

FOLEY & ASSOCIATES, INC.

Charles H. Foley, MHSA
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HAND DELIVERED

August 19, 2013

Mr. Michael Constantino
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

RECEIVED

AUG 19 2013

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

**Re: HFSRB Project Number 13-032;
Palos Hills Healthcare**

Dear Mr. Constantino:

Please accept this correspondence as addressing your concerns identified in your July 22nd, email to my office on the above referenced project. Your concerns have been underlined and the Applicant's response follows each item.

- 1) We have some issues the biggest being the availability of funds. Also I do not believe you can justify the addition of the 21 beds when the facility is operating at 63.7% utilization.

As documented throughout the CON application (pages, 1, 54-54, 63, 65-66, 146, 149, and 151), the existing facility is operating at a rate lower than the State's target due to physical plant issues which renders the existing beds in their current compliment as not marketable. Three and four bed ward rooms are not as desirable. The beds are not underutilized due to the lack of need or interest but rather due to the obsolete physical plant layout which has shared or communal baths and limited ancillary and support space as compared to more modern and current physical plant designs.

The need for the project is based upon the historical referrals from area hospitals and therefore, not solely on the State's identified need for additional nursing care beds. The admissions are not reflective of total referrals due to the aforementioned issues. Moreover, the area hospitals are proposing potential admissions in excess of the historical number. This project merely seeks to replace ineffective beds with a modest license expansion.

In further documentation of obtaining and maintaining the State's target utilization rate, enclosed as **EXHIBIT I** is a listing of the facility's tracked referrals. As the referral is the method of reaching and maintaining utilization, the data shows that only 36 percent (101 out of 451 based on 1st half of CY2013) of the referrals are actually admitted into the facility. This is a function that illustrates demand for a service from a facility that has physical issues which limit the operational ability to care for residents. The proposed project

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seeks to replace antiquated or inoperable beds along with the modest addition to care for more of the referral who seek out care from Palos Hills Healthcare.

2. Who is Weiss Management Group, Inc. The documents you reference on page 97-99 of the application references this entity. It appears that this entity has an ownership interest in these facilities

Weiss Management Group, Inc is the management company for Westmont Nursing and Rehabilitation, LLC and Belleville Healthcare and Rehabilitation Center, Inc. This entity is not the management company for the Subject facility, Palos Hills Healthcare. This facility has contracts with the listed facilities who have common ownership to the Subject facility. Please note that it does not have ownership interest in the identified facilities. The letter referenced from Mr. Nicholas J. Lynn of Duane Morris simply represents that management company; Weiss Management Group, Inc has management contracts with the listed facilities and as such, has represented the facilities as a management company as licensure issues are raised. This is common practice and as such management companies are not co-applicant's to Certificate of Need applications. They have no control or ownership interest in these facilities. Moreover, the Applicant entities are clearly defined and documented in the: Narrative Description on page one of the CON; in the Applicant/co-Applicant, Site ownership and Operating Identity/Licensee sections of the application form pages 2-4 and supplemented in Attachment-1 pages 30-32, Attachment-2 pages 33-44, and Attachment3 pages 45-47; in the Background of Applicant criterion specifically Attachments-12c and 12D pages 96-100; and in the Estimated Total Project Costs, Availability of Funds criterion specifically in Attachment-27A and 27B in pages 162-168 in which the Applicant's accountant and identifies the applicants for whom the last two years tax return was provided.

3. Also there was no evidence provided that the applicants had this 2.2 million dollars in cash.

As the Applicant's do not have audited financial statements for the operations, the Applicant provided tax returns (pages 163-168) for the years the facility has been owned and operated by the Applicant. This has been an accepted and recommended practice when audited financial statements are not available. The tax returns show that the facility has net income to fund the project when the three year construction period is considered. Moreover, the Applicant has provided a Board resolution stating that no disbursements or distributions will be given until the project's equity contribution is fully funded. Refer to **EXHIBIT II**.

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4. the assurance you gave that the proposed project will be at target occupancy by the second year after project completion is not acceptable. We need an assurance that after project completion the project will be at target occupancy. We cannot go on the assumption that there will be a phase 2.

The Applicant understands the predicament that has been identified above, as such, it should be noted that the Applicant's "assurance" letter on page 145 provides an unencumbered attestation of the Board's "assurance" requirements. Further, it is with the assumption that Board action will have to be taken prior to any potential additional phase; therefore, the letter provided is not encumbered.

