain that the relocation of beds would move beds from the northern area of the Chicago market, where a majority of the existing LTAC beds are located, to the southern portion of the market where there are currently no LTAC beds. This relocation would significantly increase access to LTAC services for residents in the southern Chicago area without adding LTAC beds to the greater Chicago area.

The applicant substantiates the need for access with data showing that during the 12 months ending June 2007, 29% of admissions (755 admissions) to Kindred's Chicago area LTAC hospitals lived in the proposed Kindred Hospital Chicago-South service area. The applicant states that these families had to therefore travel 19 to 30 miles to receive services at their facilities.

As identified in OSAR Table Five and SSAR Table Three, Kindred Chicago Central is not located in the proposed facility's planning area and therefore the reduction of beds does not represent a re-



distribution of beds in the planning area and does not address the excess of beds available in the planning area for the proposed facility.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ALLOCATION OF ADDITIONAL BEDS CRITERION (77 IAC 1110.320(b)).

**IX. Review Criteria - Medical/Surgical, Obstetric, Pediatric and Intensive Care**

B) Criterion 1110.530 - Variances to Bed Need

The criterion states:

“The applicants must document one or more of the following.

- 1) High Occupancy Variance
- 2) Medically Underserved Variance
  - A) The applicants must document that access to the proposed service is restricted in the planning area as documented by:
    - i) the absence of the service within the planning area;
    - ii) limitations on governmentally funded or charity patients;
    - iii) restrictive admission policies of existing providers;
    - iv) the area population and existing care system exhibit indicators of median care problems such as an average family income level below the State average poverty level, high infant mortality or designation as a Health Manpower Shortage Area; or
    - v) the project will provide service for a portion of the population who must currently travel over 45 minutes to receive service.
  - B) Documentation shall consist of location and utilization of other planning area service providers; patient location information and all applicable time-travel studies; a certification of waiting times and scheduling or admission restrictions that exist in area providers; and an assessment of area population characteristics which would indicate an access problem.
  - C) The applicants must also document that the number of beds proposed will not exceed the number needed at the target occupancy rate to meet the health care needs of the population identified as having restricted access.”

The OSAR

*As noted, the June 2007 Inventory update indicates a computed excess of 1,278 M/S-Ped beds in A-04. Since there is a computed excess, the applicants chose to address the medically underserved variance.*

*The applicants' state there is no LTACH service in A-04 and a portion of the area's population is not being served by the existing healthcare delivery model. According to the applicants, the closest LTACH in the south Chicago service area is RML Health Providers (Hinsdale), which the applicants state had an 85% 2005 occupancy level; and therefore, demonstrates limited capacity to serve patients. The State Agency notes the applicants' reference to an 85% utilization rate for this facility is based on staffed beds. The 2005 hospital profile shows that RML Health Providers experienced a 40.1% occupancy for the M/S service based on authorized beds.*

*In addition, the applicants state that RML Specialty Hospital "has consistently provided only limited service to the Medicaid population, with Medicaid percentages over the past four years ranging from 1.4% to 2.8%. In contrast, Kindred's Chicago area hospitals provided significantly greater levels of care to Medicaid patients". The applicants state that this facility, and all Kindred facilities, will continue to provide similar care for the Medicaid population.*

*The State Agency pulled data from IDPH's hospital profiles from 2002 thru 2005 on the percent of Medicaid patients treated at Kindred facilities and at RML Health Providers. This information is summarized in Table Six.*

<b>Facility</b>	<b>Percent of Medicaid Patients</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<i>Kindred Chicago Central</i>	8.1%	56.7%	5.9%	5.7%
<i>Kindred Chicago North</i>	70.0%	71.6%	64.1%	72%
<i>Kindred Northlake</i>	40.0%	44.1%	36.4%	38.0%
<i>Kindred Sycamore</i>	26.0%	20.8%	20.1%	24.0%
<i>RML Specialty Hospital</i>	2.5%	1.4%	2.8%	2.6%

*Source: 2002 - 2005 Hospital Profiles.*

*Table Seven list facilities in Illinois that are considered LTACHs. The State Agency notes the distance and travel times from these facilities to the*

proposed project were determined using Map Quest. Beds and utilization data were obtained from IDPH's 2005 hospital profiles.

TABLE SEVEN Long-term Acute Care Hospitals in Illinois											
Facility	City	Travel Time (minutes)	Distance (miles)	MS Beds	Occ.	ICU Beds	Occ.	OB Beds	Occ.	AMI Beds	Occ.
RML Health Provider	Hinsdale	13	8.8	174	40.1%						
Kindred Hosp Northlake	Northlake	26	18.5	94	63.6%						
Bethany Hospital (1)	Chicago	29	23.0	100	43.0%	6	84.9%	15	33.5%	29	73.4%
Kindred Chicago Cen Hosp	Chicago	35	26.3	107	32.3%	7	78.9%				
Kindred Chicago North	Chicago	36	26.8	126	68.6%	8	78.1%			48	54.0%
Holy Family Med Center (2)	Des Plaines	37	29.0	220	16.1%	18	35.5%	14	21.7%		
Kindred Hospital-Sycamore	Sycamore	75	64.8	69	62.7%						
Regency Hospital (3)	Rockford	109	95.3	44							
Greater Peoria Specialty Hospital (4)	Peoria	153	154.3	42		8					
Kindred Hospital Springfield (5)	Springfield	188	188.8	50							
1 - Project #06-008 discontinued 15 OB beds and 29 AMI beds at the hospital. 2 - Project #05-045 discontinued 14 OB beds at the hospital. 3 - Project #06-038 approved September 12, 2006; required completion date is December 31, 2007. 4 - Project #07-010 approved June 12, 2007; required completion date is December 31, 2010. 5 - Project #05-015 approved August 4, 2005; required completion date is December 10, 2007.											

The State Agency notes there is no absence of M/S and ICU service in the planning area. Therefore, the applicants do not meet the first requirement of the criterion. While RML Health Provider appears to have a low percentage of Medicaid patients, there are other LTACHs within 30 minutes travel time that have higher Medicaid percentages.

Based on the information in Table Seven, there are three existing LTACHs within a 30 minute travel time of the applicants' proposed site (RML Health Provider – Hinsdale, Kindred Hospital Chicago Northlake and Advocate Bethany Hospital – Chicago). For 2005 these providers' percent of Medicaid patients were 2.6%, 40.1% and 54.0% respectively. Therefore the applicants have not documented limitations on governmentally funded or charity patients, or evidence of restrictive admission policies for other area providers.

