STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO:	BOARD MEETING:	PROJECT NO:	PROJECT COST:
H-06	June 2, 2015	15-008	Original: $10,270,327
FACILITY NAME: Applewood Rehabilitation Center, LLC		CITY: Matteson	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants are (Applewood Property, LLC (Property/Owner) and Applewood Rehabilitation Center, LLC (Operator/Licensee)) proposing the renovation of Applewood Rehabilitation Center to include the modernization of the existing 115 licensed nursing care bed facility and the addition of 39 nursing care beds located at 21020 Kostner Avenue, in Matteson, Illinois. At the conclusion of the project the applicants will have 154 long term care beds. The total project cost is $10,270,327. **The anticipated completion date is December 31, 2017.**

EXECUTIVE SUMMARY

DESCRIPTION:

- The applicants are (Applewood Property, LLC (Property/Owner) and Applewood Rehabilitation Center, LLC (Operator/Licensee)) proposing the renovation of Applewood Rehabilitation Center to include the modernization of the existing 115 licensed nursing care bed facility and the addition of 39 nursing care beds located at 21020 Kostner Avenue, in Matteson, Illinois. At the conclusion of the project the applicants will have 154 long term care beds. The total project cost is $10,270,327. **The anticipated completion date is December 31, 2017.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing to add in excess of the lesser of 10% or 20 beds and the proposed project is in excess of the capital expenditure minimum of $7,161,646.

PURPOSE OF THE PROJECT:

- The purpose of the project is to modernize the existing 115 long term care beds and add 39 private bed rooms to reduce the high utilization at the facility.

PUBLIC COMMENT:

- An opportunity of a public hearing was provided however no hearing was requested. No letters of support or opposition were received by the State Board Staff.

SUMMARY:

- For the modernization and the expansion of an existing facility the State Board requires the applicants to provide documentation that the facility will provide care to residents of the planning area, there is demand for the nursing care service in the planning area, the proposed expansion will improve access, and the proposed expansion will not result in a unnecessary duplication or mal-distribution of service or will have an impact on other long term care facilities in the planning area.
- The applicants have averaged 89% occupancy over the past 3 years (CY 2011-2013). **Medicaid residents** accounted for 76% of the patient days over these three years. Further, Medicare patients accounted for **15% of the patient days** over this same three year period. The facility has a two-star rating from the Medicare Nursing Home website: http://www.medicare.gov/nursinghomecompare/search.html. However the facility has not received any fines or payment denials from Medicare over the past 3 years.
- The applicants have provided care to residents in the planning area and there appears to be sufficient demand for the additional beds, based upon the historical utilization of the facility. It does appear that access will be improved with the expansion based on the large number of Medicaid days currently being provided at the facility. In addition the proposed expansion does not appear to be an unnecessary duplication or maldistribution of service because of the high utilization at the facility. Nor does it appear that other facilities will be impacted by the proposed project. **However the proposed additional beds will be in private rooms**

- However the State Board Staff is concerned with the financing of the project. The loan of $9 million is a five year construction loan and not permanent financing. There was nothing in the application material that indicated that long term financing had been secured. The cash portion of the financing will be from current operations. The applicants have provided unaudited financial information for the licensee operating entity and no financial statements for the owner of the property. The unaudited financial statements indicate the facility is profitable and has averaged approximately $400,000 annually in net income (unaudited) from CY 2011-CY2013. However there was no information provided by the applicants of the amount of free cash flow that would be used to finance the cash portion of the project.

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1125.800 – Availability of Funds	The mortgage loan is not permanent financing (construction loan), and it is unclear if the non permanent financing will be secured from the materials provided by the applicants. Further it is unclear if sufficient cash is available.

STATE BOARD STAFF REPORT
Applewood Rehabilitation Center, LLC
Project #15-008

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Applewood Property, LLC and Applewood Rehabilitation Center, LLC.
Facility Name	Applewood Rehabilitation Center, LLC
Location	21020 Kostner Avenue, Matteson, Illinois
Permit Holder	Applewood Rehabilitation Center, LLC
Operating Entity	Applewood Rehabilitation Center, LLC
Owner of the Site	Applewood Property, LLC
Application Received	February 9, 2015
Application Deemed Complete	February 10, 2015
Can applicants request a deferral?	Yes
Review Period Extended by the State Board Staff?	No

I. Project Description

The applicants are (Applewood Property, LLC (Property/Owner) and Applewood Rehabilitation Center, LLC (Operator/Licensee)) proposing the renovation of Applewood Rehabilitation Center to include modernization of the existing 115 licensed nursing bed facility and the addition of 39 nursing care beds located at 21020 Kostner Avenue, in Matteson, Illinois. At the conclusion of the project the applicants will have 154 long term care beds. The total project cost is $10,270,327. **The anticipated completion date is December 31, 2017.**

II. State Board Findings

A. The State Board Staff finds the proposed project is in conformance with Part 1125.

B. The State Board Staff finds the proposed project is in conformance with Part 1125.800.

III. General Information

The applicants are Applewood Property, LLC and Applewood Rehabilitation Center, LLC. The owner of the site is Applewood Property, LLC and the operating entity licensee is Applewood Rehabilitation Center, LLC. The facility is located at 21020 Kostner Avenue, Matteson, Illinois in the long term care planning area 7-E. The operating entity licensee is Applewood Rehabilitation Center, LLC and the owner of the site is Applewood Property, LLC. Project obligation will occur after permit issuance. This project is a substantive project subject to Part 1125 and 1125.800 review.

