



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET ITEM: A-02	BOARD MEETING: January 24, 2017	PROJECT NUMBER: 11-021
PERMIT HOLDERS(S): MML Properties, LLC Butterfield Healthcare VII, LLC		
FACILITY NAME and LOCATION: Meadowbrook Manor, LaGrange		

STATE BOARD STAFF REPORT
PERMIT RENEWAL REQUEST

I. Background

On August 16, 2011, the State Board approved Project #11-021. The permit authorized the modernization of an existing Long Term Care (LTC) facility in LaGrange. Board staff notes the project is not obligated and the current project completion date is December 31, 2014. Project cost: \$28,630,369.

State Board Staff notes the permit holders submitted the permit renewal request on November 10, 2014. This submittal was in accordance with 77 IAC 1130.740(d), which states that the State Board must receive renewal requests at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

II. Findings

State Board Staff notes this is the second renewal request for this project. On December 16, 2014, the State Board approved a 24-month permit renewal (12/31/14-12/31/16). It appears the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal.

III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of September 30, 2017. This would extend the project's completion date by nine months, from December 31, 2016 to September 30, 2017.
- B. Status of the Project and Components Yet to be Finished: The permit holders state in March 2015 they closed on their Housing and Urban Development (HUD) loan and that construction immediately followed. The building shell is nearing completion, with the installation of the roofing membrane and interior drywall. Plumbing and electrical components are operational.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the following events occurred, which delayed completion of the project:
- The permit holders state that unforeseen delays in the HUD financing account solely for this request. Since the HUD approval in March 2015, construction has proceeded with due diligence, and it is anticipated that construction phase of the project will be complete by May 2017.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate \$13,357,043 (46.6% of the total project cost) has been expended to date and can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the original permit amount of \$28,630,369.

IV. Project Description & Other Background Information

The permit authorized the modernization of an existing Long Term Care (LTC) facility, in LaGrange. Project cost: \$28,630,369.

Permit Issuance Date:	August 16, 2011
Project Obligation Date:	February 7, 2013
Original Project Completion Date:	December 31, 2014
Project Completion Date/1 st Renewal: (24 month renewal request)	December 31, 2016
Proposed Project Completion Date: (2 nd renewal request 9 months)	September 30, 2017

V. Applicable Rules for Permit Renewal Requests

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed, a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states Board staff will review the request and prepare a report of its findings. If staff finds that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

VI. Other Information

Appended to this report are the following: the permit holders' documents for a permit renewal, and a copy of the original State Board Staff Report.



161 N. Clark Street, Suite 4200, Chicago, IL 60601-3316 • 312.819.1900

RECEIVED

NOV 14 2016

HEALTH FACILITIES &
SERVICES REVIEW BOARD

November 10, 2016

Anne M. Cooper
(312) 873-3606
(312) 819-1910
acooper@polsinelli.com

Via FedEx

Ms. Kathryn Olson
Chair
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Permit Renewal Request – Meadowbrook Manor LaGrange (Proj. No. 11-021)

Dear Chair Olson:

This office represents Butterfield Healthcare VII, LLC and MML Properties, LLC (collectively, "Permit Holders"). As you are aware, on August 16, 2011, the Illinois Health Facilities and Services Review Board (the "State Board") approved the Permit Holders' application to modernize its existing 197 bed long-term care facility located at 339 9th Street, LaGrange, Illinois (the "Project"). The State Board subsequently approved renewal of the Project Permit on December 16, 2014 and established December 31, 2016 as the project completion date. Ongoing delays in obtaining financing delayed construction; however, construction commenced in March 2015 and should be complete by May 31, 2017. Accordingly, we respectfully request the State Board grant the Permit Holders a 9 month renewal of the Project Permit and establish September 30, 2017 as the new project completion date to ensure compliance with the Project Permit.

Requested Completion Date

The Permit Holders request the State Board grant a nine month renewal of the Project Permit and establish September 30, 2016 as the new project completion date.



Ms. Kathryn Olson
November 10, 2016
Page 2

Status Report

On March 11, 2015, the Permit Holders closed on their HUD loan. The project started immediately upon closing of the HUD loan. Construction of the core and shell is nearly complete. See Attachment – 1. The roof membrane is currently being installed; drywall on the first floor has commenced, and the mechanical, electrical and plumbing infrastructure is complete and active. Once construction is completed, residents will be transferred from the old north wing to the new building. The Permit Holders anticipate construction will be complete by May 31, 2017; however, they request a nine month permit renewal to account for unforeseen delays and to ensure compliance with the Project Permit.

Statement Regarding Completion of the Project

The Project is a modernization of the Permit Holders' existing 197 bed long-term care facility. Financing delays postponed commencement of construction until March 2015. The Permit Holders anticipated construction will be complete by May 31, 2017. To ensure compliance with its Project Permit, the Permit Holders request a renewal of their Project Permit until September 30, 2017.

Confirmatory Evidence of Permit Compliance

The attached affidavit from John Maze confirms the Permit Holders are complying with the scope and costs of the project approved by the State Board pursuant to Project Permit # 11-021 and that sufficient financial resources are available to complete the project. (See Attachment – 1)

Based on the above information, which is provided to the State Board in compliance with Section 1130.740 of the Illinois Administrative Code, the Permit Holders formally request a 9-month renewal of its permit for project #11-021.