Thus, the applicants have not met the second and third requirements of the criteria. There is no evidence that the area population or existing providers exhibit indication of median care problems. Thus, the fourth requirement of the criterion is not met. Finally, there is sufficient M/S and ICU capacity within the service area, which results in patients not traveling over 45 minutes to receive service. Thus, the fifth requirement of the criterion is not

*met. Since the applicants could not successfully address the requirements of this criterion, the State Agency is unable to make a positive finding.*

The SSAR

For comparison purposes, the State Agency has revised Table Seven from the OSAR and included data from the 2006 hospital profiles. This information is contained in Table Four.

TABLE FOUR Long-term Acute Care Hospitals in Illinois											
Facility	City	Travel Time (minutes)	Distance (miles)	MS Beds	Occ.	ICU Beds	Occ.	OB Beds	Occ.	AMI Beds	Occ.
RML Health Provider	Hinsdale	13	8.8	174	36.3%						
Kindred Hosp Northlake	Northlake	26	18.5	94	63.6%						
Bethany Hospital	Chicago	29	23.0	100	43.0%	6	84.9%	15	33.5%	29	73.4%
Kindred Chicago Central Hosp	Chicago	35	26.3	107	30.7%	7	75.9%				
Kindred Chicago North	Chicago	36	26.8	126	67.1%	8	83.0%			31	77.8%
Holy Family Med Center	Des Plaines	37	29.0	220	19.0%	18	10.4%				
Kindred Hospital-Sycamore	Sycamore	75	64.8	69	58.8%						
Regency Hospital <sup>(1)</sup>	Rockford	109	95.3	44							
Greater Peoria Specialty Hosp <sup>(2)</sup>	Peoria	153	154.3	42		8					
Kindred Hospital Springfield <sup>(3)</sup>	Springfield	188	188.8	50							
1 - Project #06-038 approved September 12, 2006; required completion date is December 31, 2007.											
2 - Project #07-010 approved June 12, 2007; required completion date is December 31, 2010.											
3 - Project #05-015 approved August 4, 2005; required completion date is December 10, 2007.											
Bed and occupancy data obtained from 2006 IDPH Annual Hospital Questionnaire. Distance and travel time computed using Map Quest.											

Since there is computed excess, the applicants chose to address the medically underserved variance in their application. No additional information was provided by the applicants for the SSAR to address the medically underserved variance.

The September 2007 update to the State Board’s Inventory indicates a computed excess of 1,278 M/S-Pediatric beds and a computed need for three additional ICU beds in the A-04 planning area. The applicants propose eight ICU beds, which therefore would create an excess of four ICU beds in the planning area. While the applicants propose to reduce beds at one of their facilities in a different planning area, the proposed reduction of beds does not address the excess of beds in the proposed facility’s planning area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE VARIANCES TO BED NEED CRITERION (77 IAC 1110.530(b)).

**X. General Review Criteria**

**A. Criterion 1110.230(a) - Location**

The criterion states:

“An applicant who proposes to establish a new health care facility or a new category of service or who proposes to acquire major medical equipment that is not located in a health care facility and that is not being acquired by or on behalf of a health care facility must document the following:

- 1) that the primary purpose of the proposed project will be to provide care to the residents of the planning area in which the proposed project will be physically located. Documentation for existing facilities shall include patient origin information for all admissions for the last 12 months. Patient origin information must be presented by zip code and be based upon the patient's legal residence other than a health care facility for the last six months immediately prior to admission. For all other projects for which referrals are required to support the project, patient origin information for the referrals is required. Each referral letter must contain a certification by the health care worker physician that the representations contained therein are true and correct. A complete set of the referral letters with original notarized signatures must accompany the application for permit.
- 2) that the location selected for a proposed project will not create a maldistribution of beds and services. Maldistribution is typified by such factors as: a ratio of beds to population (population will be based upon the most recent census data by zip code), within 30 minutes travel time under normal driving conditions of the proposed facility, which exceeds one and one half times the State average; an average utilization rate for the last 12 months for the facilities providing the proposed services within 30 minutes travel time under normal driving conditions of the proposed project which is below the Board's target occupancy rate; or the lack of a sufficient population concentration in an area to support the proposed project.”

The OSAR

*The applicants provided a map showing all facilities within 30 minutes drive time of the proposed facility and an outline of the proposed target population. The State Agency verified the applicants' information and determined there are 41 facilities within 30 minutes travel time of the proposed site. Table Eight lists these facilities, their authorized beds for M/S and ICU services, corresponding occupancy and distance and travel times. The State Agency notes distance and travel time were obtained from Map Quest; while authorized beds and utilization were obtained from IDPH's 2005 hospital profiles*

*According to the applicants, there is a population of 3,404,882 within a 30-minute drive time of the proposed facility and 6,270 M/S beds. This computes to one bed per 544 residents. According to the State Board's Inventory, there are 2,804 M/S beds in the A-04 planning area and a 2007 projected population of 1,166,070. This computes to one bed per 416 residents. Also according to the State Board's Inventory, the statewide ratio of M/S beds is one bed per 443 residents (29,418 M/S beds divided by the State's population of 13,036,200). In order to be positive on this criterion, the project's 30-minute travel time bed to population ratio must exceed one and one half times the State average. The project's 30-minute travel time bed to population ratio exceeds the A-04 planning area ratio by 1.3 times and exceeds the Statewide ratio by 1.2 times. Since the project's bed to population ratio does not exceed the statewide ratio a negative finding to this portion of the criterion is made.*

*According to the applicants, there is a population of 3,404,882 within a 30-minute drive time of the proposed facility, and 1,089 ICU beds. This computes to one bed per 3,127 residents. According to the State Board's Inventory, there are 301 ICU beds in the A-04 planning area and a 2007 projected population of 1,166,070, which computes to one ICU bed per 3,874 residents. According to the State Board's Inventory, the statewide ICU bed to population ratio is one bed per 3,758 residents (3,469 ICU beds divided by the State population of 13,036,200). The project's 30-minute travel time bed to population ratio is below both the A-04 planning area and statewide ratios; therefore, this portion of the criterion is negative.*