5. The letter from The Private Bank and Trust is not acceptable. We need the letter to state that upon the approval of the certificate of need a mortgage in the amount stated in the application for permit will be approved and the terms and conditions of the mortgage. Language that **uses the terms consider** is no longer acceptable.

A new letter from The Private Bank is appended as **EXHIBIT III**. This letter provides the satisfactory and substantial history of the Applicant in funding the equity portion of their projects and in complying with all the terms of their existing loans, Moreover, The Private Bank, in funding the construction loan states that it requires a project to received a permit before they will finalize any financing.

6. The size of these rooms is also of concern you are proposing room sizes of 181 GSF.. $40,457/224 = 181$. I do not understand that.

Appended as **EXHIBIT IV** are actual room sizes for the completed facility. It should be known that the above calculation is for gross square footage per bed for the nursing department. The nursing department included more than just the room sizes. This department includes the resident rooms, resident bathrooms, the nurses' stations, the med rooms, clean and soiled utility rooms, and related support space to provide resident care.

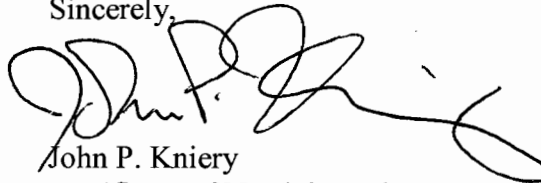
Moreover, the proposed project takes a facility with an average gross square footage per bed from an antiquated 203 gross square feet per bed to a more modern 503 gross square feet per bed. This represents an increase in nearly all department areas within the facility.

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In addition to the above items presented by State Staff, since the filing of this application the State has released a new Inventory of Health Care Facilities and Services and Need Determinations which now shows an excess of 889 nursing beds. Even in light of this recent change, the Applicant is proceeding with the project as it represents a partial modernization of an existing facility for the better utilization of the whole. Moreover, the addition of beds, 21-LTC nursing beds, represents a 10% increase. Such an increase is justified and allowed per the Illinois Health Facilities Planning Act (20 ILCS 3960/5.c) (from Ch. 111 1/2, par. 1155). The only requirement for this project to come before the Health Facilities and Services Review Board is that the project is above the State's predetermined "capital Expenditure" threshold of \$7,062,768.

Should you have any questions or concerns with the information provided herein or with other items of the application, please do not hesitate to contact me. Thanks.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Kniery", written in a cursive style.

John P. Kniery
Certificate of Need Consultant

ENCLOSURES

C: Natan Weiss
Daniel Weiss
Avrum Weinfeld

PALOS HILLS HEALTHCARE

Admissions

We are averaging 3 new medical admissions from a hospital setting per week. We are averaging 4 new admissions per week including those coming from a non-hospital setting and psych new admissions. Our conversion rate continues to remain below 40% excluding June. We deny 43% (thru May) of all referrals. Medicare admissions account for 48% of new medical admissions.

Admission Type	Jan	Feb	March	1Q	April	May	June	2Q	YTD
Long-term medical readmission	6	15	25	46	22	19	8	49	95
Long-term psych readmission	0	1	1	2	0	0	0	0	2
New medical admission (hospital)	16	7	13	36	15	14	12	41	77
New medical admission (not hospital)	2	2	2	6	3	5	7	15	21
New psych admission (hospital)	0	2	1	3	0	0	0	0	3
New psych admission (not hospital)	0	0	0	0	0	0	0	0	0
Readmission	2	1	4	7	1	5	3	9	16
Total	26	28	46	100	41	43	30	114	214

Referrals and Admissions	Jan	Feb	March	1Q	April	May	June*	2Q	YTD
Referral Received	82	70	87	239	81	90	41	212	451
Referrals Denied	33	32	49	114	34	29	22	85	199
Referrals Accepted	49	38	38	125	47	61	19	127	252
New Medical Admissions	18	9	15	42	18	19	19	56	98
New Psych Admissions	0	2	1	3	0	0	0	3	3
Conversion Rate	37%	29%	42%	36%	39%	31%	***	***	36%

For those accepted referrals that were not admitted, 30% went to another SNF, 18% expired in the hospital and 9% went home. Many records do not indicate the result when not admitted.

June referral log only contained records through the 21st of the month.

**INFORMAL ACTION IN LIEU OF A MEETING
OF THE MANAGERS OF
PALOS HILLS HEALTHCARE, L.L.C.,
DATED AS OF JULY 24, 2013**

The undersigned, being all of the Managers of Palos Hills Healthcare, L.L.C., an Illinois limited liability company (the "Company"), do hereby consent to the following actions of the Company:

WHEREAS, the Company is the lessee and operator of a long-term care facility located at 10426 S. Roberts Road, Palos Hills, Illinois (the "Facility").