IV. Health Planning Area 7-E

There is a calculated excess of 879 long term care beds in the 7-E long term care planning area. Long term care planning area 7-E consists of the Cook County Townships of Lyons, Lemont, Palos, Orland, Stickney, Worth, Calumet, Bremen, Thornton, Rich and Bloom. In 2013 there were 57 long term care facilities in this long term care planning area with 9,007 licensed nursing care beds. At the conclusion of this report is a listing of facilities in the 7-E long term care planning area.

TABLE ONE
Summary of 7-E Planning Area CY 2013 (1)

Licensed Beds	Peak Beds Set-Up	Peak Beds Used	Beds Set-up	Beds In Use	Available Beds	Licensed Bed Occupancy	Peak Bed Set-Up Occupancy
9,007	8,686	7,881	8,602	7,147	1,860	79.00%	81.90%

1. Information taken from Long term care 2013 Annual Questionnaire

V. Project Details

The applicants, Applewood Property, LLC (Owner) and Applewood Rehabilitation Center, LLC (Operator/Licensee) together are proposing the renovation of Applewood Rehabilitation Center to include the modernization of the existing 115 licensed nursing bed facility and the addition of 39 additional nursing care beds located at 21020 Kostner Avenue, Matteson, in Health Planning Area 7E. If the project is approved the total licensed nursing care beds will be 154 beds in a total of 67,853 gsf comprised in a single story structure with a partial basement. There are 39,141 gsf of existing space (28,905 gsf renovated, 9,722 gsf as is, and 514 gsf vacated) and 29,226 gsf of newly constructed space. The total project cost is estimated to be $10,270,327 of which will be funded with $1,270,327 of cash and the balance of $9,000,000 will be financed through a mortgage.

VI. Project Costs and Sources of Funds

The applicants are funding this project with cash of $1,270,327 and a mortgage of $9,000,000.

TABLE TWO Project Costs and Sources of Funds			
USE OF FUNDS	**Clinical**	**Nonclinical**	**Total**
Site Survey and Soil Investigation	$10,541	$6,959	$17,500
Site Preparation	$60,233	$39,767	$100,000
Off Site Work	$14,701	$9,706	$24,407
New Construction Contracts	$3,872,446	$2,556,648	$6,429,094
Modernization Contracts	$1,087,093	$717,716	$1,804,809
Contingencies	$128,773	$85,018	$213,791
Architectural/Engineering Fees	$402,153	$265,507	$667,660
Consulting and Other Fees	$48,187	$31,813	$80,000
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)	$51,509	$34,007	$85,516
Other Costs To Be Capitalized	$510,506	$337,044	$847,550
TOTAL USES OF FUNDS	$6,186,142	$4,084,185	$10,270,327
SOURCE OF FUNDS	**Clinical**	**Nonclinical**	**Total**
Cash and Securities			
Pledges	$765,158	$505,169	$1,270,327
Mortgages	$5,420,984	$3,579,016	$9,000,000
TOTAL SOURCES OF FUNDS	$6,186,142	$4,084,185	$10,270,327

VII. Costs Space Requirements

The applicants are proposing 40,870 gsf of clinical space and 26,983 gsf of non-clinical space. Only the clinical space is being reviewed as per 20 ILCS 3960.

TABLE THREE
Costs Space Requirements

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
CLINICAL							
New Resident Rooms and Bathroom	$1,628,649	376	10,760	10,384	376		
Existing Rooms	$2,136,618	14,116	14,116		14,116		
Existing Room Closet	$161,805	1,069	1,069			1,069	
Nursing Support	$84,006	555	555		555		
Utility Support	$114,278	755	755			755	
Living Dining Activity	$1,059,681	3,544	7,001	3,717	3,284		
PT/OT	$407,616		2,693	2,693			
Shower rooms Toilet	$129,111	853	853		183	670	260
Exam Dr. Lounge	$43,592	288	288		288		
Food Service	$264,428		1,747	1,747			
Laundry Service	$89,606	592	592		592		
Beauty Parlor	$66,750	441	441		441		
Total	$6,186,140	22,589	40,870	18,541	19,835	2,494	260
NON CLINICAL							
Office Administration	$485,567	1,326	3,208	2,035	1,173		153
Commons	$153,935		1,017	1,017			
Canopies	$256,104		1,692	1,692			
Electrical Room	$91,574	504	605	101	128	376	
Mechanical/Trash	$103,531		684	684			
Maintenance	$81,735	540	540			540	
Building Support	$1,365,280	3,864	9,020	5,156	319	3,545	
Building Storage	$344,499	2,276	2,276			2,276	
Existing Corridor/Vestibule	$1,201,961	8,042	7,941		7,450	491	101
Total	**$4,084,186**	**16,552**	**26,983**	**10,685**	**9,070**	**7,228**	**254**

VIII. Section 1125.320 and 1125.330 - Purpose and Alternatives

A) Criterion 1125.320 – Purpose of the Project

The applicants shall document the purpose of the project.

The applicants are proposing this project to provide for private rooms at the existing facility. The facility currently has 115 long term care beds with 1 private room. In addition this modernization and expansion is to address the high utilization of the facility, meet current standard of care, and update a 50 year old facility.

B) Criterion 1125.330 - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the LTC needs of the population to be served by the project.

1. **Project of Lesser Scope**
   The applicants rejected the alternative of modernizing the existing facility because it would not meet the need for private rooms and would not meet current standards of care. The anticipated cost of the modernization only is $2,075,530.