**TABLE EIGHT**  
*Facilities within 30 Minutes Travel Time of the Proposed Project*

<b>Facility</b>	<b>City</b>	<b>M-S Beds</b>	<b>Occupancy</b>	<b>ICU Beds</b>	<b>Occupancy</b>	<b>Travel Time (minutes)</b>	<b>Distance (miles)</b>
<i>Palos Community Hospital</i>	<i>Palos Hts</i>	<i>315</i>	<i>61.6%</i>	<i>24</i>	<i>61.1%</i>	<i>10</i>	<i>6.1</i>
<i>Advocate Christ Hospital</i>	<i>Oak Lawn</i>	<i>368</i>	<i>92.5%</i>	<i>103</i>	<i>67.0%</i>	<i>12</i>	<i>5.7</i>
<i>Adventist LaGrange Mem Hosp</i>	<i>LaGrange</i>	<i>165</i>	<i>59.1%</i>	<i>27</i>	<i>33.4%</i>	<i>13</i>	<i>7.6</i>
<i>RML Health Providers</i>	<i>Hinsdale</i>	<i>174</i>	<i>40.1%</i>	<i>0</i>	<i>NA</i>	<i>13</i>	<i>8.8</i>
<i>Adventist Hinsdale Hospital</i>	<i>Hinsdale</i>	<i>197</i>	<i>63.2%</i>	<i>31</i>	<i>20.9%</i>	<i>17</i>	<i>10.2</i>
<i>Little Company of Mary Hosp</i>	<i>Egreen Pk</i>	<i>339</i>	<i>42.9%</i>	<i>29</i>	<i>74.4%</i>	<i>17</i>	<i>7.2</i>
<i>MacNeal Memorial Hospital</i>	<i>Berwyn</i>	<i>301</i>	<i>23.4%</i>	<i>26</i>	<i>73.1%</i>	<i>17</i>	<i>11.2</i>
<i>Oak Forest Hospital</i>	<i>Oak Forest</i>	<i>137</i>	<i>45.2%</i>	<i>8</i>	<i>89.5%</i>	<i>17</i>	<i>11.4</i>

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TABLE EIGHT  
 Facilities within 30 Minutes Travel Time of the Proposed Project

Facility	City	M-S Beds	Occupancy	ICU Beds	Occupancy	Travel Time (minutes)	Distance (miles)
St. Francis Hospital & Heath Ctr	Blue Island	319	45.5%	28	68.7%	17	10.9
Loyola University Medical Ctr	Maywood	298	68.2%	134	73.2%	19	11.5
Holy Cross Hospital	Chicago	204	72.5%	20	50.0%	20	10.6
Ingalls Memorial Hospital	Harvey	355	49.1%	26	78.1%	20	14.8
Adventist Bolingbrook Med Ctr <sup>(1)</sup>	Bolingbrook	106	NA	12	NA	21	17.4
Advocate South Suburban Hosp	Hazel Crest	207	65.2%	20	60.5%	21	15.8
Rush Oak Park Hospital	Oak Park	187	23.1%	14	60.4%	22	15.6
St. Anthony Hospital	Chicago	77	53.1%	15	43.9%	22	16.2
Mount Sinai Hospital	Chicago	276	38.8%	34	28.9%	23	16.4
Advocate Good Samaritan Hosp	Downers Gro	185	75.1%	44	63.0%	24	19.5
Elmhurst Memorial Hospital	Elmhurst	289	62.1%	30	70.2%	24	18.5
Loretto Hospital	Chicago	125	29.4%	12	70.8%	24	15.7
Westlake Community Hospital	Melrose Pk	158	27.8%	20	113.2%	24	13.9
Gottlieb Memorial Hospital	Melrose Pk	154	55.6%	24	60.5%	25	14.9
Mercy Hospital	Chicago	289	31.5%	30	30.8%	25	19.3
Michael Reese Hospital	Chicago	456	14.4%	42	42.9%	25	19.2
Jackson Park Hosp. Foundation	Chicago	203	20.8%	12	60.5%	26	15.4
Kindred Hospital – Northlake	Northlake	94	63.6%	0	NA	26	19.4
Roseland Community Hospital	Chicago	132	34.7%	10	30.0%	26	15.3
St. James Hospital	Olmpia Flds	108	86.6%	26	50.1%	26	18.0
University of Illinois Hospital	Chicago	248	71.7%	65	86.9%	26	18.0
John H. Stroger Hospital	Chicago	240	93.8%	86	64.2%	27	18.5
Rush University Medical Center	Chicago	468	53.5%	95	58.0%	27	20.8
St. Bernard Hospital	Chicago	110	66.4%	10	55.0%	27	15.2
St. James Hospital	Chicago Hts	307	42.3%	20	39.7%	27	21.6
West Suburban Hospital	Oak Park	135	58.1%	24	53.1%	27	16.5
Provident Hospital	Chicago	173	32.2%	18	55.4%	28	21.8
South Shore Hospital	Chicago	117	68.0%	8	80.5%	28	15.5
Advocate Bethany Hospital	Chicago	100	43.0%	6	84.9%	29	17.1
Saint Mary Of Nazareth Hosp	Chicago	186	64.0%	32	42.6%	29	22.7
Silver Cross Hospital	Joliet	184	66.1%	18	63.1%	29	22.2
Northwestern Memorial Hosp	Chicago	434	85.2%	92	71.4%	30	22.4
Sacred Heart Hospital	Chicago	111	27.6%	8	52.4%	30	19.3

Authorized beds and occupancy data obtained from 2005 IDPH Annual Hospital Questionnaire. Distance and travel time computed using Map Quest.  
 1 – New hospital with estimated completion date of October, 2008.

*It appears the primary purpose of the project is to provide care to the residents of the planning area. However, it also appears the location selected will create a maldistribution of service due to the computed excess of M/S beds in the planning area. As a result, a positive finding cannot be made.*

The SSAR

For comparison purposes, the State Agency has revised Table Eight from the OSAR and included data from the 2006 hospital profiles. This information is contained in Table Five.