WHEREAS, the Company intends, subject to receipt of all necessary governmental permits and approvals, to renovate and construct an addition to the Facility (the "Project"); and

WHEREAS, it is in the best interests of the Company that the Project be undertaken and completed;

NOW, THEREFORE, BE IT RESOLVED, that the Company shall undertake the Project and apply for all necessary permits and approvals therefor.

FURTHER RESOLVED, that each of the Managers of the Company, acting singly, is hereby authorized and empowered, in the name of and on behalf of the Company, to make all arrangements, to do and perform all acts and things, and to execute and deliver any and all applications and documents necessary or appropriate in order to effectuate fully the purpose of the foregoing resolution, and any and all actions taken heretofore and hereafter to accomplish those purposes, all or singular, are hereby approved, ratified and confirmed.

FURTHER RESOLVED, that, in the event that the Project is approved and undertaken, the Company shall not return any contribution to any Member or declare or pay any distributions to any Member until at least \$2,200,000 in capital has been contributed to the Project (except that the Company may, if it is otherwise able to do so, pay distributions to its Members sufficient in amount to pay their income tax obligations attributable to their respective shares of the Company's taxable income).

FURTHER RESOLVED, that when this Informal Action in Lieu of a Meeting of the Managers of the Company has been executed, the foregoing resolutions shall be deemed adopted in full force and effect as of the date hereof.

FURTHER RESOLVED, that this Informal Action in Lieu of a Meeting of the Managers of the Company may be executed in multiple counterparts, each of which shall be deemed an original, and taken together, shall constitute one and the same instrument.

NO FURTHER TEXT ON THIS PAGE

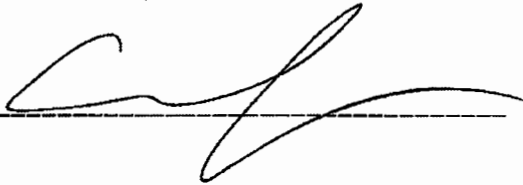
CONSTITUTING ALL OF THE MANAGERS OF PALOS HILLS HEALTHCARE, L.L.C.:



Daniel Weiss, Manager



Natan Weiss, Manager



Avrum Weinfeld, Manager



July 25, 2013

Palos Hills Health Care
c/o Avrum Weinfeld

Dear Mr Weinfeld:

We have worked with you and your affiliates for over five years. You currently have loans commitments of over \$35million. You have been excellent customers, handling all accounts as agreed. In all of the loans, you and your affiliates have provided the equity necessary for a successful transaction.

The Bank has received your request to provide construction financing for the addition to the Palos Hills Health Care, in Palos Hills, IL. In order to issue a term sheet and a commitment letter for financing it is a requirement that the CON first be obtained as projects need final zoning approval, final architectural drawings which are approved by IDPH architects so that contractors can provide final bids and on the basis of these, the Bank can make the construction financing for the project. As such, although we are very interested in this project, we cannot begin the approval process until the project has received its CON permit.

Please feel free to contact me as noted below.

Sincerely,

A handwritten signature in black ink, appearing to read "Bluma Broner".