2. **Total Replacement of the facility**
   The applicants rejected this because it would be too costly approximately $15,248,310.

3. **Joint Venture**
   This alternative was not considered.

IX. Section 1125.520 - Planning Area Need

A) Criterion 1125.520 (b) (1) (3) - Background of Applicant

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* LTC *service for the community*

The applicants are Applewood Property, LLC and Applewood Rehabilitation Center, LLC. The applicants identified all members of the licensee/operating entity that own 5% or more of the limited liability company as required and identified the related entities. See below.

Atied Associates, LLC	30.60%
Barrish Bryan trust dtd 9/1/04	11.35%
Barrish Group Limited Partnership	11.35%
Gesualdo Ralph	11.35%
Ralph Gesualdo Childrens Trust	11.35%
Total	76.00%

The related entities are	**Barrish**	**Gesualdo**	**Giannini**
Albany Care, Inc.	7.314%		7.314%

Bryn Mawr Care, Inc.	13.506%		
Columbus Park Nursing & Rehab Center, Inc.	7.193%		6.604%
Decatur Manor Healthcare, LLC	8.799%	8.799%	
Elmwood Care, Inc	14.250%		11.574%
Generations HCN at Oakton Pavillion, LLC	16.375%	8.188%	
Greenwood Care, Inc.	15.517%		
Neighbors Rehabilitation Center, LLC	12.748%	12.748%	10.786%
Regency Rehabilitation Center, LLC	12.153%	12.153%	10.417%
Rock Island Nursing & Rehab Center, LLC	9.479%	9.479%	
Wilson Care, Inc.	11.111%		

The applicants have provided the necessary information to be in compliance with Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas and with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1that no historic, architectural or archeological sites exist within the project area. The applicants have attested that no adverse actions have occurred within the past three years of filing of this application for permit for Applewood Rehabilitation Center, LLC and related facilities.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1125.520 (b) (1) (3)

B) Criterion 1125.530 (b) - Service to Planning Area Residents
Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary LTC to the residents of the area in which the proposed project will be physically located.

The applicants have stated their primary service area as 30 minutes in all directions. The applicants have provided resident/patient origin information for all admissions for the last 12-month period, that verified that at least 50% of admissions were residents of the area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SERVICE TO PLANNING AREA RESIDENTS (77 IAC 1125.530 (b))

C) Criterion 1125.550 – Service Demand
The number of beds to be added at an existing facility is necessary to reduce the facility's experienced high occupancy and to meet a projected demand for service.

The applicants over the past three years have averaged 89% occupancy for their current 115 bed facility. Seventy-six percent of the applicants' patient days over the past three years have been Medicaid days and 14% have been Medicare days. In addition the applicants were unable to provide a bed to 45 individuals that were referred to the facility over the past 12 months because there was no bed. The applicants also provided referral letter from the following:

Advocate South Suburban Hospital	50 patients annually
Franciscan Physician Network	100 patients annually
Franciscan Saint James Health	111 patients annually
MetroSouth Medical Center	24 patients annually
Total	285 annually

It would appear that there is sufficient demand for the additional 39 beds.

TABLE FOUR
Patient days for CY 2011- CY2013

Calendar Year	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Total	Bed Utilization
2011	6,100	26,642	1,927	309	2,669	0	37,647	89.69%
2012	5,060	27,834	0	615	3,151	0	36,660	87.34%
2013	4,887	29,995	0	492	2,130	0	37,504	89.35%
Total	16,047	84,471	1,927	1,416	7,950	0	111,811	88.79%
	14.35%	**75.55%**	**1.72%**	**1.27%**	**7.11%**			

THE STATE BOARD STAFF FINDS THE PROPOSE PROJECT IN CONFORMANC WITH CRITERION SERVICE DEMAND (77 IAC 1125.550)

D) Criterion 1125.590 - Staffing Availability
The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that staffing requirements of licensure, certification and applicable accrediting agencies can be met.

The facility is currently certified for Medicare and Medicaid; therefore the State Board is relying on that certification that appropriate staff will be hired and maintained to meet Medicare and Medicaid standards.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY (77 IAC 1125.590)

E) Criterion 1125. 600 - Bed Capacity
The maximum bed capacity of a general LTC facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient/resident 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.

The applicants are proposing a 154 bed facility; which is less than the maximum capacity of 250 beds.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BED CAPACITY (77 IAC 1125.600)

F) Criterion 1125.620 Project Size

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive.

Upon project completion, Applewood Rehabilitation Center will comprise 67,853 gross square feet of space for 154 nursing care beds. This equates to 440.60 gsf per bed upon project completion. It should be noted that the proposed project is in compliance with this criterion as the full bed compliment is within the range limit of 435-713 gross square feet per bed.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT SIZE (77 IAC 1125.620)

G) Criterion 1125.640 - Assurances

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 Section 1125.210(c) for each category of service involved in the proposal.

Dianne O'Connor Facility Administrator stated *"this is to certify that Applewood Rehabilitation Center understands and intends to maintain capacity of newly constructed unit at an in house annual bed census of 90% or greater by the second year of operation after the project completion. The facility will provide sorely needed private rooms within this unit which are currently often requested by consumers but that the facility is currently unable to provide. In addition, the proposed therapy gym will be of an adequate size to allow facility to provide additional equipment needed by therapists to properly treat a variety of diagnosed conditions thus allowing facility to accept a wider range of potential consumers."*

H) Criterion 1125.650 – Modernization

If the project involves modernization of a category of LTC bed service, the applicant shall document that the bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized.