Sincerely

A handwritten signature in cursive script that reads "Anne M. Cooper".

Anne M. Cooper

Attachment

cc: Michael Constantino

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

MEADOWBROOK MANOR LAGRANGE

REQUEST FOR RENEWAL OF PROJECT PERMIT # 11-021

I, John Maze do hereby affirm and testify:

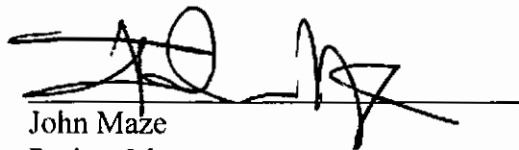
1. I am an authorized representative of the Permit Holders, Butterfield Healthcare VII, LLC and MML Properties, LLC. I have personal knowledge of the facts stated herein.

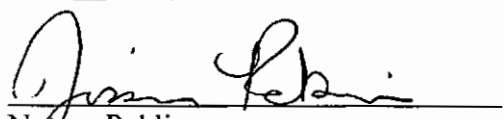
2. Based on my personal knowledge of the on-going project to modernize an existing 197 bed long-term care facility located at 339 9th Street, LaGrange, Illinois, I can attest that the project's cost and scope are in compliance with those approved by the Illinois Health Facilities and Services Review Board.

3. Additionally, I can also attest that there currently exists sufficient financial resources to complete the project.

FURTHER THE AFFIANT SAYETH NOT.

The undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.


John Maze
Project Manager
Butterfield Healthcare Group

Subscribed and sworn before me
This 10th day of November, 2016

Notary Public



MML PROPERTIES, LLC

648 540 N. River Road, Suite 100/100
Naperville, IL 60563

4110

Meadowbrook Manor LaGrange

DATE 11/8/16

PAY TO THE ORDER OF Illinois Department of Public Health

\$ 500.00

Five hundred + no/100

DOLLARS

WFB WESTMORE MEYERS BANK
711 WESTMORE MEYERS RD
LOMARD, IL 60148-3370

MEMO: CON permit renewal (Proj # 11-021)



AUTHORIZED SIGNATURE





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HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO:	BOARD MEETING:	PROJECT NO: 11-021	PROJECT COST: Original: \$28,630,369
FACILITY NAME: Meadowbrook Manor-LaGrange		CITY: LaGrange	Current: \$
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (MML Properties, LLC and Butterfield Healthcare VII, LLC), propose to modernize its facility through the replacement of resident rooms/nursing areas, and the modernization of administrative/support space. The total cost of the project is \$28,630,369.



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EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (MML Properties, LLC and Butterfield Healthcare VII, LLC), propose to modernize its existing facility through the replacement of resident rooms/nursing areas, and the modernization of administrative/support space. The total cost of the project is \$28,630,369. **The anticipated project completion date is December 31, 2014.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because the proposed project is in excess of the capital expenditure minimum of \$6,717,857.

PURPOSE OF THE PROJECT:

- The purpose of the project is to improve the health and well-being of its existing patient population, and its patient population in the future. The applicants propose to better utilize the 197 existing beds at the facility through newly established patient rooms and clinical areas. The applicants note the existing structure is 100 years old, and has surpassed its useful life as a health care facility. The applicants propose to better serve its current and future residents with modern facilities and up to date clinical modalities.

MODERNIZATION OF EXISTING FACILITY:

- An applicant proposing to modernize an existing long term care facility must document that the facility is in need of modernization by submitting evidence of deterioration and or life safety code violations or high maintenance costs. The applicant must also provide evidence that the facility will be at target occupancy by the second year after project completion. **The applicants have met these requirements.**

BACKGROUND/COMPLIANCE ISSUES:

- The applicants, Butterfield Healthcare VII, LLC and MML Properties, LLC, have no adverse background or compliance issues to report.

PUBLIC HEARING/COMMENT

- No public hearing was requested and no letters of opposition or support for this project were received by the State Agency.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The entirety of the project will be funded through a project-related mortgage in the amount of \$28,630,369.

CONCLUSIONS:

- The applicants are proposing to update its 197-bed Long Term Care facility through the construction of a 197-bed replacement wing, attached to a renovated main facility that



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will house administrative/non-clinical functions. The applicants note the main facility is almost 100 years old, and out of compliance with life safety code. The facility was the former Illinois Masonic Children’s Home Orphanage, and a portion of the existing facility is considered to be of historical significance. Below is a list of criterion the applicants did not meet.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1120.130 Financial Viability	Both applicants are non-compliant with multiple Financial Viability ratios.
1120.140(c): Reasonableness of Project and Related Costs	The applicant provided project costs that exceeded State Standards for Preplanning and Site Survey/Site Preparation costs.



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STATE AGENCY REPORT
Meadowbrook Manor LaGrange
PROJECT #11-021

APPLICATION SUMMARY	
Applicants(s)	MML Properties, LLC Butterfield Healthcare VII, LLC
Facility Name	Meadowbrook Manor LaGrange
Location	LaGrange
Application Received	May 20, 2011
Application Deemed Complete	May 20, 2011
Review Period Ended	July 19, 2011
Public Hearing Held	No
Can Applicants Request Deferral?	Yes
Review Period Extended by the State Agency?	No
Applicants' Modified the project?	No

I. The Proposed Project

The applicants propose to replace its patient care/clinical areas (60,045 GSF), and modernize its administrative/support space (7,323 GSF), at its 197-bed skilled care facility in LaGrange. The cost of the project is \$28,630,369.

