

**Roate, George**

**From:** John Kniery [JKniery@foleyandassociates.com]  
**Sent:** Monday, March 05, 2012 11:01 AM  
**To:** Roate, George  
**Cc:** Laurelresearch@aol.com; Foley  
**Subject:** Project Number 11-104 McAllister Nursing and Rehab additional info request  
**Attachments:** SCFA12030510580.pdf

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MAR 05 2012  
HEALTH FACILITIES &  
SERVICES REVIEW BOARD

In accordance with your request for additional information on the above referenced project, please accept the attached and narrative below as the Applicant's response to you. Should you have any questions or need any additional information, please do not hesitate to contact me. Thank you for your consideration on this issue.

Comments addressing the financial feasibility of the proposed replacement facility at McAllister Nursing and Rehab:

1. The amount of equity that is going to be contributed to the project is \$2,610,942 to support the project cost of the replacement facility plus \$320,000 to purchase additional land needed for the new building. Also, land owned by the Applicant with a FMV of \$808,963 will be contributed to the project.
2. The assets that will secure the debt portion of the project financing is the total property of the replacement facility. This debt financing is expected to be a conventional first mortgage on the property that will be provided by a local commercial bank.
3. Attached is a letter from First Merit Bank offering their intent to finance the replacement facility for the McAllister Nursing and Rehab facility. However, there has been no financial institution willing to make the statement "that this financing has been secured should the CON be approved". All of the financial institutions have replied that planning is not sufficiently complete before awarding a CON to warrant such a statement. State approval of the project's architectural drawings and issuance of municipal building permits are often cited as examples of other steps needed to warrant such a blanket statement.
4. The ratio of debt to equity of this project, measured at the end of the first full year of operations at target occupancy of 90%, is indicated on the combined entities balance sheet for CY2016 that is provided herewith. The proportion of the combined entities debt and equity that is composed of long term debt is 80.8%.
5. The total investment in the McAllister replacement project is \$24,910,942 in project cost and \$1,128,963 in FMV of land for the project. This total investment is \$26,039,905 that is projected to produce \$889,749 in net income at the end of the first full year of operation at target occupancy. This equates to a pre-tax return on investment of 3.4%. The total equity of both the owner and operator of the McAllister property at that same time is expected to be \$6,271,712. The net income of \$889,749 would represent a pre-tax return on equity of 14.2%.
6. Projected financial statements for calendar years 2014, 2015, and 2016 are provided herein. The year 2014 is the proposed opening year for the replacement facility, while the remainder of 2014 and the first half of 2015 will be required to reach target occupancy of 90%. The year 2016 is the first full year at target occupancy.
7. A breakeven analysis based on volume of patient days of nursing care can also be made from the data presented...Total cost for year 2016 are as follows:

	Amount	Per Pt. Day
Direct operating Costs	\$7,472,250	\$113.73
Capital Expenses	\$2,995,642	\$45.60
Administrative Costs	\$1,783,500	\$27.15
Total	\$12,251,392	\$186.48

Total revenue for 2016 is \$13,141,141 or \$200.02 per patient day. Thus the contribution margin per patient day is \$86.29. With the total of fixed expenses of \$4779,142 being divided by CM of \$86.29, the breakeven volume in patient days is 55,385. That is equivalent to 75.9% of the replacement facility's total capacity of 73,000 patient days per year.

Again, should you have any questions or concerns, do not hesitate to contact me. Thanks

John P. Kniery  
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**From:** Roate, George [<mailto:George.Roate@Illinois.gov>]  
**Sent:** Thursday, January 05, 2012 4:51 PM  
**To:** Charles Foley; John Kniery  
**Subject:** Market/Financial Feasibility Study

Good afternoon:

Attached is a copy of a market feasibility study. Below are the requirements for a financial feasibility study.

The financial feasibility needs to include the following:

- The amount of equity that is going to be contributed to the project?
- What assets are being used to secure the financing?
- What are the sources of the financing? A letter from the financial institution stating "that this financing has been secured should the CON be approved."
- What is the ratio of debt to equity financing that will be used?
- What is the expected ROI on the investment?
- 3 years of projected balance sheet
- 3 years projected income statements
- 3 years projected cash flow statements
- Breakeven analysis

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**Project Costs and Sources of Funds**