The applicants stated the following: *"More specifically, Applewood Rehabilitation Center is currently less able to attract and accommodate many potential residents due to the following issues: The number of residents requiring isolation has risen due partly to the increased infection screenings done at hospitals. This facility consists of all but one two-bed rooms with a connecting bathroom. Should a resident require strict isolation, two two-bed rooms are often utilized to accommodate just one resident due to the fact that an isolated resident must have a private bathroom that cannot be shared with any other resident. Additionally, potential residents are demanding private rooms with private bathrooms. Many potential admissions are not interested in recuperating in a semiprivate room and sharing a toilet with up to three other patients. The facility also lacks the space to provide a state of the art therapy gym and equipment as well as other therapy related lab-areas such as a home type bedroom, kitchen, and laundry room.*

These areas are needed by professional therapists to work with patients in a home-like environment in order to prepare them for their return to the community. Finally, the building, although clean and well maintained, is lacking in the updates aesthetics that both families and residents desire. Collectively, for the aforementioned issues the modernization is being proposed.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION MODERNIZATION (77 IAC 1125.650)

FINANCIAL

A. Criterion 1125.800 – Availability of Funds

The applicants are funding this project with cash of $1,270,327 and a mortgage of $9,000,000. The cash and securities that will be used to fund the project are coming out of the facility's existing cash and the cash generated through ongoing operations. The mortgage will be a construction loan for 18 months and min-perm mortgage for 42 months. The total term of the loan is 60 months. Monthly payments are estimated to be $16,000 per month.

TABLE FIVE
Applewood Rehabilitation Center, LLC
Financial Statements

Assets		**Review**	**Review**
Current assets:	**2013**	**2012**	**2011**
Cash	51,340.00	8,900.00	48,412.00
Accounts receivable	1,419,847.00	2,108,292.00	3,393,070.00
Pre-paid expenses	25,976.00	40,515.00	33,669.00
Total current assets	**1,497,163.00**	**2,187,707.00**	3,475,151.00
Fixed assets:	**2007**	**2008**	2008
Property and equipment	470,049.00	333,882.00	255,035.00
Less accumulated depreciation	(55,780.00)	(25,211.00)	(6,558.00)
Total fixed assets	**414,269.00**	**308,671.00**	248,477.00
Other assets:	**2013**	**2012**	2011
Other	815,180.00	624,352.00	620,083.00
Total other assets	**815,180.00**	**624,352.00**	624,352.00
Total assets	**2,726,612.00**	**3,120,730.00**	**4,343,711.00**
Liabilities and owner's equity			
Current liabilities:	**2013**	**2012**	2011
Accounts payable	157,063.00	191,818.00	247,839.00
Accrued liabilities	351,317.00	937,888.00	678,760.00
Line of Credit	-	-	1,725,000.00
Other	61,396.00	8,943.00	4,694.00
Total current liabilities	**569,976.00**	**1,138,649.00**	2,656,293.00

TABLE FIVE Applewood Rehabilitation Center, LLC Financial Statements			
Assets		**Review**	**Review**
Owner's equity:	**2013**	**2012**	2011
Investment capital	1,270,000.00	1,707,419.00	1,230,000.00
Accumulated retained earnings	886,636.00	274,662.00	457,418.00
Total owner's equity	**2,156,636.00**	**1,982,081.00**	1,687,418.00
Total Liabilities Equity	**2,726,612.00**	**3,120,730.00**	**4,343,711.00**
	2013	**2012**	**2011**
Resident Income	$6,686,795.00	$6,748,197.00	$5,772,889.00
Expenses	$6,354,427.00	$6,346,535.00	$5,315,471.00
Net Income	$332,368.00	$401,662.00	$457,418.00

The mortgage as outlined above is not permanent financing and there was no indication in the information provided by the applicants that permanent financing has been obtained. There has been no commitment from Private Bank that the construction loan and min-perm financing has been approved.

The amount of cash for the project will come from cash from operations. To assess whether the applicants had sufficient cash the applicants provided 2 years of reviewed financial statements for Applewood Rehabilitation Center, LLC and 1 year of financial information that was not audited, reviewed or compiled by an outside auditor

The State Board Staff have reviewed the historical and projected financial data provided by the applicants and have concluded that it is unclear where the cash for this project will come from and the uncertainty with the mortgage financing.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1125.800)

B. Criterion 1125.800 - Financial Viability

The applicants are funding this project with cash of $1,270,327 and a mortgage of $9,000,000. The applicants do not meet the debt capitalization ratio for all years presented for Applewood Properties, LLC.