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 MML Properties, LLC, and Butterfield Healthcare VII, LLC. The current facility is located at 339 Ninth Avenue, LaGrange, in HSA 7, and Long Term Care ("LTC") Planning Area 7-E. The 2008 LTC Data Summary lists 2 hospital-based units, and 57 free-standing Long Term Care (LTC) facilities in this LTC Planning area. **The July 2011 Inventory Update for General Long Term Care services shows a need for 253 LTC beds in the planning area. However this project does not propose the addition of long term care beds.**

The project is substantive and subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. The anticipated project completion date is December 31, 2014.



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Summary of Support and Opposition Comments

An opportunity for a public hearing was offered on this project; however, no hearing was requested. The State Agency has received no letters in support or in opposition to the proposed project.

Table One displays information pertaining to other LTC providers within a 30-minute travel radius. Data includes authorized beds, distance and travel times from the applicants’ facility and respective occupancy rates. Data on authorized beds and occupancy rates were obtained from IDPH’s 2009 Hospital and LTC profiles, distance and travel times were obtained from Map Quest, and the Medicare Star Rating was obtained from the Department of Health & Human Services’ Medicare website (www.medicare.gov). The data in the table is sorted by travel time.

As Table One shows, there are 79 other providers of LTC service in a 30-minute drive radius. Of the providers identified in Table One, 22 (27.8%), achieved the State Board’s target utilization (90%) for 2009. The State Agency notes the applicant’s facility has a 1-star Medicare rating, and reported 57.2% occupancy on the 2009 LTC profile.

TABLE ONE Facilities within 45 Minutes Travel Time						
Facility	City	Time (minutes)	Distance (miles)	Medicare Star Rating	Beds	Occupancy%
The Grove of LaGrange Park	LaGrange Park	2	.6	3	131	54.3 %
Plymouth Place	LaGrange	2	.6	3	86	71.1 %
Lexington of LaGrange	LaGrange	4	1.5	3	110	87.5 %
Briar Place	LaGrange	9	3.6	2	232	91.2 %
British Home	Brookfield	11	4.3	5	72	79.4 %
Westchester Health & Rehab Ctr.	Westchester	12	4.1	3	120	87.1 %
Scottish Old Peoples Home	North Riverside	12	4.6	N/A	36	77.2 %
King-Bruwaert House	Burr Ridge	12	4.7	N/A	49	98 %
Brighton Gardens	Willowbrook	12	5	3	30	87.3 %
Courtyard Healthcare Ctr.	Berwyn	13	4.6	3	145	59 %
Pershing Convalescent Ctr.	Berwyn	13	4.8	2	51	77.1 %
Chateau Nursing & Rehab Ctr.	Willowbrook	13	5.5	1	150	90.2 %
Rosary Hill Home	Justice	13	6.1	N/A	29	100% %
Oakridge Nursing & Rehab Ctr.	Hillside	16	4.6	5	73	86.3 %
Manor Care of Hinsdale	Hinsdale	16	5.3	3	200	88.9 %



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TABLE ONE Facilities within 45 Minutes Travel Time						
Facility	City	Time (minutes)	Distance (miles)	Medicare Star Rating	Beds	Occupancy%
Renaissance at Midway	Chicago	16	7.9	2	249	90.1 %
Berkshire Nursing & Rehab Ctr.	Forest Park	17	6.4	2	232	55.5 %
Bridgeview Health care Ctr.	Bridgeview	17	7.9	1	146	89.7 %
Renaissance at Hillside	Hillside	18	5.4	1	188	90.3 %
Alden-town Manor Rehab	Cicero	18	5.9	1	237	77.5 %
Manor Care of Westmont	Westmont	18	6.3	2	155	82.4 %
Midway Neurological & Rehab	Bridgeview	18	8.4	1	404	72.4 %
Burgess Square	Westmont	19	7.2	4	207	80.7 %
Hickory Nursing Pavilion	Hickory Hills	19	8.9	2	74	90.6 %
Park Place Christian Community	Elmhurst	20	7.4	N/A	37	N/A
Westmont Nursing & Rehab Ctr.	Westmont	20	8.4	2	215	82.5 %
California Nursing & Rehab	Chicago	20	10.8	1	297	90.6 %
Rush Oak Park Hospital	Oak Park	21	8.5	4	36	60.3 %
Oak Brook Health Care ctr.	Oak Brook	21	8.8	4	156	87.8 %
Lexington of Elmhurst	Elmhurst	21	8.9	2	145	87 %
Exceptional Health Care	Burbank	21	9.5	1	55	73.6 %
Columbus Park Nursing & Rehab	Chicago	21	9.6	1	216	88.9 %
Palos Hills Healthcare	Palos Hills	21	9.8	2	203	61.1 %
Concord nursing & Rehab Ctr.	Oak Lawn	21	9.9	4	134	90.7 %
Manor Care of Oak Lawn West	Oak Lawn	21	9.9	1	192	85.1 %
Chicago Ridge Nursing Ctr.	Chicago Ridge	21	10.1	2	231	94.6 %
Manorcare of Palos Heights West	Palos Heights	21	11.8	4	130	90.5 %
Manorcare of Palos Heights East	Palos Heights	21	11.9	3	174	93.3 %
West Suburban Hospital	Oak Park	23	9.8	3	50	66.1 %
Regal Health Care	Oak Lawn	23	10.4	1	143	53.4 %
Cedar Point Nursing & Rehab	Cicero	24	7.5	2	485	64.6 %
Oak Park Healthcare Ctr.	Oak Park	24	9.2	1	204	72.9 %
Fairview Baptist Home	Downers Grove	24	9.9	5	160	53.9 %
Park House Nursing & Rehab Ctr.	Chicago	24	11	1	106	89.4 %
Lexington of Chicago Ridge	Chicago Ridge	24	10.8	4	203	92.1 %
Gottlieb Memorial Hospital	Melrose Park	25	9.5	4	34	80 %
Providence Healthcare & Rehab	Downers Grove	25	10.5	5	145	70.3 %
Mayfield Care Ctr.	Chicago	25	10.5	3	156	80.5 %
Brentwood Sub Acute Healthcare Ctr.	Burbank	25	10.9	3	163	77.2 %
Elmhurst Memorial Hospital	Elmhurst	25	11	3	38	92.5 %
Lexington Healthcare Ctr.	Orland Park	25	13.5	1	278	86.2 %
Jackson Square Nursing & Rehab Ctr.	Chicago	26	11	3	234	85.2 %



