

**Constantino, Mike**

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**From:** Charles Sheets [CSheets@Polsinelli.com]  
**Sent:** Friday, May 14, 2010 6:54 PM  
**To:** Constantino, Mike  
**Subject:** 10-007

Mike:

We have been asked to advise on the certificate of need application for Manor Court of Freeport (Proj. No. 10-007). The application seeks to remove the CCRC variance and add skilled nursing beds to the facility.

It is my understanding that the application has been categorized as a discontinuation/replacement of an existing facility and that additional information on the project costs and sources of funds for the entire bed inventory has been requested. The first issue we see with reporting project costs for the entire bed inventory is that we do not view the application as a discontinuation/replacement, but rather as a removal of the CCRC variance and an addition of beds. Additionally the Manor Court beds were part of the original project permit and the cost associated with these beds has already been reported to the Board with the final cost report for the original project permit. More importantly, the cost of the beds has been reported to the Department of Healthcare and Family Services on the Medicaid cost report. Reporting the entire bed inventory, and not just the additional beds, on the Medicaid cost report would improperly increase the Medicaid reimbursement rate. Therefore, we believe that inclusion of the costs of all of the beds in the applications would result in compliance issues with both the Board on the final cost report and DHFS on the Medicaid cost report.

Given the issues with the Medicaid cost reports, please advise us on how we should proceed.

Thank you for your consideration.

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