Bluma Broner
Managing Director
(312) 564-1222
bbroner@theprivatebank.com

cc: Fritz Kieckhefer



SAS
ARCHITECTS
& PLANNERS

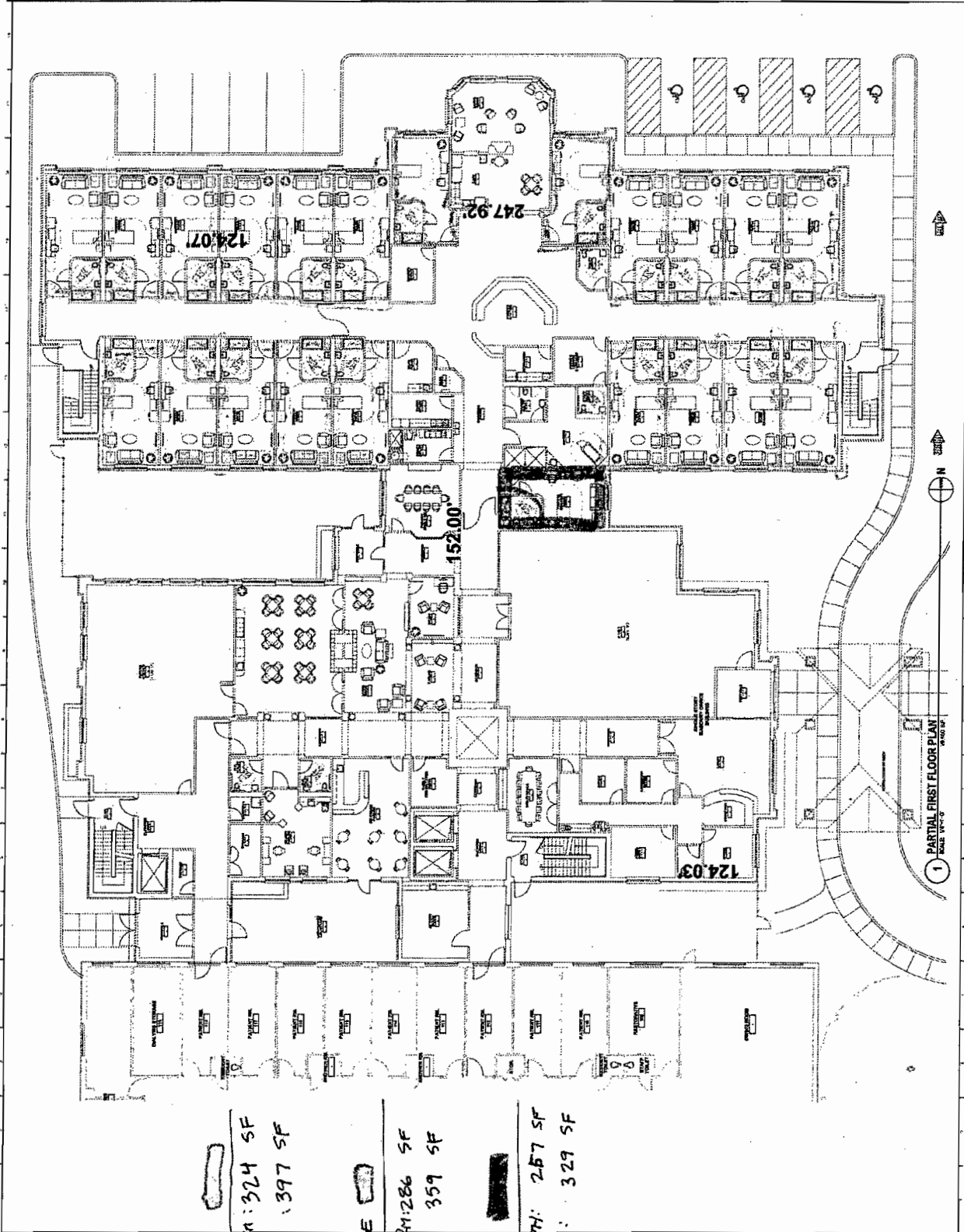
10428 S. ROBERTS RD.
PALOS HILLS, ILLINOIS 60463
TEL: 708.381.1234
FAX: 708.381.1235

PALOS HILLS HEALTHCARE
PARTIAL FIRST FLOOR PLAN
10428 S. ROBERTS RD.
PALOS HILLS, ILLINOIS



NO.	DESCRIPTION	DATE
1	PALOS HILLS HEALTHCARE	12/10/07
2	REVISIONS	
3	REVISIONS	
4	REVISIONS	
5	REVISIONS	
6	REVISIONS	
7	REVISIONS	
8	REVISIONS	
9	REVISIONS	
10	REVISIONS	

A101
PARTIAL FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0"



