



STATE OF ILLINOIS  
**HEALTH FACILITIES AND SERVICES REVIEW BOARD**

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: 217) 78411

DOCKET NO: I-4	BOARD MEETING: May 10, 2011	PROJECT NO: 11-011	PROJECT COST: Original: \$13,646,000 Current: \$
FACILITY NAME: Greater Peoria Specialty Hospital		CITY: Peoria	
TYPE OF PROJECT: Non-Substantive			HSA: II

**EXECUTIVE SUMMARY**

**PROJECT DESCRIPTION:**

- The applicants are Greater Peoria Specialty Hospital, LLC, RehabCare Hospital Holdings, LLC, and Kindred Healthcare, Inc. The applicants propose a change of ownership for Greater Peoria Specialty Hospital, a 50 bed long-term acute care hospital (LTACH) located in Peoria. The cost of the project is \$13,646,000.

**WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The applicants are before the State Board because the applicants are proposing a change of ownership of a health care facility as defined by the Act.

**PURPOSE OF THE PROJECT:**

- According to the applicants, the primary purpose of this project is to continue to provide long term acute care services to the residents of Peoria and surrounding communities. Kindred Healthcare, Inc, the acquiring party, does not propose any changes to the current services provided, or the number of beds established at the LTACH.

**REASON FOR THE PROJECT:**

- Kindred Healthcare, Inc. proposes to purchase RehabCare Group, Inc. through a stock purchase. The proposed purchase involves 44 long term acute care hospitals (LTACH) nationwide, and through a subsidiary, (RehabCare Hospital Holdings, LLC), will own majority interest in Greater Peoria Specialty Hospital, Peoria. The remaining interest in this facility is owned by Methodist Medical Center of Peoria and they did not qualify to be an applicant on this application for permit.

**BACKGROUND/COMPLIANCE ISSUES:**

- There were no background or compliance issues associated with the applicants.

**FINANCIAL AND ECONOMIC FEASIBILITY:**

- The entirety of the project will be funded through a mortgage totaling \$13,646,000. The State Agency notes the applicant does not meet the financial ratios outlined in Table Seven below.

**CHARITY CARE:**

- Charity Care Information for this project was provided by Kindred Healthcare, Inc. for the

year 2009 (See Table Six). Charity Care data for previous years were not included in this application.

**CONCLUSIONS:**

The applicants were unable to meet the financial viability requirements of the State Board. Kindred Healthcare Inc. has a B+ credit rating which according to Standard and Poor's "reflects the reimbursement risk of the Kindred's businesses as well as the relatively competitive and fragmented market characteristics for the services. Moreover, while the acquisition of RehabCare will expand its position in post-acute care services, the debt required for the transaction contributes to its aggressive financial risk profile. Kindred will derive 70% of its revenue from government sources."

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
<b>1120.130 - Financial Viability</b>	The applicants do not meet the State Standards for Current Ratios, Net Margin Percentages, Days Cash on Hand, and Cushion Ratio (SAR p. 15).



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**STATE AGENCY REPORT**  
**Greater Peoria Specialty Hospital**  
**PROJECT #11-011**

**I. The Proposed Project**

The applicants are proposing a change of ownership of Greater Peoria Specialty Hospital, Peoria, a 50-bed Long Term Acute Care Hospital (LTACH). The cost of the project is \$13,646,000.

**II. Summary of Findings**

- A. The State Agency finds the proposed project appears 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 Greater Peoria Specialty Hospital, LLC, RehabCare Hospital Holdings, LLC, and Kindred Healthcare, Inc. The operating entity licensee and owner of the site is Greater Peoria Specialty Hospital, LLC. The hospital is located at 500 West Romeo B. Garrett, Peoria, Peoria County, (HSA II) in the C-01 hospital planning area. HSA II consists of the West Central Illinois counties of Henderson, Warren, McDonough, Knox, Fulton, Stark, Peoria, Tazewell, Bureau, Putnam, Marshall, Woodford, and LaSalle. According to the Illinois Hospital Data Summary for 2009, Greater Peoria Specialty Hospital is the only LTACH in the planning area.