**TABLE FIVE**  
**Facilities within 30 Minutes Travel Time of the Proposed Project**

Facility	City	M-S Beds	Occupancy	ICU Beds	Occupancy	Travel Time (minutes)	Distance (miles)
Palos Community Hospital	Palos Hts	315	65.8%	24	64.9%	10	6.1
Advocate Christ Hospital	Oak Lawn	368	88.0%	103	63.9%	12	5.7
Adventist LaGrange Mem Hosp	LaGrange	165	60.9%	27	33.8%	13	7.6
RML Health Providers	Hinsdale	174	36.3%	0	NA	13	8.8
Adventist Hinsdale Hospital	Hinsdale	197	60.4%	31	69.9%	17	10.2
Little Company of Mary Hosp	Egreen Pk	339	45.1%	29	22.0%	17	7.2
MacNeal Memorial Hospital	Berwyn	301	54.3%	26	54.3%	17	11.2
Oak Forest Hospital	Oak Forest	137	43.0%	8	85.5%	17	11.4
St. Francis Hospital & Heath Ctr	Blue Island	319	47.3%	28	64.7%	17	10.9
Loyola University Medical Ctr	Maywood	298	64.1%	134	69.9%	19	11.5
Holy Cross Hospital	Chicago	204	68.8%	20	87.0%	20	10.6
Ingalls Memorial Hospital	Harvey	355	47.5%	26	78.6%	20	14.8
Adventist Bolingbrook Med Ctr <sup>(1)</sup>	Bolingbrook	106	NA	12	NA	21	17.4
Advocate South Suburban Hosp	Hazel Crest	207	59.1%	20	61.9%	21	15.8
Rush Oak Park Hospital	Oak Park	187	24.8%	14	58.9%	22	15.6
St. Anthony Hospital	Chicago	77	55.7%	15	29.2%	22	16.2
Mount Sinai Hospital	Chicago	276	44.2%	34	26.8%	23	16.4
Advocate Good Samaritan Hosp	Dwners Grv	185	74.3%	44	80.3%	24	19.5
Elmhurst Memorial Hospital	Elmhurst	289	59.9%	30	74.0%	24	18.5
Loretto Hospital	Chicago	125	41.4%	12	74.3%	24	15.7
Westlake Community Hospital	Melrose Pk	158	30.2%	20	82.4%	24	13.9
Gottlieb Memorial Hospital	Melrose Pk	154	58.9%	24	62.4%	25	14.9
Mercy Hospital	Chicago	289	37.0%	30	59.3%	25	19.3
Michael Reese Hospital	Chicago	456	12.1%	42	19.8%	25	19.2
Jackson Park Hosp. Foundation	Chicago	203	18.3%	12	60.5%	26	15.4
Kindred Hospital - Northlake	Northlake	94	63.6%	0	NA	26	19.4
Roseland Community Hospital	Chicago	132	37.4%	10	40.4%	26	15.3
St. James Hospital	Olympia Fls	118	84.7%	26	76.0%	26	18.0
University of Illinois Hospital	Chicago	248	62.5%	65	90.2%	26	18.0
John H. Stroger Hospital	Chicago	228	94.5%	98	54.9%	27	18.5
Rush University Medical Center	Chicago	468	54.0%	95	58.2%	27	20.8
St. Bernard Hospital	Chicago	110	66.5%	10	41.4%	27	15.2
St. James Hospital	Chicago Hts	307	42.8%	20	42.5%	27	21.6
West Suburban Hospital	Oak Park	135	60.3%	24	51.6%	27	16.5
Provident Hospital	Chicago	173	33.7%	18	62.1%	28	21.8
South Shore Hospital	Chicago	117	66.8%	8	73.5%	28	15.5
Advocate Bethany Hospital	Chicago	150	15.6%	0	NA	29	17.1
Saint Mary Of Nazareth Hosp	Chicago	186	60.7%	32	45.6%	29	22.7
Silver Cross Hospital	Joliet	184	70.1%	18	61.9%	29	22.2
Northwestern Memorial Hosp	Chicago	506	73.2%	92	74.4%	30	22.4
Sacred Heart Hospital	Chicago	111	30.4%	8	39.7%	30	19.3

Authorized beds and occupancy data obtained from 2006 IDPH Annual Hospital Questionnaire. Distance and travel time computed using Map Quest.  
 1 - New hospital with estimated completion date of October, 2008.

The September 2007 update to the State Board's Inventory indicates a computed excess of 1,278 M/S-Pediatric beds and a computed need for three additional ICU beds in the A-04 planning area. The applicant proposes eight ICU beds, which therefore would create an excess of four ICU beds in the



planning area. While the applicants propose to reduce beds at one of their facilities, the reduction of beds does not address the excess of beds in the proposed facility's planning area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE LOCATION CRITERION (77 IAC 1110.230(a)).

B. Criterion 1110.230(c) – Alternatives

The criterion states:

“The applicant must document that the proposed project is the most effective or least costly alternative. Documentation shall consist of a comparison of the proposed project to alternative options. Such a comparison must address issues of cost, patient access, quality, and financial benefits in both the short and long term. If the alternative selected is based solely or in part on improved quality of care, the applicant shall provide empirical evidence including quantifiable outcome data that verifies improved quality of care. Alternatives must include, but are not limited to: purchase of equipment, leasing or utilization (by contract or agreement) of other facilities, development of freestanding settings for service and alternate settings within the facility. “

The OSAR

*The applicants considered these alternatives:*

1. *Do Nothing*
2. *Use other area facilities*
3. *Construct a 60-bed LTACH*

*The applicants rejected the “do nothing” alternative because it would not alleviate the need for an LTAC hospital within the A-04 planning area. The applicants provided a relative cost analysis for patients who may use a Kindred hospital versus a short-term acute care hospital (see Table Nine). It is noted by the applicants that by doing the project, “it is undertaking a more costly alternative than doing nothing.” The State Agency notes there is no cost associated with this alternative.*

*The applicants rejected the second alternative because general acute care, long-term*

*care and rehabilitation facilities cannot properly care for patients with medically complex conditions. In addition, the applicants believe the utilization rate of RML Specialty Hospital and other local providers shows they cannot accommodate these patients. The applicants did not provide a cost for this alternative.*

*The applicants chose the alternative of constructing a 60-bed LTACH to serve the needs of the planning area. The applicants believe they have identified a segment of the population that is in need of the long-term acute care service. The applicants state an LTACH is more cost advantageous than other acute care facilities as illustrated in Table Nine. The cost of this alternative is the project cost.*

TABLE NINE Applicants' Estimated DRG Cost Efficiencies			
DRG	Name	Average Cost Per Medicare Patient Day	
		Kindred	Short-term Acute Care Hospitals
475	Respiratory system disorder w/ventilator	\$1,411	\$2,068
087	Pulmonary edemas & respiratory failure	1,086	1,448
127	Heart failure + shock	1,005	1,367
089	Pneumonia & pleurisy w/complications	979	1,250
249	Aftercare, musculoskeletal system & connective tissue	881	1,229
088	Chronic obstructive pulmonary disease	949	1,227
466	Aftercare w/o history of malignancy as second diag	999	1,133
271	Skin Ulcers	945	1,089
012	Degenerative nervous system disorder	944	1,066

*As noted, there is a computed excess of M/S beds in the planning area. Thus, using other area providers appears to be the most appropriate alternative.*

The SSAR

The September 2007 update to the State Board's Inventory indicates a computed excess of 1,278 M/S-Pediatric beds and a computed need for three additional ICU beds in the A-04 planning area. The applicants propose eight ICU beds, which therefore would create an excess of four ICU beds in the planning area. While the applicants propose to reduce beds at one of their facilities, the reduction of beds does not address the excess of beds in the proposed facility's planning area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ALTERNATIVE

CRITERION (77 IAC 1110.230(c)).

