ILLINOIS DEPARTMENT OF
Healthcare and
Family Services

Pat Quinn, Governor
Julie Hamos, Director

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 785-0710
TTY: (800) 526-5812

September 17, 2010

Kindred Hospital Sycamore
ATTN: Chief Executive Officer
225 Edward Street
Sycamore, IL 60178

Dear Chief Executive Officer:

The annual determination for the disproportionate share hospital (DSH), Medicaid high volume (MHVA), and Medicaid percentage (MPA) adjustment programs has been finalized for rate year 2011 (October 1, 2010 through September 30, 2011).

A hospital may be eligible for all three programs (DSH, MPA and MHVA), eligible for only two programs (MPA/MHVA eligible) or ineligible for all three programs. There are two qualifying criteria for DSH eligibility, and six qualifying criteria for MPA/MHVA.

DSH, MPA and MHVA will all pay on a date of service basis not by admission date. For example if your hospital was eligible for DSH, MPA and /or MHVA for rate year 2010 (October 1, 2009 through September 30, 2010) and eligible in rate year 2011 (October 1, 2010 through September 30, 2011) and an admission crosses that period you will get different rates. If your hospital was eligible for DSH, MPA and /or MHVA for rate year 2010 (October 1, 2009 through September 30, 2010) and not eligible in rate year 2011 (October 1, 2010 through September 30, 2011) and an admission crosses that period you will only receive payment for dates of service until September 30, 2010. If your hospital was ineligible for DSH, MPA and /or MHVA for rate year 2010 (October 1, 2009 through September 30, 2010) and eligible in rate year 2011 (October 1, 2010 through September 30, 2011) and an admission crosses that period you will payment for dates of service October 1, 2010 and after.

The DSH, MHVA, and MPA determinations have been calculated in accordance with Section 148.120, 148.122 and Section 148.290(d) of the *89 Illinois Administrative Code* . Your hospital has been determined to be eligible to receive payments under the DSH, MHVA, and MPA programs for rate year 2011. **Your hospital *DOES* meet the minimum requirements to be considered a Disproportionate Share hospital.** Attached are worksheets detailing the determination and calculation of thet DSH, MHVA, and MPA add-on payment rates. Please examine these worksheets carefully.

Appeals must be made in accordance with Section 148.310(b) and (f) of the *89 Illinois Administrative Code* . All appeals must be made in writing no later than THIRTY (30) DAYS FROM THE DATE OF THIS LETTER. For Rate Year 2011, appeals MUST BE SUBMITTED IN WRITING AND MUST BE RECEIVED OR POSTMARKED NO LATER THAN MONDAY, OCTOBER 18, 2010. The Department will NOT ACCEPT hospital logs as supporting documentation for appeals.

Direct all appeals and supporting documentation to:

Illinois Department of Healthcare and Family Services
Bureau of Rate Development and Analysis, DSH Unit
ATTN: Kristy Pickford
201 South Grand Avenue East, 2nd Floor
Springfield, Illinois 62763-0001

If you have any questions regarding this determination, please contact the Bureau of Rate Development and **Analysis at (217) 785-0710.**

Please provide a copy of this letter to your CFO and Patient Accounts Manager.

Sincerely,

Joseph R. Holler, Deputy Administrator of Finance
Illinois Department of Healthcare and Family Services

Kindred Hospital Sycamore Sycamore, IL

DISPROPORTIONATE SHARE (DSH), MEDICAID HIGH VOLUME (MHVA), AND MEDICAID PERCENTAGE ADJUSTMENT (MPA) DETERMINATION for Rate Year 2011 (October 1, 2010-September 30, 2011)

DSH CRITERIA

1) Have a Medicaid inpatient utilization rate (MUR) of at least the statewide mean plus one standard deviation;

2) Have a low income utilization rate of at least 25%;

MPA & MHVA CRITERIA

1) Have a Medicaid inpatient utilization rate (MIUR) of at least the statewide mean plus one-half standard deviation:

2) Have a low income utilization rate (LIUR) of at least 25%;

3) Be an Illinois hospital, that on July 1,1991,had a MUR of at least the mean and was located in a planning area with one-third or fewer excess beds, and that as of June 30, 1992, was located in a Health Professional Shortage area;

4) Be an Illinois hospital that has a MUR of at least the statewide mean and a Medicaid obstetrical inpatient utilization rate of at least the mean plus one standard deviation;

5) Be a hospital devoted exclusively to caring for children; or

6) Be an out-of-state hospital meeting the federal definition of a DSH hospital.