Typ. 1 BED
w/out BATH RM: 324 SF
w/ BATH: 397 SF

SPECIAL CARE
w/out BATH RM: 286 SF
w/ BATH: 359 SF

SINGLE #1
w/out BATH: 257 SF
w/ BATH: 329 SF



SAS ARCHITECTS & PLANNERS
 10426 S. ROBERTS RD.
 PALOS HILLS, ILLINOIS 60463
 TEL: 708.399.1100 FAX: 708.399.1101

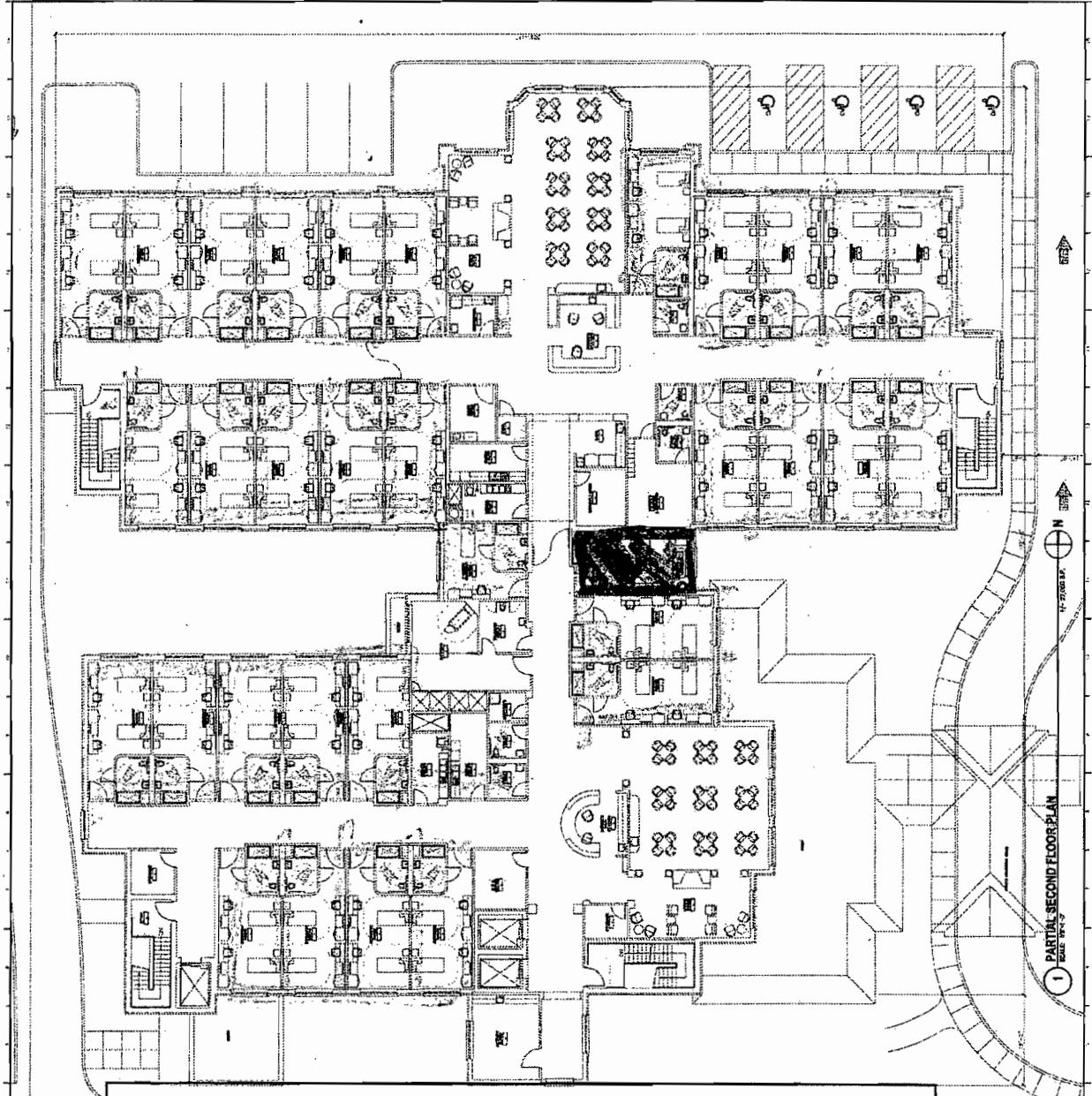
PALOS HILLS HEALTHCARE
 10426 S. ROBERTS RD.
 PALOS HILLS, ILLINOIS
PARTIAL SECOND FLOOR PLAN



NO.	DESCRIPTION	DATE
1	PALOS HILLS HEALTHCARE	10/07/11
2	OWNER REVIEW	11/02/11
3	PLANS CORRECTIONS	11/08/11
4	REVISED PLANS	11/15/11
5	OWNER REVIEW	11/22/11

DATE: 11/15/11
 DRAWN BY: [Name]
 CHECKED BY: [Name]
 APPROVED BY: [Name]
 JOB NO.: [Number]
 SHEET NO.: A102

A102



TYP 2-BED	324
w/OUT BATH :	324
w/ BATH :	397
SINGLE #1	297 SF
w/OUT BATH :	297 SF
w/ BATH :	329 SF
SINGLE #2	215 SF
w/OUT BATH :	215 SF
w/ BATH :	287 SF

1 PARTIAL SECOND FLOOR PLAN
 SCALE 1/8" = 1'-0"