D. Criterion 1110.230(d) - Need for the Project

The criterion states:

“1) If the State Board has determined need pursuant to Part 1100, the proposed project shall not exceed additional need determined unless the applicant meets the criterion for a variance.”

The OSAR

*Based on the June 2007 Inventory update, there is computed need for ICU beds. However, there is a computed excess of M/S beds in the planning area and the applicants were unsuccessful in addressing the variance. Therefore, the State Agency is unable to make a positive finding.*

*However if the State Board accepts the applicants' assertion that there is a need for the long-term acute care service within the planning area, then the applicants' need methodology (as outlined in the application) appears reasonable. This need methodology can be viewed at pages 47-50 of the information submitted to the State Agency. In summary, the applicants' need determination is based upon the following:*

- 1. Remove all discharges under age 18 in the service area;*
- 2. Remove those diagnoses not appropriate for long-term acute care hospital admission;*
- 3. Identify patients assigned to one of the 406 long-term hospital DRGs and whose length of stay in the short-term hospital exceeds a threshold number of days.*
- 4. Sum the number of long-term days produced by LTACH appropriate patients.*
- 5. Identify patient days that are leaving the service area for long-term acute care due to lack of adequate LTACH services.*
- 6. Account for increasing need for LTACH due to population growth.*
- 7. Calculate LTACH bed need using 80% occupancy.*

*From this methodology, the applicants estimate a need for 129 LTACH beds in the service area.*

*If the State Board deems this methodology reasonable, there appears to be a need for the service. However, there is excess capacity in the planning area for M/S beds. Thus, it does not appear the project is needed.*

The SSAR

The applicants provided additional information to address this criterion. The applicants state the prevalence of LTAC services increases the need for LTAC services. This is demonstrated by the fact that the number of admissions at Kindred’s hospitals and RML continues to increase even as new LTAC hospitals have opened. However, there are still many patients in the Chicago market who need LTAC care, but for lack of reasonable access, do not receive it. SSAR Table Four displays the applicants’ information.

TABLE FOUR				
Year	LTACH Discharges*			
	Kindred**	RML	Bethany and Holy Family	Total
2004	2,106	616	0	2,725
2005	2,269	631	41	2,941
2006	2,504	744	565	3,813
*Source: CompData and Kindred internal data				
** Kindred Hospitals North, Northlake, Central and Lakeshore				

The September 2007 update to the State Board’s Inventory indicates a computed excess of 1,278 M/S-Pediatric beds and a computed need for three additional ICU beds in the A-04 planning area. The applicants propose eight ICU beds, which therefore would create an excess of four ICU beds in the planning area. While the applicants propose to reduce beds at one of their facilities, the reduction of beds does not address the excess of beds in the proposed facility’s planning area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT CRITERION (77 IAC 1110.230(d)).

E. Criterion 1110.230(e) - Size of the Project

The criterion states:

“The applicant must document that the size of a proposed project is appropriate.

- 1) The proposed project cannot exceed the norms for project size found in Appendix B of this Part unless the additional square footage

beyond the norm can be justified by one of the following:

- A) the proposed project requires additional space due to the scope of services provided;
  - B) the proposed project involves an existing facility where the facility design places impediments on the architectural design of the proposed project;
  - C) the proposed project involves the conversion of existing bed space and the excess square footage results from that conversion; or
  - D) the proposed project includes the addition of beds and the historical demand over the last five year period for private rooms has generated a need for conversion of multiple bed rooms to private usage.
- 2) When the State Board has established utilization targets for the beds or services proposed, the applicant must document that in the second year of operation the annual utilization of the beds or service will meet or exceed the target utilization. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures which would increase utilization.”

The OSAR

1. Size

Table Ten list the applicants’ departments / areas and a comparison to the applicable State standards.

TABLE TEN Project Size Requirements				
Departments	State Standard		Proposed GSF	Difference
	Individually	Total		
Admin/Public Areas	NA	NA	3,893	
Body Holding	NA	NA	120	
Central Supply	18 GSF/Bed	1,080	1,280	200
Dietary	NA	NA	4,694	
Emergency	744.6 GSF/treatment room	744.60	164	(580.6)
Hemodialysis	470 GSF/treatment room	470	488	18
ICU (8 beds)	603 GSF/Bed	4,824	4,219	(605)

<b>TABLE TEN</b>				
<b>Project Size Requirements</b>				
<i>Departments</i>	<i>State Standard</i>		<i>Proposed GSF</i>	<i>Difference</i>
	<i>Individually</i>	<i>Total</i>		
<i>Lab</i>	<i>36 GSF/Bed</i>	<i>2,160</i>	<i>150</i>	<i>(2,010)</i>
<i>Maintenance</i>	<i>NA</i>	<i>NA</i>	<i>574</i>	
<i>Mechanical/Electrical</i>	<i>NA</i>	<i>NA</i>	<i>2,412</i>	
<i>Med/ Surg (52 beds)</i>	<i>401 GSF/bed</i>	<i>20,852</i>	<i>24,460</i>	<i>3,608</i>
<i>Medical Records</i>	<i>NA</i>	<i>NA</i>	<i>305</i>	
<i>Pharmacy (60 beds)</i>	<i>12 GSF/Bed</i>	<i>600</i>	<i>635</i>	<i>35</i>
<i>Physical Therapy (52 beds)</i>	<i>23 GSF per M/S Bed</i>	<i>1,196</i>	<i>799</i>	<i>(397)</i>
<i>Radiology</i>	<i>1,386 GSF/procedure room</i>	<i>1,386</i>	<i>580</i>	<i>(806)</i>
<i>Receiving</i>	<i>NA</i>	<i>NA</i>	<i>307</i>	
<i>Respiratory Therapy</i>	<i>8.9 GSF/Bed</i>	<i>534</i>	<i>454</i>	<i>(80)</i>
<i>Building Support</i>	<i>NA</i>	<i>NA</i>	<i>8,697</i>	
<b>TOTAL GSF</b>			<b>54,231</b>	

*The applicants exceed the State Board’s size standard for M/S, Pharmacy, Hemodialysis and Central Supply.*

2. Utilization

*The applicants project 65% utilization of the M/S beds and 67% utilization of the ICU beds by the end of the second year of operation. The utilization projection is based upon the applicants’ experience operating its 81 existing facilities. The utilization standard for M/S beds is 85% and it is 60% for ICU beds after the second year.*

*As stated, the applicants exceed the size standards do not meet the State Board’s utilization standards in the second year of operation after project completion as required. Therefore, the State Agency is unable to make a positive finding regarding this criterion.*

The SSAR

The applicants did not provide additional information regarding this criterion. Therefore, the negative finding remains.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.230(e)).