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TABLE ONE Facilities within 45 Minutes Travel Time						
Facility	City	Time (minutes)	Distance (miles)	Medicare Star Rating	Beds	Occupancy%
Columbus Manor Residential	Chicago	26	11	2	189	67.7 %
Central Plaza Residential Home	Chicago	26	11.1	N/A	260	87.8 %
Elmhurst Extended Care Ctr.	Elmhurst	26	11.3	5	112	67 %
International Nursing & Rehab Ctr.	Chicago	26	11.7	1	218	75.1 %
Beacon Hill	Lombard	26	12.3	5	108	91.3 %
Schwab Rehab Hospital	Chicago	26	12.3	4	21	N/A
St Agnes Health Care Ctr.	Chicago	26	14.8	3	197	75.6 %
Southview Manor	Chicago	26	14.8	2	200	95.7 %
Villa Scalabrini Nursing & Rehab	Northlake	27	11.9	3	253	93.2 %
Elm Brook Health & Rehab Ctr.	Elmhurst	27	12.4	4	180	88.1 %
Lexington Healthcare Ctr. Lombard	Lombard	27	12.7	3	224	82.8 %
Franciscan Village	Lemont	27	14.3	3	127	88.9 %
Holy Family Villa	Palos Park	27	14.5	5	99	97 %
Rest Haven Central	Palos Heights	27	14.5	1	193	72.6 %
Boulevard Care Nursing & Rehab Ctr.	Chicago	27	14.9	2	155	81.4 %
Lemont Nursing & Rehab Ctr.	Lemont	27	14.9	2	158	88.4 %
Bronzeville Park Skilled Nursing & Rehab Ctr.	Chicago	27	15.2	1	302	86 %
All Faith Pavilion	Chicago	27	15.2	1	245	72 %
Sacred Heart Home	Chicago	28	13.3	2	172	84.3 %
Ridgeland nursing & Rehab Ctr.	Palos Heights	28	14.3	1	101	87 %
Community Care-Chicago	Chicago	28	16	5	204	91.2 %
Berkley Nursing & Rehab Ctr.	Oak Park	30	10.8	1	66	76.6 %
Crestwood Terrace	Midlothian	30	15.2	3	126	98.9 %
Crestwood Care Ctr.	Crestwood	30	15.6	1	303	77.6 %
Alden-Orland Park Rehab	Orland Park	30	15.9	4	200	72.9 %
Meadowbrook Manor	Bolingbrook	30	16	1	298	93.5 %
Monroe Pavilion Health & Treatment Ctr.	Chicago	30	16.8	2	136	97.5 %
Source: Occupancy % 2009 IDPH LTC Profiles Time and Distance determined by MapQuest and adjusted per 77 IAC 1100.560 Star rating determined from www.Medicare.gov						

IV. The Proposed Project - Details

The applicants propose to renovate an existing 197-bed skilled care facility, located at 339 9th Avenue, in LaGrange, through the renovation of the existing structure and partial on-site replacement of patient care areas. The portion of the facility slated for renovation (15,790 GSF), is the main original building, and will house core activities, such as administration, main kitchen, dialysis,



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housekeeping, and laundry. The new construction will comprise 123,112 GSF of space, and contain all resident rooms and corresponding nursing/support space. The three story building, in its entirety, will contain 138,902 GSF of space.

V. Project Costs and Sources of Funds

The applicants' provided the project costs for both clinical and non-clinical aspects of the proposed project. Table Two shows the project costs and funding sources using these considerations.