TABLE SIX Applewood Rehabilitation Center, LLC (operator/ licensee)					
	State				
Ratios	**Standard**	**2013**	**2014**	**2015**	**2019**
Current Ratio	>1.5	2.6	1.9	1.6	1.9
Net Margin %	2.5%	24.80%	30.70%	41.70%	44.10%
Debt Service Coverage	>1.5	1274.5	0	86.6	339.2
Debt Capitalization Ratio	<80%	0	0	0	0
Days Cash on Hand	45 days	136.7	68.6	98.9	81.5
Cushion Ratio	3	28.6	14.3	21.5	25.6
Applewood Property, LLC (property owner)					
	State				
	Standard	**2013**	**2014**	**2015**	**2019**
Current Ratio	>1.5	8	9.3	9.8	6.4
Net Margin %	2.5%	87.80%	89.30%	89.80%	67.70%
Debt Service Coverage	>1.5	18.1	44.6	46.7	2.1
Debt Capitalization Ratio	<80%	56.10%	53.20%	50.20%	75.30%
Days Cash on Hand	45 days	314.3	630.5	954.1	572.5
Cushion Ratio	3	8.9	39.4	63.1	2.1

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1125.800)

Economic Feasibility

A) Criterion 1125.800 (a) - Reasonableness of Financing Arrangements
B) Criterion 1125.800 (b) – Terms of Debt Financing

The applicants are funding this project with cash of $1,270,327 and a mortgage of $9,000,000. The cash and securities that will be used to fund the project are coming out of the facility's existing cash and the cash generated through ongoing operations. The mortgage will be a construction loan for 18 months and min-perm mortgage for 42 months. The total term of the loan is 60 months. Monthly payments are estimated to be $16,000 per month. The mortgage as outlined above is not permanent financing and there was no indication in the information provided by the applicants that permanent financing has been secured.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1125.800(a) (b)

C) Criterion 1125.800 – Reasonableness of Project Costs

Site Survey Soil Investigation and Site Preparation – these costs are $70,774 and are 1.39% of new construction, modernization and contingencies. This appears reasonable when compared to the State Board Standard of 5%.

Off Site Work – these costs are $14,701. The State Board does not have a standard for these costs.

New Construction and Contingencies – these costs are $3,972,889 or $208.86. This appears reasonable when compared to the State Board Standard of $254.36

Modernization and Contingencies – these costs are $1,115,423 or $56.23. These costs appear reasonable when compared to the State Board Standard of $178.05.

Contingency costs – these costs are $128,773 or 2.6% of new construction and modernization costs. This appears reasonable when compare to the State Board Standard of 10-15%.

Architectural and Engineering Costs are $402,153. These costs are 7.9% of new construction modernization and contingency costs.

Consulting costs are $48,187. The State Board does not have a standard for these costs.

Interest Costs during construction are $51,509**.** The State Board does not have a standard for these costs.

Other costs to be capitalized **–** these costs are $510,506**.** The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT OPERATING COSTS (77 IAC 1125.800 (c))

D) Criterion 1125.800 (d) - Project Operating Costs

The projected operating cost per patient day is $114.10 for CY 2019.

Salaries	$4,474,000
Benefits	$ 912,000
Supplies	$ 388,000
Patient Days	(90% 50,589)
Total	Operating Cost/PT Day $5,774,000/ 50,589
	$114.10

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT OPERATING COSTS (77 IAC 1125.800 (d))

E) Criterion 1125.800 (e) - Total Project Capital Costs

The capital costs per patient day is $17.38 for CY 2019

Depreciation Expense	$327000
Interest Expense	$552,000
PT Days	(90% 50,589)
Total/Operating Cost/PT Day	$879,000
	$17.38

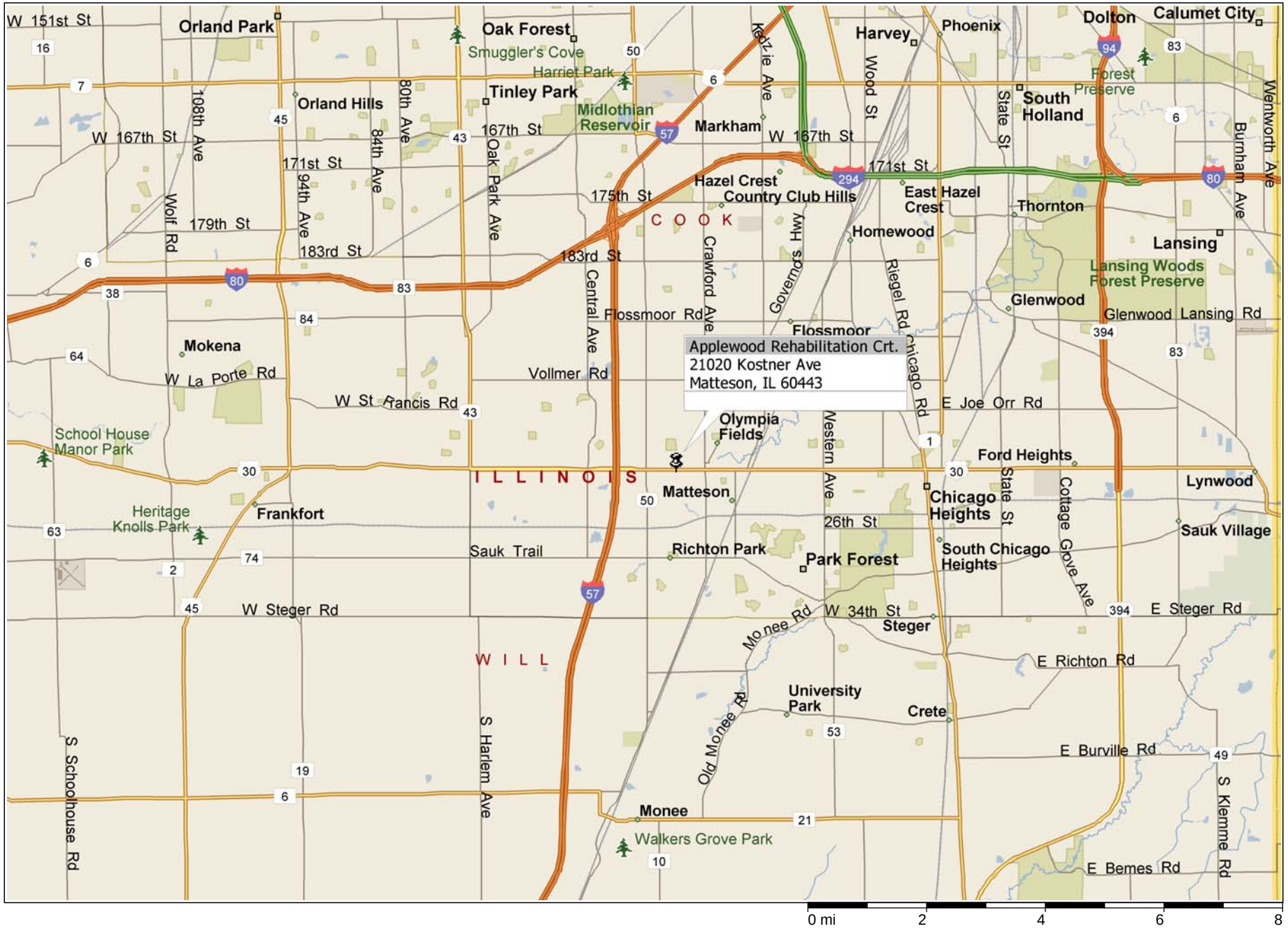
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TOTAL PROJECT CAPITAL COSTS (77 IAC 1125.800 (e))