The application was declared complete February 10, 2011 and the review period ended April 11, 2011. Per 77 IAC 1110.40 this is a non-substantive project subject to both Parts 1110 and 1120 review. Project obligation will occur after permit issuance. The anticipated project completion date is July 1, 2011.

**Summary of Support and Opposition Comments**

A public hearing was offered for this project, but was not requested or scheduled. The project file contains no letters of opposition and no letters of support for the proposed project.

Table One lists the applicant's beds, occupancy rates, average length of stay ("ALOS"), average daily census ("ADC") for calendar year 2009 and was provided by the applicants. Table Two provides information on the number of patients by payor source and Table Three documents the amount of revenue by payor source.

TABLE ONE								
Greater Peoria Specialty Hospital Utilization - CY 2009								
Service	Authorized Beds	Admissions	Patient Days	ALOS	ADC	Occupancy	Target Occupancy	Target Occupancy Met?
LTACH	50	44	947	21.5	2.6	5.2%	90%	No
<b>Total</b>	<b>50</b>	<b>44</b>	<b>947</b>					

Source: Information taken from 2009 IDPH Hospital Questionnaire.  
 Occupancy % includes observation days.

TABLE TWO						
Greater Peoria Specialty Hospital <sup>(1)</sup>						
Payment Source	Inpatient		Outpatient		Total	
	Number of Patients	Percentage	Number of Patients	Percentage	Number of Patients	Percentage
Medicare	24	54.5%	0	0.0%	24	54.5%
Medicaid	0	0.0%	0	0.0%	0	0.0%
Other Public	20	45.5%	0	0.0%	20	45.5%
Other Insurance	0	0.0%	0	0.0%	0	0.0%
Private Pay	0	0.0%	0	0.0%	0	0.0%
Charity Care	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>44</b>	<b>100%</b>	<b>0</b>	<b>0.0%</b>	<b>44</b>	<b>100%</b>

1. Information taken from 2009 Annual Hospital Questionnaire

TABLE THREE						
Greater Peoria Specialty Hospital Payment Source by Net Revenue <sup>(1)</sup>						
Payment Source	Inpatient		Outpatient		Total	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Medicare	\$350,240	40.8%	\$0	0.0%	\$350,240	40.8%
Medicaid	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Public	\$508,516	59.2%	\$0	0.0%	\$508,516	59.2%
Other Insurance	\$0	0.0%	\$0	0.0%	\$0	0.0%
Private Pay	\$0	0.0%	\$0	0.0%	\$0	0.0%
<b>Total</b>	<b>\$858,756</b>	<b>100%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$858,756</b>	<b>100%</b>

TABLE THREE Greater Peoria Specialty Hospital Payment Source by Net Revenue <sup>(1)</sup>						
Payment Source	Inpatient		Outpatient		Total	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Charity Care Expense <sup>(2)</sup>	\$0	0.0%	\$0	0.0%	\$0	0.0%
1. Information taken from 2009 IDPH Hospital Questionnaire						
2. Charity Care Expense total shown as a percentage of Total Net Revenue						

**IV. The Proposed Project - Details**

The applicants are proposing a change of ownership for Greater Peoria Specialty Hospital a 50 bed long term acute care hospital (LTACH) located in Peoria. Project cost: \$13,646,000. Kindred Healthcare, Inc. is purchasing RehabCare Group, Inc., which owns 44 LTACHs nationwide. Greater Peoria Specialty Hospital is the only facility in Illinois that is part of this purchase agreement, and the acquisition involves the purchase of majority interest (51%) of the Greater Peoria Specialty Hospital, from RehabCare. Methodist Medical Center (Peoria), is a minority owner of the LTACH, and does not meet any of the requirements to be identified as a co-applicant in this transaction.