TABLE TWO Project Costs and Source of Funds Project 11-021 Meadowbrook Manor-LaGrange			
Use of Funds	Clinical	Non -Clinical	Total
Preplanning Costs	\$232,564	\$206,236	\$438,800
Site Survey & Soil Investigation	\$18,550	\$16,450	\$35,000
Site Preparation	\$871,585	\$772,915	\$1,644,500
Off Site Work	\$39,750	\$35,250	\$75,000
New Construction Contracts	\$10,096,951	\$8,953,900	\$19,050,850
Modernization Contracts	\$0	\$789,400	\$789,400
Contingencies	\$739,800	\$1,005,200	\$1,745,000
Architectural & Engineering Fees	\$520,460	\$461,540	\$982,000
Consulting & Other Fees	\$238,619	\$211,606	\$450,255
Moveable & Other Equipment	\$747,300	\$662,700	\$1,410,000
Net Interest Expense During Construction	\$622,077	\$551,653	\$1,173,730
Other Costs to be Capitalized	\$443,008	\$392,856	\$835,864
Totals	\$14,570,663	\$14,059,706	\$28,630,369
Source of Funds			
Mortgages	\$14,570,663	\$14,059,625	\$28,630,369
Total	\$14,570,663	\$14,059,625	\$28,630,369

VI. Cost/Space Requirements

Table Three displays the project's space requirements for the clinical and non-clinical portions of the project. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, "non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility." The State Agency notes the



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project involves the modernization of an existing building and construction of a new patient wing. The applicants note the proposed project will contain 9,510 GSF of space that will be considered abandoned. This space will be considered as attic/crawl space, and will have no usage whatsoever.

TABLE THREE Space Requirements					
Department/Area	Existing GSF	Proposed GSF	New Construction	Modernized	Cost
Clinical					
Nursing	21,619	38,482	38,482	0	\$8,667,887
Living/Dining/ Activity	9,017	6,577	5,867	711	\$1,481,438
Kitchen/Food Service	3,735	3,420	3,420	0	\$770,339
P.T./O.T.	1,001	2,495	2,215	280	\$561,987
Laundry	1,886	715	715	0	\$161,050
Janitor Closets	634	837	746	91	\$188,530
Clean/Soiled Utility	447	1,670	1,670	0	\$376,160
Beauty/Barber	235	465	0	465	\$104,739
Dialysis	1,652	2,767	0	2,767	\$623,254
Nurses Station/ Toilet	1,103	2,715	2,715	0	\$611,540
Med. Room	299	378	378	0	\$85,143
Exam Room	457	354	354	0	\$79,737
Arts, Crafts, Library/Conference	0	1,277	656	621	\$287,638
Amenities (Multi-purpose, Gift Shop, Ice Cream)	0	4,700	2,312	2,388	\$1,058,653
Medical Records	0	515	515	0	\$166,001
Total Clinical	42,085	67,367	60,045	7,323	\$15,224,096
Non-Clinical					
Office/ Administrative	5,407	3,447	2,258	1,189	\$648,408
Employee Lounge/Locker	1,886	989	989	0	\$186,038
Mechanical/Electrical	8,181	4,767	4,254	513	\$896,709
Lobby	468	1,999	1,742	257	\$376,027
Storage/Maintenance	9,137	5,829	5,574	255	\$1,096,479
Corridor/Public Toilets	13,766	33,036	27,920	3,754	\$6,214,321
Stairs/Elevators	6,027	4,222	3,768	454	\$794,190
Tunnels	2,695	0	0	0	\$0
Abandoned	25,680	0	0	0	\$0
Walls	0	17,246	16,562	2,045	\$3,244,103
Total Non-Clinical	73,247	71,535	63,067	8,467	\$13,456,271



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TABLE THREE Space Requirements					
Department/Area	Existing GSF	Proposed GSF	New Construction	Modernized	Cost
TOTAL	115,332	138,902	123,112	15,790	\$28,680,369

VIII. Project Purpose, Background and Alternatives

A. Criterion 1110.230(a) - Background of Applicant

The criterion:

“An applicant 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 applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, 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").”

The applicant provided licensure and certification information as required, and the State Agency notes the applicants own four other nursing facilities. They are: Meadowbrook Manor, Bolingbrook, Meadowbrook Manor, Naperville, Lee Manor, Des Plaines, and Meadowbrook Manor, Geneva, (Project #08-099), which was recently approved for a Certificate of Need permit. The applicants have provided representations attesting that no adverse actions have been taken against any facility under their ownership, and the State Agency can access any and all information to determine whether adverse actions have been taken against the applicant. The applicant provided all the necessary information required to address this criterion.

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

The criterion states:



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“The applicant 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 applicant shall define the planning area or market area, or other, per the applicant's definition.

- 1) The applicant 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 applicant 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 applicant 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 applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.**



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- 4) **For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records."**

According to the applicants, the purpose of the project is to improve the health and well-being of its existing patient population, and its patient population in the future. The applicants state the current patient wing is nearing the end of its useful life as a skilled nursing facility, and acknowledges the fact that the Illinois Historic Preservation Society feels the main building may be of historical significance. The applicants propose to renovate the main building, demolish two existing side wings that currently serve as patient units, (no historical significance), and construct a new patient wing to better utilize the existing 197 bed complement at Meadowbrook Manor, LaGrange. **The State Agency notes the proposed project will not affect the current need for 253 LTC beds in LTC Planning Area 7-E.**

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

The criterion states:

"The applicant 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.**



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- 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 applicant shall provide empirical evidence, including quantified outcome data; that verifies improved quality of care, as available."**

The applicant considered the following three alternatives:

1. **A Project of Greater or Lesser Scope and Cost**

Under this alternative, the applicant considered the following options:

Maintaining Status Quo or Facility Closure: The applicants note an inability to maintain status quo, based on aged facilities, and the IDPH Licensure's "Plan of Corrections" which involve substantial modernization and/or replacement of the LTC facility in its entirety. The applicants acknowledge the closure of the existing facility will only add to existing deficit of 253 beds in LTC Planning Area 7-E.