Facility	City	Beds	Medicare	Medicaid	Private Insurance	Private Payment	Charity	Other Payment	Occupancy
Advocate South Suburban Hospital	Hazel Crest	41	66.27%	0.00%	33.73%	0.00%	0.00%	0.00%	69.92%
Alden Estates Of Orland Park	Orland Park	200	61.69%	18.11%	4.95%	12.43%	0.00%	2.82%	71.39%
Applewood Nrsg. & Rehab Center	**Matteson**	**115**	**13.01%**	**80.00%**	**1.31%**	**5.68%**	**0.00%**	**0.00%**	**89.32%**
Brentwood Sub-Acute Hlth.-Care	Burbank	163	59.94%	0.00%	32.52%	7.54%	0.00%	0.00%	57.52%
Briar Place	Indian Head Park	232	4.09%	90.53%	0.09%	1.20%	0.00%	4.09%	92.65%
Bridgeview Health Care Center	Bridgeview	146	13.02%	64.26%	0.00%	22.72%	0.00%	0.00%	79.62%
Chicago Ridge Nursing Center	Chicago Ridge	231	6.12%	84.90%	1.72%	4.72%	0.00%	2.54%	94.55%
Concord Nursing & Rehab Center	Oak Lawn	134	7.84%	71.79%	0.11%	5.72%	0.00%	14.53%	87.32%
Countryside Nursing & Rehab Ctr	Dolton	197	7.33%	90.80%	0.01%	1.53%	0.00%	0.33%	86.80%
Crestwood Terrace Nursing Center	Crestwood	126	0.00%	99.28%	0.00%	0.72%	0.00%	0.00%	92.83%
Dolton Nursing & Rehabilitation	Dolton	80	14.75%	82.30%	0.12%	2.82%	0.00%	0.00%	83.63%
Evergreen Health Care Center	Evergreen Park	242	40.18%	32.46%	22.00%	5.36%	0.00%	0.00%	51.78%
Exceptional Health Care	Burbank	56	22.34%	68.96%	0.60%	8.09%	0.00%	0.00%	95.68%
Franciscan Village	Lemont	127	24.88%	20.10%	0.77%	54.25%	0.00%	0.00%	84.24%
Glenshire Nursing & Rehab Centre	Richton Park	294	6.69%	87.58%	1.97%	1.37%	0.00%	2.38%	67.62%
Glenwood Healthcare & Rehab	Glenwood	184	9.53%	74.66%	0.00%	2.19%	0.00%	13.62%	75.22%
Heather Health Care Center	Harvey	173	3.59%	91.73%	0.03%	0.80%	0.00%	3.84%	71.29%
Hickory Nursing Pavilion	Hickory Hills	74	5.65%	94.32%	0.00%	0.02%	0.00%	0.00%	87.87%
Holy Family Villa	Palos Park	99	8.38%	42.88%	0.16%	47.47%	1.10%	0.00%	94.89%
King-Bruwaert House	Burr Ridge	49	0.00%	0.00%	0.00%	78.06%	21.94%	0.00%	83.71%
Lemont Nursing & Rehab Center	Lemont	158	35.56%	41.42%	1.26%	21.75%	0.00%	0.00%	89.19%
Lexington Health Care Center	Orland Park	278	21.67%	71.62%	3.21%	3.50%	0.00%	0.00%	80.93%
Lexington Of Chicago Ridge	Chicago Ridge	203	20.22%	60.30%	12.98%	6.51%	0.00%	0.00%	85.51%
Lexington Of Lagrange	Lagrange	120	60.19%	18.97%	11.53%	9.31%	0.00%	0.00%	79.95%
Lydia Healthcare	Robbins	412	0.00%	54.53%	41.78%	0.55%	0.00%	3.15%	83.04%
Manorcare Of Homewood	Homewood	132	37.95%	40.67%	7.61%	3.59%	0.02%	10.17%	84.56%
Manorcare Of Oak Lawn East	Oak Lawn	122	45.54%	29.75%	19.15%	5.23%	0.06%	0.27%	87.06%
Manorcare Of Oak Lawn West	Oak Lawn	192	39.22%	41.04%	7.96%	7.95%	0.16%	3.66%	71.43%
Manorcare Of Palos Heights East	Palos Heights	184	69.87%	15.29%	8.38%	6.37%	0.10%	0.00%	90.24%
Manorcare Of Palos Heights West	Palos Heights	130	53.61%	22.96%	6.08%	11.22%	0.19%	5.94%	87.68%
Manorcare Of South Holland Il, Llc	South Holland	216	43.42%	34.13%	13.95%	4.95%	0.18%	3.38%	77.42%