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$24,072	\$14,428	\$38,500
Site Survey and Soil Investigation	\$8,253	\$4,947	\$13,200
Site Preparation	\$103,164	\$61,836	\$165,000
Off Site Work	\$21,883	\$13,117	\$35,000
New Construction Contracts	\$13,047,645	\$7,820,681	\$20,868,326
Modernization Contracts	\$0	\$0	\$0
Contingencies	\$652,382	\$391,034	\$1,043,416
Architectural/Engineering Fees	\$434,540	\$260,460	\$695,000
Consulting and Other Fees	\$130,674	\$78,326	\$209,000
Movable or Other Equipment (not in construction contracts)	\$682,133	\$408,867	\$1,091,000
Bond Issuance Expense (project related)	\$0	\$0	\$0
Net Interest Expense During Construction (project related)	\$440,792	\$264,208	\$705,000
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs To Be Capitalized	\$29,699	\$17,801	\$47,500
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0
<b>TOTAL USES OF FUNDS</b>	<b>\$15,575,238</b>	<b>\$9,335,705</b>	<b>\$24,910,942</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			\$2,610,942
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			\$22,300,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>			<b>\$24,910,942</b>

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Related Project Costs****REVISED 1/12/12**

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Purchase Price:	\$320,000	
Fair Market Value:	\$808,963	

The project involves the establishment of a new facility or a new category of service  
 Yes     No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is \$ 100,000

**Project Status and Completion Schedules**

Indicate the stage of the project's architectural drawings:

None or not applicable                       Preliminary  
 Schematics                                       Final Working

Anticipated project completion date (refer to Part 1130.140): January 2015

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

Purchase orders, leases or contracts pertaining to the project have been executed.  
 Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies  
 Project obligation will occur after permit issuance.

**APPEND DOCUMENTATION AS ATTACHMENTS, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**State Agency Submittals**

Are the following submittals up to date as applicable:

Cancer Registry  
 APORS  
 All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted  
 All reports regarding outstanding permits

**Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.**

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VIII. - 1120.120 - Availability of Funds

REVISED 1/12/12

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: Indicate the dollar amount to be provided from the following sources:

\$2,610,942	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.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
\$22,300,000	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;
	5)	For any option to lease, a copy of the option, including all terms and conditions.
_____	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.
\$24,910,942	<b>TOTAL FUNDS AVAILABLE</b>	

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**IX. 1120.130 - Financial Viability – McAllister Nursing & Rehab, LLC REVISED 1/12/12**

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

**Financial Viability Waiver**

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for Information to be provided

**APPEND DOCUMENTATION AS ATTACHMENT 40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

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.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
	2008	2009	2010	2016
Enter Historical and/or Projected Years:				
Current Ratio	.93	.93	1.02	3.70
Net Margin Percentage	2.07%	3.07%	7.03%	10.17%
Percent Debt to Total Capitalization	0.00%	0.00%	9.97%	0.00%
Projected Debt Service Coverage	5.4	1.7	6.0	12.6
Days Cash on Hand	2.7	4.0	1.6	186.2
Cushion Ratio	1.0	0.3	0.3	50.0

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

**2. 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.

**APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

IX. 1120.130 - Financial Viability – McAllister Property, LLC

REVISED 1/12/12

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

**APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

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.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
	2008	2009	2010	2016
Enter Historical and/or Projected Years:				
Current Ratio	1.05	2.21	3.15	1.26
Net Margin Percentage	-77.77%	-78.87%	1.67%	-18.78%
Percent Debt to Total Capitalization	104%	97%	97%	99%
Projected Debt Service Coverage	.97	1.63	2.50	1.03
Days Cash on Hand	1,817	1,873	2,290	108
Cushion Ratio	4.97	6.13	7.51	.31

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. 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.

**APPEND DOCUMENTATION AS ATTACHMENT-41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**IX. 1120.130 - Financial Viability – Combined McAllister Entities REVISED 1/12/12**

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

**Financial Viability Waiver**

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

**APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

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.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
	2008	2009	2010	2016
Enter Historical and/or Projected Years:				
Current Ratio	.98	1.21	1.51	3.62
Net Margin Percentage	-1.98%	-2.48%	7.16%	6.77%
Percent Debt to Total Capitalization	101.9%	94.6%	88.2%	80.8%
Projected Debt Service Coverage	1.5	1.6	3.5	1.7
Days Cash on Hand	97	98	102	210
Cushion Ratio	4.5	3.6	5.4	3.1

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

**2. 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.

**APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**



**X. 1120.140 - Economic Feasibility****REVISED 1/12/12****This section is applicable to all projects subject to Part 1120.****A. Reasonableness of Financing Arrangements**

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be 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 to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) 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.