Construct a Replacement Facility to Meet Bed Need: The applicant notes the total estimated project cost to construct a 470-bed LTC facility would be in excess of \$63,000,000. While this option would improve patient access and the quality of patient care, the applicants feel a facility of this size would create an institutional environment, lacking the personalization of its current care strategies. The applicants also note the Certificate of Need Program would limit the establishment of beds to a maximum of 250 beds.

Utilize Other Health Care Resources: The applicants identified a service area within a 30-minute drive radius of Meadowbrook Manor-LaGrange. While it appears that there are facilities in this service area performing under the State Agency's occupancy target for LTC services, the applicants note the facility's closure would only contribute to an existing need for LTC beds, and displace the current resident population, sending them to facilities that may not provide the level of care provided at Meadowbrook Manor, LaGrange.



2. The Project as Proposed

Modernize the Main Building, Replace Two Existing Patient Wings

The applicants found this option to be most feasible, based on the need to continue providing quality patient care to its residents in a modernized physical environment, while maintaining the historical integrity of the physical structure that was formerly the Illinois Masonic Children's Home Orphanage. The applicants note the patient units will be the entirety of the new construction, while the main building, which is of historical significance, would be renovated, and used as administrative/non-clinical service space.

The applicant has supplied the information requested in accordance with this criterion.

IX. Project Scope and Size, Utilization and Unfinished/Shell Space

A. **Criterion 1110.234(a) - Size of Project**

The criterion states:

"The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**
- 3) The project involves the conversion of existing bed space that results in excess square footage."**

The applicant notes the project proposes to replace the building housing 179 LTC beds, with a new 197-bed patient wing that is up to the standards of modern patient care. The total square footage of the proposed project is 145,126 square feet, with the total clinical gross square feet being 90,671



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GSF or 423 GSF/bed (See Table Four). The current State Board standard is 435-713 BGSF per bed, which was effective April 2010. A positive finding can be made for this criterion.

TABLE FOUR
Project #11-021 Meadowbrook Manor-LaGrange

Departments	Unit of Measure	State Standard/Unit of Measure	State Standard GSF	Proposed GSF	Difference	Meets Standards
Nursing Care Beds	197 beds/ 705.1 GSF per bed	435-713 BGSF/Bed	140,461	138,902 GSF	1,559 GSF	Yes

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT - REVIEW CRITERION (77 IAC 1110.234(A)).

B. Criterion 1110.234(b) Project Services Utilization

The criterion states:

“This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has not established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicant shall document that, in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in Appendix B.”

The applicants supplied a letter from Mr. Rick Wright, CEO, Adventist LaGrange Hospital (application, p. 278), and historical referral data from other area hospitals that support the current and future utilization/occupancy of Meadowbrook Manor, LaGrange. By applying existing utilization data, the applicants predict to be at 60.3% operational capacity in the first year after project completion, and be at 90% operational capacity by the second year (See Table 5). The State Board standard for LTC utilization is 90%.

Year	Capacity*	% Occupancy
2014	119	60.3%
2015	177	90%
*100% capacity: 197		



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THE STATE AGENCY FINDS THE PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT UTILIZATION CRITERION. - REVIEW CRITERION (77 IAC 1110.234(B)).

VIII. Section 1110.1730 General Long Term Care - Review Criteria

A) Criterion 1110.1730 (b) - Planning Area Need

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)

A) The number of beds to be established for general long term care is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

2) Service to Planning Area Residents

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

B) Applicants proposing to add beds to an existing general long term care service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.

C) Applicants proposing to expand an existing general long term care service shall submit patient origin information



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by zip code, based upon the patient's legal residence (other than a health care facility).

- 3) **Service Demand - Establishment of General Long Term Care**
The number of beds proposed to establish a new general long term care service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new long term care (LTC) facility, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and subsection (b)(3)(B) or (C).
- A) **Historical Referrals**
If the applicant is an existing facility and is proposing to establish this category of service, the applicant shall document the number of referrals to other facilities, for each proposed category of service, for each of the latest two years. Documentation of the referrals shall include: patient origin by zip code; name and specialty of referring physician; name and location of the recipient LTC facility.
- B) **Projected Referrals**
An applicant proposing to establish a category of service or establish a new LTC facility shall submit the following:
- i) Hospital referral letters that attest to the number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application;
- ii) An estimated number of patients the hospital will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the hospital's experienced LTC caseload;
- iii) Each referral letter shall contain the Chief Executive Officer's notarized signature, the typed or printed name of the referral resources, and the referral resource's address; and



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- iv) **Verification by the hospital that the patient referrals have not been used to support another pending or approved CON application for the subject services.**

- 5) **Service Accessibility**
The number of beds being established or added for each category of service is necessary to improve access for planning area residents.
 - A) **Service Restrictions**
The applicant shall document that at least one of the following factors exists in the planning area, as applicable:
 - i) **The absence of the proposed service within the planning area;**

 - ii) **Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;**

 - iii) **Restrictive admission policies of existing providers;**

 - iv) **The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;**

 - v) **For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.**

- 1) **77 Ill. Adm. Code 1100 (formula calculation)**

The applicants propose to replace its full 197 LTC bed complement with new construction, and renovate an existing main building to house administrative and non-clinical services. The applicants predict the



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proposed project will increase overall patient quality of life, and enable the facility to operate in excess of the IDPH occupancy target of 90%. The State Agency notes there is a calculated need for 253 long term care beds in the Planning Area 7-E, according to the July 2011 LTC Update, and the proposed project will not affect this deficit in any manner.