**XI. Review Criteria - Financial Feasibility**

The criterion states:

“1) Viability Ratios

Applicant (including co-applicant) must document compliance with viability ratio standards detailed in Appendix A of this Part or address a variance. Co-applicant must document compliance for the most recent three years for which audited financial statements are available. For Category B applications, the applicant also must document compliance through the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later, or address a variance.

2) Variance for Applications Not Meeting Ratios

Co-applicant not in compliance with any of the viability ratios must document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.”

The OSAR

*Table Eleven provides historic financial ratio information for Kindred Healthcare, Inc. Projected financial ratios cannot be provided for this co-applicant because it is a for-profit, publicly held corporation and Securities and Exchange Commission regulations prohibit projected ratios. The other co-applicant (Kindred Hospital Chicago-South) is a newly formed entity and does not have historic financial information. However, it did provide projected ratio information for the year 2010.*

<b>TABLE ELEVEN</b>					
<b><i>Applicants Financial Ratio Information</i></b>					
<b>Ratio</b>	<b>Standard</b>	<b>Kindred Healthcare, Inc.</b>			<b>Kindred Hospital Chicago-South</b>
		<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2010</b>
<i>Current</i>	<i>&gt;=1.5</i>	1.5	1.5	1.5	2.9
<i>Net Margin Percentage</i>	<i>&gt;=3.5%</i>	1.6	2.5	3.3	5.7
<i>Percent Debt to Total Capitalization</i>	<i>&lt;=80%</i>	19	5	4	91%
<i>Projected Debt Service Coverage</i>	<i>&gt;=1.75</i>	175.5	233.4	292.2	.2
<i>Days Cash on Hand</i>	<i>&gt;=45</i>	34.6	38.5	35.3	.66
<i>Cushion</i>	<i>&gt;=5</i>	376.5	454.3	470.6	0.00

*The applicants do not meet the State standards for Net Margin Percentage, Percent Debt to Total Capitalization, Projected Debt Service Coverage, Days Cash on Hand and Cushion Ratios.*

*Net Margin Percentage is an indication of the amount of profit realized on every dollar of sales.*

*Percent Debt to Total Capitalization is an indication of the capital invested by the owners and the funds provided by lenders.*

*Projected Debt Service Coverage is earnings before interest and taxes for a given reporting period divided by the period's interest payments. It measures a firm's ability to satisfy its annual borrowing costs from current operations.*

*Days Cash on Hand indicates the number of days the facility could operate if no future revenue was provided.*

*The Cushion Ratio indicates the amount of cash, short-term investments and unrestricted long-term investments remaining after paying all fixed-debt expenses.*

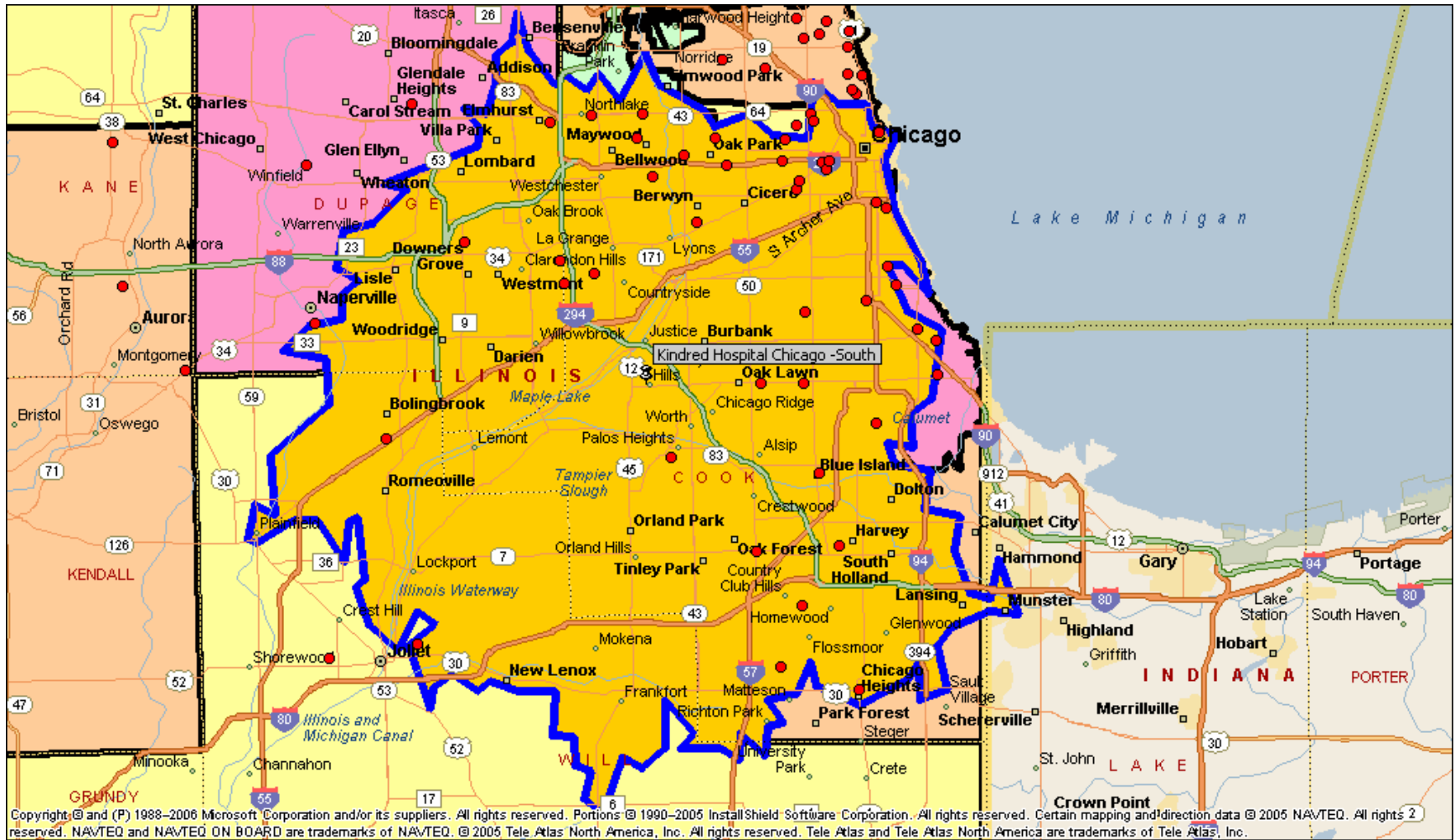
*No documentation was provided to demonstrate that the applicants have an "A" bond rating, nor have they demonstrated that this organization is compliant with the ratios. The applicants have not documented that another organization will assume the legal responsibility to meet the debt obligations should the applicants default. As a result, the applicants do not meet the requirements for the variance.*

#### The SSAR

The applicants did not provide additional information regarding this criterion. Therefore, the negative finding remains.