Details of the purchase agreement involve the purchase of 51% interest in the Greater Peoria Specialty Hospital, which was listed at \$11,981,000. (See Table Four).

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

Table Four shows the project’s sources and uses of funds. The project is being funded with a mortgage for the entire project cost of \$13,646,000. Use of Funds entails \$11,981,000 for the purchase of a controlling interest (51%) in the facility, and \$1,665,000 in consulting and other fees (See Table Four). The applicants determined the controlling interest by determining the percentage value Greater Peoria Specialty Hospital held in the total acquisition price for RehabCare, Inc. It was determined that Peoria Greater Specialty Hospital accounted for 1.35% of the total value of RehabCare, Inc. This figure taken from \$885,000,000, the total purchase price for RehabCare, Inc., calculated to be \$11,981,000 (See Table Four).

TABLE FOUR	
Use of Funds	Total
Consulting and Other Fees	\$1,665,000
Acquisition of 51% Interest	\$11,981,000
<b>Totals</b>	<b>\$13,646,000</b>
Source of Funds	

TABLE FOUR	
Use of Funds	Total
Mortgages	\$13,646,000
Total	\$13,646,000

**VI. 1110.230 - Background Project Purpose and Alternatives**

**A. Criterion 1110.230(a) - Background of Applicants**

The criterion reads as follows:

- "1) An applicants must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicants , HFPB shall consider whether adverse action has been taken against the applicants , or against any health care facility owned or operated by the applicants , directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").**
- 2) The applicants shall submit the following information:**

  - A) A listing of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, as applicable;**
  - B) A certified listing from the applicants of any adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application;**
  - C) Authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFPB.**
- 3) If, during a given calendar year, an applicants submits more than one application for permit, the documentation provided with the prior**

**applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicants shall attest that the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicants are able to submit amendments to previously submitted information, as needed to update and/or clarify data.**

The applicants provided Joint Commission accreditation and State facility licenses as required. The applicants provided certification that no adverse action has been taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application, and authorization permitting IHFSRB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. According to the application, Kindred Healthcare, Inc. owns 89 LTACHs, 231 Skilled Nursing Facilities, and 9 Assisted Living Facilities, nationwide. Of these facilities, 6 LTACHs, no Skilled Nursing Facilities, and no Assisted Living Facilities are located in Illinois..

**Charity Care**

Charity care information was provided by Greater Peoria Specialty Hospital. A safety net impact statement is not required for change of ownership applications.

<b>TABLE SIX Greater Peoria Specialty Hospital Charity Care</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Net Patient Revenue	\$0	\$0	\$878,756
Amount of Charity Care (Charges)	\$0	\$0	\$0
Cost of Charity Care	\$0	\$0	\$0
Greater Peoria Specialty Hospital began operation in August 2009.			

**B. Criterion 1110.230(b) - Purpose of the Project**

**The criterion states:**

**“The applicants shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicants shall define the planning area or market area, or other, per the applicants's definition.**

- 1) **The applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:**
  - A) **The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;**
  - B) **The population's morbidity or mortality rates;**
  - C) **The incidence of various diseases in the area;**
  - D) **The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);**
  - E) **The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).**
- 2) **The applicants shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).**
- 3) **The applicants shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicants shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.**
- 4) **For projects involving modernization, the applicants shall describe the conditions being upgraded. For facility projects, the applicants shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicants shall also include repair and maintenance records."**

According to the applicants, the primary purpose of this project is to continue to provide long term acute care services to the residents of Peoria and surrounding communities. Kindred Healthcare, Inc, the acquiring party, does not propose any changes to the current services provided, or the number of beds at the LTACH. The applicants anticipate no change in patient origin, and will continue to be the sole LTACH operating in Planning Area C-01.