2) Service to Planning Area Residents

The applicants attest that the existing facility has served the residents of the service area by operating at the occupancy standards outlined in Table 6. The applicants note the proposed project will result in all new patient rooms, providing immediate access to all 197 skilled care beds at Meadowbrook Manor, LaGrange.

3) Service Demand - Establishment of General Long Term Care

The applicants propose to replace its 197-bed patient wing with a new 197-bed patient unit that will be compliant with modern health standards and IDPH licensing criteria. The proposed project will afford the applicants the opportunity to better serve area residents through the proposed attainment of operational capacity at project completion. No new beds and or services are proposed.

4) Service Accessibility

The applicant notes the 197 LTC beds are simply replacement beds, and not newly established beds. The State Agency has supplied historical utilization data which indicates the applicant facility has not achieved the State standard for operational capacity in any previous years (See Table 6). The applicants acknowledge these operational deficiencies, and attribute these data to the state of the current physical plant and the access limitations/structural deficiencies that would be eliminated upon completion of the proposed project.

	Service	Patient Days	Historical Utilization	State Standard	Met Standard?
2007	LTC	47,883	66.6%	90%	No
2008	LTC	37,748	52.4%	90%	No
2009	LTC	41,141	57.2%	90%	No
2010	LTC	43,347	60.3%	90%	No



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There is a current need for 253 LTC beds in Planning Area 7-E. While the proposed project will not address this bed deficit, it will facilitate access to all 197 LTC beds that at Meadowbrook Manor, LaGrange, addressing facility's occupancy targets, and the service demand in the planning area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED REVIEW CRITERION (77 IAC 1110.1730(b)).

B) Criterion 1110.1730 (f) - Modernization

- 1) **If the project involves modernization of a category of hospital facility bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:**
 - A) **High cost of maintenance;**
 - B) **Non-compliance with licensing or life safety codes;**
 - C) **Changes in standards of care (e.g., private versus multiple bed rooms); or**
 - D) **Additional space for diagnostic or therapeutic purposes.**
- 2) **Documentation shall include the most recent:**
 - A) **IDPH CMMS inspection reports; and**
 - B) **Joint Commission on Accreditation of Healthcare Organizations (JCAHO) reports.**
- 3) **Other documentation shall include the following, as applicable to the factors cited in the application:**
 - A) **Copies of maintenance reports;**
 - B) **Copies of citations for life safety code violations; and**
 - C) **Other pertinent reports and data.**



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- 4) Projects involving the replacement or modernization of a category of service or facility shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100.**

The applicants report having spent in excess of \$90,000 annually for maintenance at Meadowbrook Manor, and predict this figure to reach \$125,000 for the calendar year 2010. The applicants supplied verification of these maintenance costs (application, pgs. 179-190), as well as reports from architects identifying structural deficiencies, and life safety issues, attesting to the building's obsolescence. The applicants report the building itself is almost 100 years old, and was originally used as a children's orphanage. The building was retrofitted for LTC service in 1963, but still utilizes multiple occupancy patient wards with shared lavatories. With the proposed project, the applicants will also address a need for additional space to facilitate spatial standards for modern diagnostic and therapeutic space. The applicants also supplied copies of the most recent licensure surveys, noted life safety code violations, and the most recent "plan of correction". It appears the applicants have provided sufficient evidence to prove the inadequacy of the current facility with list of maintenance expenditures and noted life safety code violations. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MODERNIZATION REVIEW CRITERION (77 IAC 1110.1730(f)).

- g) Staffing Availability – Review Criterion**
The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The applicants note the current facility has 139 operational beds that are sufficiently staffed per licensing standards, and are in possession of 109 letters of interest from these staff to maintain employment after project completion. Butterfield Health Care Group also reports having existing employees in the Chicago Metropolitan Statistical Area (MSA) to address any immediate staffing shortages upon project completion, and opening of



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the entire 197-bed facility. It appears the applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING AVAILABILITY REVIEW CRITERION (77 IAC 1110.1730(g)).

h) Performance Requirements – Facility Size

The maximum size of a general long term care facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c – Long-Term Care Facilities) over a two-year period of time.

The existing Meadowbrook Manor, LaGrange is a 197-bed facility with a current operational capacity for 139 LTC beds, due to life safety code directives. The applicant proposes to replace the existing LTC facility with a modernized 197-bed skilled care facility to address historical occupancy deficiencies and need for LTC service in the area. The State Agency notes the applicants are in compliance with the 250-bed limitation that serves as requirement for this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE FACILITY SIZE CRITERION (77 IAC 1110.1730(h)).

i) Community Related Functions – Review Criterion

The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located, such as, but not limited to, social, economic or governmental organizations or other concerned parties or groups. Documentation shall consist of copies of all letters of support from such organizations.