**B. Conditions of Debt Financing**

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

**C. Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE											
Department (list below)	A	B	C		D		E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)			
Nursing	\$202.73	0	102,937	0	0	0	\$20,868,326	0	\$20,868,326		
Contingency	\$10.14	0	0	0	0	0	\$1,043,416	0	\$1,043,416		
<b>TOTALS</b>	<b>\$212.87</b>	<b>0</b>	<b>102,937</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,911,742</b>	<b>0</b>	<b>21,911,742</b>		

\* Include the percentage (%) of space for circulation

**D. Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

**E. Total Effect of the Project on Capital Costs**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM

**XI. Safety Net Impact Statement**

**SAFETY NET IMPACT STATEMENT** that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

**APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**XII. Charity Care Information**

Charity Care information **MUST** be furnished for **ALL** projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three audited fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3980/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

**APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**Start-Up Costs**  
**REVISED 1/12/12**

Supplemental/Overtime Personnel	\$30,000
Movings Costs	\$10,000
Advertising and Promotion	\$20,000
Classified Advertising	\$10,000
Supplies	\$15,000
Training	<u>\$15,000</u>
Total	\$100,000
Initial Operating Deficit - 2014	\$0

The start-up costs and initial operating deficits are to be funded by operating assets of the existing entities. This is possible since this is a replacement facility for an existing operating group that has working capital and operating financing in place. No operating deficit is anticipated in the first years of operating the replacement facility since a large group of patients and staff will be moved from the old facility.

**Project Operating Cost  
Revised 1/12/12**

Salaries	\$4,415,700
Supplies	\$2,220,150
Welfare and Benefits	<u>\$836,400</u>
Total Direct Cost	\$7,472,250

Year of Target Utilization		2016
Patient Days Per Year	65,700	
Resultant Costs Per Patient Day		\$113.73

**Projected Capital Costs  
Revised 1/12/12**

Total Annual Capital Costs	\$2,995,642	
Year of Target Utilization		2016
Patient Days Per Year	65,700	
Capital Cost Per Patient Day		\$45.60



February 07, 2012

Re: McAllister Nursing and Rehabilitation

To Whom it may concern:

Our bank has been asked to provide a letter that would supplement our previous correspondence dated January 31, 2011 that now specifically asks that we provide a formal commitment letter.

Per my conversation with Mr. Charles Foley on January 17, 2011 I am more understanding of what is needed. Mr. Foley stated that the Health Facilities & Services Review Board has specifically asked that we provide a letter stating : "that this financing has been secured should the CON be approved". Please be advised that our institution is fully aware that any licensed health care facility that is undertaking a project as that being proposed must first secure the required Certificate of Need from the State. Therefore, it is the bank's policy not to initiate an application process until such time a CON has been approved by the State.

Mr. Atkin has been a customer of this bank for many years. As such, we have a full knowledge and understanding of Mr. Atkin's financial wherewithal. FirstMerit continues to standby our original letter giving its indication of intent to consider financing the above referenced project on the terms and conditions as previously stated (see attached). It is the bank's policy after review of all financial materials as contained within the CON application as approved and all other applicable information as deemed necessary by the bank to finalize any loan application within 60-90 days and with actual ground breaking/construction financing expected to occur shortly thereafter.

We understand the nature of your project and continue to fully support your endeavor in proceeding with the Certificate of Need application. If you should have any questions, please do not hesitate to contact me at 312-429-3610.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy Fossa", written over a horizontal line.

Timothy Fossa  
Senior Vice President

C: Letter

FirstMerit Bank/ 222 N. LaSalle Street Suite 1200/ Chicago, IL 60606/312-263-0210/Fax 312-775-4900



**KRUPNICK  
BOKOR  
KAGDA  
& BROOKS, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

3750 West Devon Avenue, Lincolnwood, Illinois 60712-1124 • Tel: 847-675-3585 FAX: 847-675-5777

February 7, 2012

To Whom it May Concern:

Re: McAllister Nursing & Rehab Project

Donna Atkin and Joel Atkin have presented the above mentioned project to us for review. The total cost of the project is estimated at approximately \$24,500,000.

Cost of project	\$24,910,942
Less: Mortgage Financing	<u>22,300,000</u>
Equity Refinancing	2,610,942
Add: Retirement of Existing Debt	<u>4,800,000</u>
Equity Required	<u>\$ 7,410,942</u>

Based on our knowledge of the individuals named above, we believe they are capable of funding this project.

Very truly,

KRUPNICK BOKOR KAGDA & BROOKS, LTD.

  
Sanford Bokor