### **C. Criterion 1110.230(c) Alternatives to the Proposed Project**

**The criterion states:**

**“The applicants shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.**

- 1) Alternative options shall be addressed. Examples of alternative options include:
  - A) Proposing a project of greater or lesser scope and cost;**
  - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;**
  - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and**
  - D) Other considerations.****
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.**
- 3) The applicants shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.”**

The applicants conducted a technical assistance conference with State Agency Staff on July 12, 2010, and as a result of the meeting, were instructed to provide a factual background in fulfillment of the said criterion. The applicants did provide a chronological synopsis of the acquisition process, to include agreements/negotiations between all parties involved, and concluded with a submittal of the Certificate of Need application. A copy of the definitive agreement was provided in the application for permit.

## **VII. 1110.240 - Changes of Ownership, Mergers and Consolidations**

### **A) Criterion 1110.240 (b) - Impact Statement**

**The applicant must submit an impact statement which details any proposed changes in the beds or services currently offered, who the anticipated operating entity will be, the reason for the transaction, any anticipated additions or reductions in employees, and a cost/benefit analysis of the transaction. The statement must reflect at least a two-year period following the date of the change of ownership, merger or consolidation.**

The applicants have attested that there will be no changes in the number of beds

(50 beds) or the scope of services to be provided at Greater Peoria Specialty Hospital. The applicants anticipate no staffing changes at the LTACH other than those typically associated with ongoing operations. The applicants attest the operating entity will continue to be Greater Peoria Specialty Hospital, which will be acquired indirectly by Kindred Healthcare, Inc.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE IMPACT STATEMENT CRITERION (77 IAC 1110.240 (b)).**

**B) Criterion 1110.240 (c) - Access**

**The applicant must document any changes which may result in the restriction of patient admissions and document that no reductions in access to care will result from the transaction. Documentation shall consist of a written certification that the admission policies of the facilities involved will not become more restrictive and the submission of both the current formal admission policies of all institutions involved and the anticipated policy following completion of the project.**

The applicants have stated the admission policies currently in effect at Greater Peoria Specialty Hospital will continue to apply after the proposed transaction. The applicants note the majority of transfer patients to the LTACH come from acute care hospitals, where qualifications for Medicaid/Medicare are already determined. This makes charity care an extremely rare occurrence.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ACCESS CRITERION (77 IAC 1110.240 (c)).**

**C) Criterion 1110.240 (d) - Health Care System**

**1) The applicant must document that:**

**A) the applicant's care system will not restrict the use of other area care providers; or**

**B) the project improves access to services previously unavailable in the community because of the structure of the applicant's care system.**

**2) Documentation must detail the current and proposed relationship with those health care or health related organizations which are to be owned (in whole or in part), affiliated, operated, or under management contract**

with the applicant and provide the following:

- A) all care system service providers and services offered including location, types of services, number of beds, and utilization levels for provided services over the last 12-month period; and
- B) the proposed relationship of the project to the care system. Data should include where referrals for categories of service not available at the proposed project will be made, how duplication of services will be resolved, time and travel factors involving referrals within the care system and any organization policies concerning the use of care system providers over other area providers.

The applicants will continue to operate as the only LTACH in the C-02 Health Planning Area, and do not anticipate any negative impact on existing services in the area. The applicants note the closest LTACH is located in Springfield, approximately one hour and 15 minutes away.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE HEALTH CARE SYSTEM CRITERION (77 IAC 1110.240 (d)).**

**VIII. 1120.120 - Availability of Funds**

**The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable:**

- a) **Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:**
  - 1) **the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and**
  - 2) **interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;**
- b) **Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past**

**fundraising experience. Provide a list of confirmed pledges from major donors (over \$100,000);**

- c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;**
- d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:**
  - 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;**
  - 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;**
  - 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;**
  - 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;**
- e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;**
- f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;**
- g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.**

The total estimated project cost is \$13,646,000 and the applicants will fund the entirety of the project through a mortgage. The applicants also provided a

commitment letter from Morgan Stanley Senior Funding, Inc. (application p. 213), agreeing to fund the mortgaged portion of the project cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120)**

**XI. 1120.130 - Financial Viability**

**a) Financial Viability Waiver**

**The applicant is NOT required to submit financial viability ratios if:**

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or**

**HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.**

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or**

**HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.**

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.**

**b) Viability Ratios**

**The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's**

**viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:**

- 1) Balance sheet;**
- 2) Revenues and expenses statement;**
- 3) Changes in fund balance; and**
- 4) Changes in financial position.**

**HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.**

**c) Variance**

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

The review criterion specifies that certain ratios be met as an indication of financial viability for applicants that do not have a bond rating of "A" or better. The acquiring applicant is Kindred Healthcare, Inc. Table Seven provides financial ratio information for the applicant.