THE STATE AGENCY NOTES IT DOES **NOT** APPEAR THE APPLICANT MEETS THE REQUIREMENTS FOR THE FINANCIAL VIABILITY CRITERION (IL IAC 1120.210(a)).





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### 30 Minute Drive Time

<b>NAME</b>	<b>STREET</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP</b>
Bolingbrook Medical Center	400 Medical Center Drive	Bolingbrook	IL	60440
Silver Cross Hospital	1200 Maple Road	Joliet	IL	60432-0000
Good Samaritan Hospital	3815 Highland Avenue	Downers Grove	IL	60515-0000
RM Health Providers Limited Partnership	504 E 55th St	Hinsdale	IL	60521-0000
Hinsdale Hospital	120 North Oak Street	Hinsdale	IL	60521-0000
Elmhurst Memorial Hospital	200 Berteau Avenue	Elmhurst	IL	60126-0000
Kindred Hospital - Chicago Northlake	365 East North Avenue	Northlake	IL	60164-0000
Oak Forest Hospital	15900 Cicero Avenue	Oak Forest	IL	60452-0000
Palos Community Hospital	12251 South 80th Avenue	Palos Heights	IL	60463-0000
LaGrange Memorial Hospital	5101 Gilbert Avenue	LaGrange	IL	60525-0000
Christ Hospital and Medical Center	9500 South Kenneth Ave	Oak Lawn	IL	60453-0000
MacNeal Memorial Hospital	3249 South Oak Park Avenue	Berwyn	IL	60402-0000
St. James Hospital & Health Center	20201 South Crawford	Olympia Fields	IL	60461-
Advocate South Suburban Hospital	17800 South Kedzie Avenue	Hazel Crest	IL	60429-0000
St. James Hospital & Health Center	4 E 14th St	Chicago Heights	IL	60411
St. Francis Hospital & Heath Ctr	12935 South Gregory Street	Blue Island	IL	60406-0000
Ingalls Memorial Hospital	One Ingalls Drive	Harvey	IL	60426-0000
Little Company of Mary Hospital and Health Care Center	2800 West 95th Street	Evergreen Park	IL	60642-0000
Holy Cross Hospital	2701 West 68th Street	Chicago	IL	60629-0000
St. Bernard Hospital	326 West 64th Street	Chicago	IL	60621-0000
Roseland Community Hospital	45 West 111th Street	Chicago	IL	60628-0000
Jackson Park Hosp. Foundation	7531 Stony Island Avenue	Chicago	IL	60649-0000
Provident Hospital of Cook County	500 East 51st Street	Chicago	IL	60615-0000
South Shore Hospital	8012 South Crandon	Chicago	IL	60617-0000
Westlake Community Hospital	1225 W Lake St	Melrose Park	IL	60160-0000
Loyola University Medical Center/Foster G. McGaw	2160 South 1st Avenue	Maywood	IL	60153-0000
Rush Oak Park Hospital	520 South Maple Street	Oak Park	IL	60304-0000
Gottlieb Memorial Hospital	701 West North Avenue	Melrose Park	IL	60160-0000
Loretto Hospital	645 South Central Avenue	Chicago	IL	60644-0000
West Suburban Hospital	622 North Austin Ave	Oak Park	IL	60302-0000

St. Anthony Hospital	2875 West 19th Street	Chicago	IL	60623-0000
Advocate Bethany Hospital	3435 West Van Buren	Chicago	IL	60624 -000
Mount Sinai Hospital Medical Center	1501 S California Ave	Chicago	IL	60608-0000
John H. Stroger Hospital of Cook County	1901 West Harrison Street - Suite 5650	Chicago	IL	60612-0000
Sacred Heart Hospital	3240 West Franklin Blvd	Chicago	IL	60624-0000
Saint Mary Of Nazareth Hospital	2233 West Divison Street	Chicago	IL	60622-0000
University of Illinois Hospital	1740 West Taylor Avenue	Chicago	IL	60612-0000
Rush University Medical Center	1653 West Congress Parkway	Chicago	IL	60612-0000
Mercy Hospital & Medical Center	2525 South Michigan Avenue	Chicago	IL	60616-2477
Michael Reese Hospital & Medical Center	2929 South Ellis Avenue	Chicago	IL	60616-0000
Northwestern Memorial Hospital	251 East Huron St	Chicago	IL	60611-0000