Your hospital qualifies for Disproportionate Share under criteria:	2
Your hospital qualifies for Medicaid Percentage Adjustment and Medicaid High Volume under criteria:	2

YOUR HOSPITAL'S 2011 MEDICAID INPATIENT UTILIZATION RATE CALCULATION

Medicaid Routine Days:	3,196	Total Hospital Routine Days:	16,713
Medicaid ICU Days:	-	Total Hospital ICU Days:	-
Medicaid Psychiatric Days:	-	Total Hospital Psychiatric Days:	-
Medicaid Rehabilitation Days:	-	Total Hospital Rehabilitation Days:	-
Medicaid Nursery Days	-	Total Hospital Nursery Days:	-
Medicaid 19 LD Days	-		
Total Mdcd Days from Cost Report + 19 ld's	3,196		
Medicaid Out-of-State Days:	-		
Medicaid HMO Days:	-		
Medicaid DASA Days:	-		
Medicaid Denied Days:	-		
Medicaid Inappropriate Level of Care Days:	-		
Medicaid/Medicare Crossover Days:	2,072		
Total Medicaid Days from Other Sources:	2,072		
TOTAL MEDICAID INPATIENT DAYS	5,268	TOTAL HOSPITAL INPATIENT DAYS:	16,713
YOUR HOSPITAL'S 2008 MEDICAID INPATIENT UTILIZATION RATE			31.52%

Your hospital's state fiscal year 2008 total Medicaid obstetrical days:	-
Your hospital's state fiscal year 2008 total Medicaid days:	-
Your hospital's obstetrical inpatient utilization rate:	0.00%
Your hospital's low income utilization rate:	25.38%

Illinois' total Medicaid inpatient utilization days:	2,378,545
Illinois' total hospital inpatient days:	8,188,643
Illinois' statewide mean Medicaid inpatient utilization rate:	29.05%
One-half of a standard deviation above the statewide mean Medicaid inpatient utilization rate:	38.86%

Kindred Hospital Sycamore Sycamore, IL

DISPROPORTIONATE SHARE ADJUSTMENT (DSH) CALCULATION
For Rate Year 2011 (October 1, 2010 - September 30, 2011)

DSH Adjustment

1) Statewide mean plus one standard deviation:	48.67%
2) Hospital Medicaid Inpatient Utilization Rate (MIUR):	31.52%
3) Amount over the mean plus one standard deviation {Line 2 / Line 1}:	0.00
4) Aggregate value of the amounts over the mean plus one standard deviation:	31.18
5) Proportional Value {Line 3 / Line 4}:	0.00%
6) Your hospital's estimated rate year 2011 utilization:	2,450
7) Total estimated rate year 2011 utilization for all hospitals whose Medicaid percentage is greater than one standard deviation above the mean:	636,280
8) Your hospital's weighted days {Line 5 * Line 6}:	N/A
9) Total of all weighted days:	15,553
10) Your hospital's percent weighted days {Line 8 / Line 9}:	N/A
11) Estimated spending of $5.00 per day to eligible hospitals {Line 7 * $5.00}:	$3,181,400
12) Estimated pool for eligible hospitals {$5,000,000 - Line 11}:	$1,818,600
13) Federal DSH add-on per day {(Line 10 * Line 12) / Line 6) +$5.00}:	$5.00

Kindred Hospital Sycamore Sycamore, IL

MEDICAID PERCENTAGE ADJUSTMENT (MPA) AND MEDICAID HIGH VOLUME (MHVA) CALCULATION

For Rate Year 2011 (October 1, 2010 - September 30, 2011)

1) Illinois mean Medicaid inpatient utilization rate:	29.05%
2) One-half a standard deviation above the mean Medicaid inpatient utilization rate:	38.86%
3) One standard deviation above the mean Medicaid inpatient utilization rate:	48.67%
4) One and one-half standard deviations above the mean Medicaid inpatient utilization rate:	58.49%
5) Your hospital's Medicaid inpatient utilization rate:	31.52%

Medicaid Percentage Adjustment

6) Medicaid MPA add-on per day **:	$27.47
7) Medicaid MPA add-on per day capped:	$27.47
8) Medicaid MPA add-on per day inflated by the lesser of the percent change in the statewide average payment rate or the DRI	$49.78

(Line 7 * 1.0397 * 1.0395 * 1.0329 * 1.0301 * 1.0275 * 1.0257 * 1.0290 * 1.0286 * 1.0308 * 1.0346 * 1.0295 * 1.0339 *1.0285 * 1.0369 * 1.0328 * 1.0583 * 1.0251 * 1.0417)

** MIUR=Medicaid Inpatient Utilization Rate					MPA Add-On (Children's hospital rates are multiplied by 2)
MIUR is	<	29.05			$25.00
MIUR is	>=	29.05 but	<	48.89	$25.00 Plus $1.00 for every percent over 29.61
MIUR is	>=	48.89 but	<	58.81	$40.00 Plus $7.00 for every percent over 48.84
MIUR is	>=	58.81			$90.00 Plus $2.00 for every percent over 58.45

MEDICAID HIGH VOLUME INPATIENT PAYMENT ADJUSTMENT

1) Medicaid high volume adjustment (MHVA) per day:	$60.00
2) MHVA per day inflated from 1993 to 2011 by lesser of the percent change in the statewide average payment rate or the DRI	$108.72

(Line 1 * 1.0397 * 1.0395 * 1.0329 * 1.0301 * 1.0275 * 1.0257 * 1.0290 * 1.0286 * 1.0308 * 1.0346 * 1.0295 * 1.0339 * 1.0285 * 1.0369 * 1.0328 * 1.0583 * 1.0251 * 1.0417):

PLEASE NOTE: Calculations may vary due to rounding and line 5 has been adjusted accordingly for out-of-state hospitals.