<b>TABLE SEVEN</b>					
<b>Kindred Healthcare, Inc.</b>					
<b>Ratio</b>	<b>State Standard</b>	<b>Historical</b>			<b>Projected</b>
		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2012</b>
Current Ratio	>=1.5	1.6	1.6	1.4	1.3
Net Margin Percentage	>=3.5%	1.0%	1.5%	1.5%	1.8%
Percent Debt to Total Capitalization	<=80%	24%	28%	13%	50%
Projected Debt Service Coverage	>=1.75	10.5	12.7	24.9	3.7
Days Cash on Hand	>=45	33.5	41.7	23.4	14.5
Cushion Ratio	>=5	18.7	25.5	29.1	1.7

The State Agency notes the applicant does not meet the current ratios for 2009 and 2012, is under the net margin percentage threshold for all three historical years, and the projected year 2012, is under the acceptable limit for days cash on hand for

days cash on hand for the historical and one projected year, and is below the standard for the cushion ratio for the projected year 2012. Based on these findings, a positive finding cannot be made.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO MEET THE REQUIREMENTS OF THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.130)**

## **XII. Review Criteria - Economic Feasibility**

### **A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements**

The criterion states:

**“This criterion is not applicable if the applicant has documented a bond rating of "A" or better pursuant to Section 1120.210. An applicant that has not documented a bond rating of "A" or better must document that the project and related costs will be:**

- 1) funded in total with cash and equivalents including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare regulations (42 USC 1395); or**
- 2) funded in total or in part by borrowing because:**
  - A) a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times;**
  - B) or borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement.**
  - C) The project is classified as a Class B project. The co-applicants do not have a bond rating of "A". No capital costs, except fair market value of leased space and used equipment, are being incurred by the co-applicants.”**

The total estimated project cost is \$13,646,000 and the applicants have attested to funding the project in its entirety through a secured mortgage. The applicants have attested that all cash and securities are being used prior to borrowing.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO**

**MEET THE REQUIREMENTS OF THE REASONABLENESS OF FINANCING  
CRITERION (77 IAC 1120.140 (a))**

**B. Criterion 1120.140(b) - Conditions of Debt Financing**

**This criterion states:**

**“The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity.”**

The total estimated project cost is \$13,646,000 and the applicants will fund the project in its entirety through a secured mortgage. A notarized statement was provided as per the criterion (application p. 260).

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO  
MEET THE REQUIREMENTS OF THE TERMS OF DEBT FINANCING  
CRITERION (77 IAC 1120.140 (b))**

**C. Criterion 1120.140(c) - Reasonableness of Project Cost**

**The criteria states:**

**“1) Construction and Modernization Costs**

**Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location,**

economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

2) Contingencies

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.

BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

3) Architectural Fees

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

4) Major Medical and Movable Equipment

A) For each piece of major medical equipment, the applicants must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

5) Other Project and Related Costs

The applicants must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed."