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45 Minute Drive Time

NAME	STREET	CITY	STATE	ZIP	Time	Distance
Rush Copley Memorial Hospital	2000 Ogden Avenue	Aurora	IL	60504-4206	35	26.7
Provena Mercy Center	1325 North Highland Avenue	Aurora	IL	60506-1458	40	34.1
Provena Saint Joseph Medical Center	333 North Madison Street	Joliet	IL	60435-0000	34	29
Bolingbrook Medical Center	400 Medical Center Drive	Bolingbrook	IL	60440	21	17.4
Edward Hospital	801 South Washington	Naperville	IL	60566-0000	28	20.3
Silver Cross Hospital	1200 Maple Road	Joliet	IL	60432-0000	29	22.2
Good Samaritan Hospital	3815 Highland Avenue	Downers Grove	IL	60515-0000	24	19.5
RM Health Providers Limited Partnership	504 E 55th St	Hinsdale	IL	60521-0000	13	9
Hinsdale Hospital	120 North Oak Street	Hinsdale	IL	60521-0000	17	10.3
Central DuPage Hospital	Hospital Road	Winfield	IL	60190-0000	38	28.9
St. Alexius Medical Center	1555 Barrington Road	Schaumburg	IL	60194-0000	43	36.1
Glen Oaks Medical Center	701 Winthrop Avenue	Glendale Heights	IL	60139-0000	33	26.8
Alexian Brothers Medical Center	800 Biesterfield Road	Elk Grove Villa	IL	60007-0000	33	27.8
Elmhurst Memorial Hospital	200 Berteau Avenue	Elmhurst	IL	60126-0000	24	18.5
Kindred Hospital - Chicago Northlake	365 East North Avenue	Northlake	IL	60164-0000	26	19.4
Northwest Community Hospital	800 West Central Road	Arlington Heights	IL	60005-0000	40	33.8
Oak Forest Hospital	15900 Cicero Avenue	Oak Forest	IL	60452-0000	17	11.4
Palos Community Hospital	12251 South 80th Avenue	Palos Heights	IL	60463-0000	10	6.5
LaGrange Memorial Hospital	5101 Gilbert Avenue	LaGrange	IL	60525-0000	13	7.6
Christ Hospital and Medical Center	9500 South Kenneth Ave	Oak Lawn	IL	60453-0000	12	5.7
MacNeal Memorial Hospital	3249 South Oak Park Avenue	Berwyn	IL	60402-0000	17	11.2
St. James Hospital & Health Center	20201 South Crawford	Olympia Fields	IL	60461-	26	18
Advocate South Suburban Hospital	17800 South Kedzie Avenue	Hazel Crest	IL	60429-0000	21	16
St. James Hospital & Health Center	4 E 14th St	Chicago Heights	IL	60411	27	21.7
St. Francis Hospital & Heath Ctr	12935 South Gregory Street	Blue Island	IL	60406-0000	17	10.9
Ingalls Memorial Hospital	One Ingalls Drive	Harvey	IL	60426-0000	20	14.8
Little Company of Mary Hospital and Health Care Center	2800 West 95th Street	Evergreen Park	IL	60642-0000	17	7.8
Holy Cross Hospital	2701 West 68th Street	Chicago	IL	60629-0000	20	10.5
St. Bernard Hospital	326 West 64th Street	Chicago	IL	60621-0000	27	15.2
Roseland Community Hospital	45 West 111th Street	Chicago	IL	60628-0000	26	15.3

Trinity Hospital	2320 East 93rd Street	Chicago	IL	60617-0000	30	20.3
Jackson Park Hosp. Foundation	7531 Stony Island Avenue	Chicago	IL	60649-0000	26	15.4
University Of Chicago Medical Center	5841 South Maryland	Chicago	IL	60637-0000	30	17.6
Provident Hospital of Cook County	500 East 51st Street	Chicago	IL	60615-0000	28	21.9
South Shore Hospital	8012 South Crandon	Chicago	IL	60617-0000	28	15.9
Westlake Community Hospital	1225 W Lake St	Melrose Park	IL	60160-0000	24	13.9
Loyola University Medical Center/Foster G. McGaw	2160 South 1st Avenue	Maywood	IL	60153-0000	19	11.5
Rush Oak Park Hospital	520 South Maple Street	Oak Park	IL	60304-0000	22	14
Gottlieb Memorial Hospital	701 West North Avenue	Melrose Park	IL	60160-0000	25	14.9
Resurrection Medical Center	7435 West Talcott Avenue	Chicago	IL	60631-0000	34	28.1
Loretto Hospital	645 South Central Avenue	Chicago	IL	60644-0000	24	15.7
West Suburban Hospital	622 North Austin Ave	Oak Park	IL	60302-0000	27	16.5
Our Lady of Resurrection Medical Center	5645 West Addison Street	Chicago	IL	60634-0000	37	28.6
Kindred Chicago Central Hospital	4058 West Melrose Street	Chicago	IL	60641-0000	34	27.6
Lutheran General Hospital	1800 Parkside Dr	Park Ridge	IL	60068-0000	33	28.9
Holy Family Hospital	100 North River Road	Des Plaines	IL	60016-1278	35	29.9
Glenbrook Hospital	2100 Pfingsten Road	Glenview	IL	60025-0000	40	34.5
Rush North Shore Medical Center	9600 Gross Point Road	Skokie	IL	60076-0000	42	34.7
St. Anthony Hospital	2875 West 19th Street	Chicago	IL	60623-0000	22	16.3
Advocate Bethany Hospital	3435 West Van Buren	Chicago	IL	60624 -000	27	17.1
Mount Sinai Hospital Medical Center	1501 S California Ave 1901 West Harrison Street - Suite	Chicago	IL	60608-0000	23	16.5
John H. Stroger Hospital of Cook County	5650	Chicago	IL	60612-0000	27	18.5
Sacred Heart Hospital	3240 West Franklin Blvd	Chicago	IL	60624-0000	30	19.4
Norwegian American Hospital	1044 North Francisco Avenue	Chicago	IL	60622-0000	30	23.5
Saint Mary Of Nazareth Hospital	2233 West Divison Street	Chicago	IL	60622-0000	29	22.8
St. Elizabeth's Hospital	1431 North Claremont	Chicago	IL	60622-0000	30	23.5
University of Illinois Hospital	1740 West Taylor Avenue	Chicago	IL	60612-0000	26	18.1
Rush University Medical Center	1653 West Congress Parkway	Chicago	IL	60612-0000	27	21.7
Lincoln Park Hospital	550 West Webster	Chicago	IL	60614-3787	32	24.1
Kindred Hospital Chicago North	2544 West Montrose Avenue	Chicago	IL	60618-0000	34	26.9
Neurologic and Othopeadic Institute of Chicago	4550 North Winchester Avenue	Chicago	IL	60640-0000	36	26.3
Swedish Covenant Hospital	5145 North California Avenue	Chicago	IL	60625-0000	38	28.2

Methodist Hospital of Chicago	5025 North Paulina Street	Chicago	IL	60640-0000	39	26.9
Advocate Illinois Masonic Medical Center	836 West Wellington	Chicago	IL	60657-5193	34	25.1
Thorek Memorial Hospital	850 West Irving Park	Chicago	IL	60613-0000	36	27.3
Children's Memorial Hospital	2300 Childrens Plaza	Chicago	IL	60614-0000	33	24.2
Louis A. Weiss Memorial Hospital	4646 North Marine Drive	Chicago	IL	60640-0000	37	27.9
Mercy Hospital & Medical Center	2525 South Michigan Avenue	Chicago	IL	60616-2477	25	19.3
Michael Reese Hospital & Medical Center	2929 South Ellis Avenue	Chicago	IL	60616-0000	25	19.2
St. Francis Hospital	355 Ridge Avenue	Evanston	IL	60202-0000	44	35.4

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