Facility	City	Beds	Medicare	Medicaid	Private Insurance	Private Payment	Charity	Other Payment	Occupancy
Mcallister Nursing & Rehab	Tinley Park	111	19.28%	69.93%	0.00%	10.79%	0.00%	0.00%	56.01%
Meadowbrook Manor Lagrange	Lagrange	197	9.41%	62.08%	1.14%	27.37%	0.00%	0.00%	65.89%
Midway Neurological & Rehab Center	Bridgeview	404	5.48%	92.51%	1.14%	0.86%	0.00%	0.00%	80.63%
Oak Lawn Respiratory & Rehab Center	Oak Lawn	143	9.04%	90.37%	0.00%	0.59%	0.00%	0.00%	60.06%
Palos Hills Healthcare	Palos Hills	203	12.84%	78.19%	1.00%	7.97%	0.00%	0.00%	69.31%
Park Villa Nursing & Rehab Center	Palos Heights	101	48.48%	44.18%	3.76%	3.58%	0.00%	0.00%	70.15%
Pershing Gardens Healthcare Center	Stickney	51	15.65%	72.86%	2.13%	9.35%	0.00%	0.00%	74.85%
Pine Crest Health Care	Hazel Crest	199	5.46%	92.14%	0.05%	0.01%	0.00%	2.34%	84.56%
Plaza Nursing & Rehab Center	Midlothian	91	7.37%	92.15%	0.35%	0.13%	0.00%	0.00%	84.65%
Plymouth Place	Lagrange Park	86	45.82%	0.00%	1.77%	52.41%	0.00%	0.00%	84.78%
Prairie Manor Nursing & Rehab	Chicago Heights	148	27.81%	60.60%	0.39%	11.21%	0.00%	0.00%	88.99%
Providence Of Palos Heights	Palos Heights	193	44.06%	24.43%	10.48%	21.03%	0.00%	0.00%	67.88%
River Oaks Healthcare And Rehab	Burnham	309	10.86%	88.90%	0.05%	0.18%	0.00%	0.00%	95.67%
Riviera Care Center	Chicago Heights	200	0.00%	99.94%	0.06%	0.00%	0.00%	0.00%	96.77%
Rosary Hill Home	Justice	29	0.00%	0.00%	0.00%	95.05%	4.95%	0.00%	100.00%
South Suburban Rehab Center	Homewood	259	12.15%	80.26%	0.42%	7.16%	0.00%	0.00%	65.85%
Symphony Of Crestwood	Crestwood	303	14.13%	65.22%	4.35%	15.97%	0.00%	0.33%	74.61%
The Grove Of Lagrange Park	Lagrange Park	131	18.82%	63.02%	5.99%	12.17%	0.00%	0.00%	86.01%
The Villa At South Holland	South Holland	171	51.94%	32.46%	4.67%	10.93%	0.00%	0.00%	45.67%
Thornton Heights Terrace	Chicago Heights	222	0.00%	99.82%	0.00%	0.18%	0.00%	0.00%	88.74%
Tri-State Manor Nursing Home	Lansing	84	20.67%	75.47%	0.71%	3.15%	0.00%	0.00%	90.34%
Windmill Nursing Pavilion	South Holland	150	10.07%	81.92%	0.00%	8.01%	0.00%	0.00%	64.04%
Woodside Manor	South Chicago Heights	112	10.22%	88.72%	0.26%	0.79%	0.00%	0.00%	95.78%

1. Information taken from 2013 IDPH Annual Long Term Care Profile Information

15-008 Applewood Rehabilitation Center



APPLEWOOD NRSG & REHAB CENTER
21020 KOSTNER AVENUE
MATTESON, IL. 60443

Reference Numbers Facility ID 6000467
Health Service Area 007 Planning Service Area 705

Administrator
Dianne O'Connor

Contact Person and Telephone
DIANNE O'CONNOR
708-747-1300

Date Completed
4/1/2014

Registered Agent Information
Sarah Barrish
6840 N. Lincoln Ave
Liincolnwood, IL 60712

ADMISSION RESTRICTIONS

Aggressive/Anti-Social	1
Chronic Alcoholism	0
Developmentally Disabled	1
Drug Addiction	1
Medicaid Recipient	0
Medicare Recipient	0
Mental Illness	0
Non-Ambulatory	0
Non-Mobile	0
Public Aid Recipient	0
Under 65 Years Old	0
Unable to Self-Medicate	0
Ventilator Dependent	1
Infectious Disease w/ Isolation	0
Other Restrictions	0
No Restrictions	0

Note: Reported restictions denoted by '1'