The applicant supplied 9 letters (application pgs. 419-428), from individuals and businesses from within the community, and in surrounding areas, expressing support for the project. A positive finding can be made for this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE COMMUNITY RELATED FUNCTIONS CRITERION (77 IAC 1110.1730(i)).



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j) Zoning - Review Criterion

The applicant notes the property is currently zoned appropriately with a "valid special use permit", and the proposed project will have to amend this existing permit. The applicants supplied letters from the Village of LaGrange that outlines the steps required to amend this permit (application, pgs. 429-430).

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE ZONING CRITERION (77 IAC 1110.1730(j)).

k) Assurances

- 1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.**
- 2) For beds that have been approved based upon representations for continuum of care (subsection (c)) or defined population (subsection (d)), the facility shall provide assurance that it will maintain admissions limitations as specified in those subsections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFPB will be required.**

The applicant provided the required signed documents to satisfy the Assurances Review criterion 1110.1730(k) (application, p. 481).

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE ASSURANCES REVIEW FUNCTIONS CRITERION (77 IAC 1110.1730(k)).

IX. 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:



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- 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;**



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- 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 \$28,630,369 and the applicants will fund the entirety of the project through a mortgage. The applicants also provided a commitment letter from Cambridge Realty Capital Ltd. of Illinois (application p. 432), 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



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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



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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 co-applicants are MML Properties, LLC, and Butterfield Healthcare VII, LLC. Table Seven provides financial ratio information for the applicants.

TABLE SEVEN					
MML Properties, LLC.					
Ratio	State Standard	Historical			Projected
		2008	2009	2010	2016
Current Ratio	>=1.5	.03	.05	.02	2.89
Net Margin Percentage	>=3.5%	42.08%	47.3%	47.07%	5.16%
Percent Debt to Total Capitalization	<=80%	54%	45%	47%	93%
Projected Debt Service Coverage	>=1.75	2.83	1.64	1.53	1.39
Days Cash on Hand	>=45	0	3	4	181
Cushion Ratio	>=5	0	.01	.01	.85

Butterfield Health Care VII, LLC.					
Ratio	State Standard	Historical			Projected
		2008	2009	2010	2016
Current Ratio	>=1.5	.83	.83	(1.62)	7.82
Net Margin Percentage	>=3.5%	(21.97%)	(9.57%)	27.67%	6.38%
Percent Debt to Total Capitalization	<=80%	0%	0%	0%	0%
Projected Debt Service Coverage	>=1.75	0	0	0	0
Days Cash on Hand	>=45	2	12	0	141
Cushion Ratio	>=5	0	0	0	0

The State Agency notes the applicants do not meet the following ratios:

MML Properties, LLC

- Current Ratio for 2008, 2009, and 2010.
- Percent Debt to Total Capitalization for 2016.
- Projected Debt Service Coverage for 2009, 2010, and 2016.
- Days Cash on Hand for 2008, 2009, and 2010.
- Cushion Ratio for 2008, 2009, 2010, and 2016

Butterfield Health Care VII, LLC

- Current Ratio for 2008 and 2009.



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- Net Margin Percentage for 2008 and 2009.
- Projected Debt Service Coverage for 2008, 2009, 2010, and 2016.
- Days Cash on Hand for 2008, 2009, and 2010.
- Cushion Ratio for 2008, 2009, 2010, and 2016.

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 \$28,630,369 and the applicants have attested to funding the project in its entirety through a secured mortgage.



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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 \$28,630,369 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. 457).

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



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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.



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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 State Agency notes the cost identified below are for clinical expenses only.

Preplanning Costs - These costs total \$232,564 or 2% of construction, contingency, and equipment costs. This appears **high** compared to the State standard of 1.8%.

Site Survey/Site Preparation Costs - These costs total \$890,135 or 8.2% construction and contingency costs. This appears to be **high** compared to the State Standard of 5%.

Off-Site Work - These costs total \$39,750. The State Board does not have a standard for these costs.

New Construction and Contingencies - This cost is \$10,836,751 or \$180.47 per GSF. This appears reasonable when compared to the adjusted State Board standard of \$220.58 per GSF.

TABLE FIVE		
New Construction Costs per Square Foot		
Applicant' Proposal per GSF	Adjusted State Standard per GSF	Difference per GSF
\$180.47	\$220.58	\$40.11
Applicant' Total Const./Cont. Cost	Adjusted State Standard	Difference
\$10,836,751	\$13,244,726	\$2,407,975

Contingencies - This cost is \$739,800 or 7.3% of new construction costs. This appears reasonable when compared to the State Board standards of 10% for new construction.

Architectural and Engineering Fees - This cost is \$520,460 or 4.8% of construction and contingency costs. This appears reasonable when compared to the State Board standard of 5.87% - 8.81%.



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Consulting and Other Fees – These costs total \$238,619. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$747,300, or \$3,793.40 per bed. This is reasonable compared to the State Standard of \$6,491.00 per LTC bed.

Net Interest Expense During Construction – These costs total \$622,077. The State Board does not have a standard for this cost.

Other Costs to be Capitalized – These costs total \$443,008. The State Board does not have a standard for this cost.

It appears that the applicants have Preplanning & Site Survey/Site Preparation costs in excess of the allowable amount therefore a positive finding cannot be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR 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 \$94.53 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:



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“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 \$30.05 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)).