The list of project costs pertains solely to an agreed change of ownership. No construction/modernization is expected to occur as a result of the proposed transaction:

**Consulting and Other Fees** - This cost is \$1,665,000. The State Board does not have a standard for this cost.

**Other Costs To Be Capitalized/Acquisition of 51% Interest** - This cost is \$11,981,000. The State Board does not have a standard for these costs. This figure represents 1.35% of the total purchase price for RehabCare, Inc. which was \$885,000,000. The applicants determined The Greater Peoria Specialty Hospital accounted for 1.35% of RehabCare's total value.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c))**

**D. Criterion 1120.140(d) - Projected Operating Costs**

The criterion states:

**"The applicants must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct cost means the fully allocated costs of salaries, benefits, and supplies for the service."**

The applicants state this cost will be \$712.78 per patient day. The State Board does not have a standard for this cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS REVIEW CRITERION (77 IAC 1120.140 (d)).**

**E. Criterion 1120.140(e) - Total Effect of the Project on Capital Costs**

The criterion states:

**"The applicants must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full year after project completion**

**or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later.”**

The applicants state this cost will be \$28.02 per patient day. The State Board does not have a standard for this cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS REVIEW CRITERION (77 IAC 1120.140 (e)).**

**Ownership, Management and General Information**

**ADMINISTRATOR NAME:** Steven Schultz  
**ADMINSTRATOR PHONE:** 309-680-1501  
**OWNERSHIP:** Cullinan Properties  
**OPERATOR:** Greater Peoria Specialty Hospital  
**MANAGEMENT:** (Not Answered)  
**CERTIFICATION:** Long Term Acute Care Hospital (LTACH)  
**FACILITY DESIGNATION:** General Hospital  
**ADDRESS:** 500 W. Romeo B. Garrett

**Patients by Race**

White 88.6%  
 Black 11.4%  
 American Indian 0.0%  
 Asian 0.0%  
 Hawaiian/ Pacific 0.0%  
 Unknown: 0.0%

**Patients by Ethnicity**

Hispanic or Latino: 0.0%  
 Not Hispanic or Latino: 100.0%  
 Unknown: 0.0%  
 IDPH Number: 5595  
 HPA C-01  
 HSA 2

**CITY:** Peoria **COUNTY:** Peoria County

**Facility Utilization Data by Category of Service**

Clinical Service	Authorized CON Beds 12/31/2009	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2009	Staff Bed Occupancy Rate %
<b>Medical/Surgical</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
0-14 Years				0	0					
15-44 Years				0	0					
45-64 Years				0	0					
65-74 Years				0	0					
75 Years +				0	0					
<b>Pediatric</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Intensive Care</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Direct Admission				0	0					
Transfers				0	0					
<b>Obstetric/Gynecology</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Maternity				0	0					
Clean Gynecology				0	0					
<b>Neonatal</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Long Term Care</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Swing Beds</b>				0	0		0.0	0.0		
<b>Acute Mental Illness</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Rehabilitation</b>	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Long-Term Acute Care</b>	50	50	12	44	947	0	21.5	2.6	5.2	5.2
Dedicated Observation	0					0				
<b>Facility Utilization</b>	<b>50</b>			<b>44</b>	<b>947</b>	<b>0</b>	<b>21.5</b>	<b>2.6</b>	<b>5.19</b>	

(Includes ICU Direct Admissions Only)

**Inpatients and Outpatients Served by Payor Source**

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
	54.5%	0.0%	45.5%	0.0%	0.0%	0.0%	
<b>Inpatients</b>	24	0	20	0	0	0	<b>44</b>
	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	
<b>Outpatients</b>	0	0	0	0	0	0	<b>0</b>

**Financial Year Reported:**

	1/1/2009 to	12/31/2009	<b>Inpatient and Outpatient Net Revenue by Payor Source</b>					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
<b>Inpatient Revenue ( \$ )</b>	<b>40.8%</b>	<b>0.0%</b>	<b>59.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>		<b>0</b>	
	350,240	0	508,516	0	0	858,756	0	<b>Totals: Charity Care as % of Net Revenue</b>	
<b>Outpatient Revenue ( \$ )</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Num!</b>	<b>#Error</b>		<b>0.0%</b>	
	0	0	0	0	0	0	0		