RESIDENTS BY PRIMARY DIAGNOSIS

DIAGNOSIS	
Neoplasms	3
Endocrine/Metabolic	2
Blood Disorders	0
*Nervous System Non Alzheimer	9
Alzheimer Disease	2
Mental Illness	0
Developmental Disability	0
Circulatory System	67
Respiratory System	6
Digestive System	0
Genitourinary System Disorders	1
Skin Disorders	0
Musculo-skeletal Disorders	5
Injuries and Poisonings	1
Other Medical Conditions	2
Non-Medical Conditions	0
TOTALS	98

Total Residents Diagnosed as Mentally Ill 53

Total Residents Reported as Identified Offenders 2

Building	Reported Age
Building 1	0
Building 2	0
Building 3	0
Building 4	0
Building 5	0

ADMISSIONS AND DISCHARGES - 2013

Residents on 1/1/2013	103
Total Admissions 2013	187
Total Discharges 2013	192
Residents on 12/31/2013	98

LICENSED BEDS, BEDS IN USE, MEDICARE/MEDICAID CERTIFIED BEDS

LEVEL OF CARE	LICENSED BEDS	PEAK BEDS SET-UP	PEAK BEDS USED	BEDS SET-UP	BEDS IN USE	AVAILABLE BEDS	MEDICARE CERTIFIED BEDS	MEDICAID CERTIFIED BEDS
Nursing Care	115	115	109	115	98	17	115	115
Skilled Under 22	0	0	0	0	0	0		0
Intermediate DD	0	0	0	0	0	0		0
Sheltered Care	0	0	0	0	0	0		
TOTAL BEDS	115	115	109	115	98	17	115	115

FACILITY UTILIZATION - 2013

PATIENT DAYS AND OCCUPANCY RATES BY LEVEL OF CARE PROVIDED AND PATIENT PAYMENT SOURCE

	Medicare		Medicaid		Other Public	Private Insurance	Private Pay	Charity Care	TOTAL	Licensed Beds	Peak Beds Set Up
LEVEL OF CARE	Pat. days	Occ. Pct.	Pat. days	Occ. Pct.	Pat. days	Pat. days	Pat. days	Pat. days	Pat. days	Occ. Pct.	Occ. Pct.
Nursing Care	4877	11.6%	29995	71.5%	0	492	2130	0	37494	89.3%	89.3%
Skilled Under 22			0	0.0%	0	0	0	0	0	0.0%	0.0%
Intermediate DD			0	0.0%	0	0	0	0	0	0.0%	0.0%
Sheltered Care					0	0	0	0	0	0.0%	0.0%
TOTALS	4877	11.6%	29995	71.5%	0	492	2130	0	37494	89.3%	89.3%

RESIDENTS BY AGE GROUP, SEX AND LEVEL OF CARE - DECEMBER 31, 2013

	NURSING CARE		SKL UNDER 22		INTERMED. DD		SHELTERED		TOTAL		GRAND
AGE GROUPS	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	TOTAL
Under 18	0	0	0	0	0	0	0	0	0	0	0
18 to 44	0	0	0	0	0	0	0	0	0	0	0
45 to 59	2	3	0	0	0	0	0	0	2	3	5
60 to 64	3	3	0	0	0	0	0	0	3	3	6
65 to 74	3	5	0	0	0	0	0	0	3	5	8
75 to 84	17	25	0	0	0	0	0	0	17	25	42
85+	6	31	0	0	0	0	0	0	6	31	37
TOTALS	31	67	0	0	0	0	0	0	31	67	98

APPLEWOOD NRSG & REHAB CENTER
21020 KOSTNER AVENUE
MATTESON, IL. 60443

Classification Numbers

License Number	6000467	
Health Service Area	007	
Planning Service Area	705	Planning Area 7-E

RESIDENTS BY PAYMENT SOURCE AND LEVEL OF CARE

LEVEL OF CARE	Medicare	Medicaid	Other Public	Insurance	Private Pay	Charity Care	TOTALS
Nursing Care	7	85	0	2	4	0	98
Skilled Under 22	0	0	0	0	0	0	0
Intermediate D		0	0	0	0	0	0
Sheltered Care			0	0	0	0	0
TOTALS	7	85	0	2	4	0	98

AVERAGE DAILY PAYMENT RATES

LEVEL OF CARE	SINGLE	DOUBLE
Nursing Care	225	168
Skilled Under 22	0	0
Intermediate DD	0	0
Sheltered Care	0	0

RESIDENTS BY RACIAL/ETHNICITY GROUPING

RACE	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Asian	0	0	0	0	0
American Indian	0	0	0	0	0
Black	53	0	0	0	53
Hawaiian/Pacific Isl.	0	0	0	0	0
White	45	0	0	0	45
Race Unknown	0	0	0	0	0
Total	98	0	0	0	98

ETHNICITY	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Hispanic	1	0	0	0	1
Non-Hispanic	97	0	0	0	97
Ethnicity Unknown	0	0	0	0	0
Total	98	0	0	0	98

FACILITY STAFFING

Employment Category	Full-Time Equivalent
Administrators	1.00
Physicians	0.00
Director of Nursing	1.00
Registered Nurses	13.00
LPN's	8.00
Certified Aides	44.00
Other Health Staff	2.00
Non-Health Staff	35.00
Totals	104.00

NET REVENUE BY PAYOR SOURCE (Fiscal Year Data)

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense*	Charity Care Expense as % of Total Net Revenue
29.9%	41.1%	3.3%	6.6%	19.0%	100.0%		
2,303,870	3,166,323	256,136	510,259	1,462,567	7,699,155	0	0.0%

*Charity Care Expense does not include expenses which may be considered a community benefit.