**Birthing Data**

Number of Total Births: 0  
 Number of Live Births: 0  
 Birthing Rooms: 0  
 Labor Rooms: 0  
 Delivery Rooms: 0  
 Labor-Delivery-Recovery Rooms: 0  
 Labor-Delivery-Recovery-Postpartum Rooms: 0  
 C-Section Rooms: 0  
 CSections Performed: 0

**Newborn Nursery Utilization**

Level 1 Patient Days: 0  
 Level 2 Patient Days: 0  
 Level 2+ Patient Days: 0  
 Total Nursery Patientdays: 0  
**Laboratory Studies**  
 Inpatient Studies: 18  
 Outpatient Studies: 0  
 Studies Performed Under Contract: 1,507

**Organ Transplantation**

Kidney: 0  
 Heart: 0  
 Lung: 0  
 Heart/Lung: 0  
 Pancreas: 0  
 Liver: 0  
 Total: 0

\* Note: According to Board action on 4/22/09, facility decreased M/S beds to 42 and ICU for 8 beds for a total CON of 50 approved beds. On 4/22/09, all the facility's M/S and ICU beds were re-assigned as Long Term Acute Care beds (50 LTAC beds).

**Surgery and Operating Room Utilization**

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	0	0	0	0	0	0.0	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	0	0	0	0	0	0	0	0.0	0.0
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	0	0	0	0	0	0.0	0.0
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	0	0	0	0	0	0.0	0.0
Orthopedic	0	0	0	0	0	0	0	0	0	0.0	0.0
Otolaryngology	0	0	0	0	0	0	0	0	0	0.0	0.0
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	0	0	0	0	0	0	0	0.0	0.0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>

<b>SURGICAL RECOVERY STATIONS</b>	Stage 1 Recovery Stations	0	Stage 2 Recovery Stations	0
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**Dedicated and Non-Dedicated Procedure Room Utilization**

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	0	0	0	0	0	0	0	0.0	0.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
	<b>Multipurpose Non-Dedicated Rooms</b>										
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

**Cardiac Catheterization Labs**

Total Cath Labs (Dedicated+Nondedicated labs):	0
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

**Emergency/Trauma Care**

Certified Trauma Center by EMS	<input type="checkbox"/>	
Level of Trauma Service	Level 1	Level 2
Operating Rooms Dedicated for Trauma Care	0	0
Number of Trauma Visits:	0	0
Patients Admitted from Trauma	0	0
Emergency Service Type:	Basic	
Number of Emergency Room Stations	0	
Persons Treated by Emergency Services:	0	
Patients Admitted from Emergency:	0	
Total ED Visits (Emergency+Trauma):	0	

**Cardiac Catheterization Utilization**

Total Cardiac Cath Procedures:	0
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	0
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

**Cardiac Surgery Data**

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

**Outpatient Service Data**

Total Outpatient Visits	0
Outpatient Visits at the Hospital/ Campus:	0
Outpatient Visits Offsite/off campus	0

**Diagnostic/Interventional Equipment**

**Examinations**

**Radiation Equipment**

**Therapies/ Treatments**

	Owned		Contract		Inpatient	Outpatient	Owned		Contract		Therapies/ Treatments
General Radiography/Fluoroscopy	0	0	0	0	0	0	Lithotripsy	0	0	0	
Nuclear Medicine	0	0	0	0	0	0	Linear Accelerator	0	0	0	
Mammography	0	0	0	0	0	0	Image Guided Rad Therapy	0	0	0	
Ultrasound	0	0	0	0	0	0	Intensity Modulated Rad Therap	0	0	0	
Diagnostic Angiography	0	0	0	0	0	0	High Dose Brachytherapy	0	0	0	
Interventional Angiography	0	0	0	0	0	0	Proton Beam Therapy	0	0	0	
Positron Emission Tomography (PET)	0	0	0	0	0	0	Gamma Knife	0	0	0	
Computerized Axial Tomography (CAT)	0	0	0	0	0	0	Cyber knife	0	0	0	
Magnetic Resonance Imaging	0	0	0	0	0	0					

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