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-01	November 17, 2015	15-041	Original: $1,236,960
FACILITY NAME: Winchester House		CITY: Libertyville	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (Transitional Care of Lake County, LLC and The County of Lake) are proposing a change of ownership of Winchester House, a 224-bed Long Term Care facility located in Libertyville, Illinois. The cost of the project is $1,236,960 and the expected completion date is January 31, 2016.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Transitional Care of Lake County, LLC, and Lake County) are proposing a change of ownership of Winchester House, a 224-bed Long Term Care facility located in Libertyville, Illinois. The cost of the project is $1,236,960 and the expected completion date is January 31, 2016.
- The Planning Act considers a change of ownership as a change in the licensee. This transaction proposes that the licensee be changed from the County of Lake to Transitional Care of Lake County, LLC.
- The agreement between the County of Lake and Transitional Care of Lake County, LLC allows for a relocation of Winchester House to another location. The State Board is **not being asked** to approve that transaction. The relocation of Winchester House **would require** a separate application for permit and approval by the State Board.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes a change of ownership of a health care facility (County Nursing Home) as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960).
- The Illinois Health Facilities Planning Act does **not** exempt county nursing homes from the approval of a change of ownership by the State Board.

PURPOSE OF THE PROJECT:

- The purpose of the project is to complete a change of ownership of a health care facility.

PUBLIC HEARING/COMMENT:

- A public hearing was offered on this project, no hearing was requested. No letters of support or opposition were received by the State Board Staff.

TRANACTION:

- Winchester House is a 224-bed Long Term Care (LTC) facility, located in Libertyville, Illinois. Winchester House is currently a County-owned (Lake County) nursing facility, run by the County. The proposed transaction will transfer operational control of the LTC facility to Transitional Care of Lake County, LLC, while Lake County maintains ownership of the site and structure. Transitional Care of Lake County, LLC has already assumed operational control of the facility pursuant to a management agreement. The project cost is, $1,236,960, and the proposed completion date is January 31, 2016.

CONCLUSIONS:

- The applicant has successfully addressed all requirements of the State Board.

STATE BOARD STAFF REPORT
Project #15-041
Winchester House

APPLICATION CHRONOLOGY	
Applicants(s)	Transitional Care of Lake County, LLC County of Lake
Facility Name	Winchester House
Location	1125 North Milwaukee Avenue Libertyville, IL
Permit Holder	Transitional Care of Lake County, LLC
Operating Entity	Transitional Care of Lake County, LLC
Owner of Site	County of Lake
Application Received	August 21, 2015
Application Deemed Complete	August 27, 2015
Review Period Ends	October 26, 2015
Review Period Extended by the State Board Staff?	No
Can the applicant request a deferral?	Yes

I. Project Description

The applicants (Transitional Care of Lake County, LLC and the County of Lake) are proposing a change of ownership of Winchester House, a 224-bed Long Term Care (LTC) facility located in Libertyville, Illinois. The cost of the project is $1,236,960 and the expected completion date is January 31, 2016.

II. Summary of Findings

A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Description

The purchasing applicant is Transitional Care of Lake County, LLC. The applicant is proposing to purchase Winchester House, a 224-bed, county-operated, LTC facility from Lake County. The facility is located at 1125 North Milwaukee Avenue, in Libertyville, Illinois in Health Service Area VIII. The operating entity and licensee will be Transitional Care Center of Lake County, LLC, while The County of Lake maintains site ownership (landlord).

IV. Health Service Area VIII

HSA VIII includes Kane, Lee, and McHenry counties. There are 77 LTC facilities (74 free-standing, 3 hospital-based), in the HSA, and a total of 7,995 skilled nursing beds. Facility utilization in CY 2014(most current data available), was reported at 74.5%. The facility is currently operating at 72.9% (2014) capacity, with historical capacities of 68.4% for 2013, and 76.9% for 2012. Lake County reports having provided no charity care.

TABLE ONE
Payor Mix CY 2014 [(1)]

	Payor Mix
Medicare	24.3%
Medicaid	57.1%
Other Public	0%
Private Insurance	0%
Private Pay	18.6%
Charity Care	0%

1. Information taken from 2014 Profile information provided by the health care facilities.

V. Project Costs

The cost of the transaction is $1,236,960 and is being funded in its entirety through the Fair Market Value of the lease.

V. Section 1110.230 - Purpose of the Project, Background of the Applicant, Alternatives to the Project

A) Criterion 1110.230 (a) – Purpose of the Project

An applicant proposing a change of ownership must provide documentation of the purpose of the project.

The purpose of the project is to seek approval of a change of ownership of a long term care facility – Winchester House, in Libertyville. The proposed project will ensure the future provision of long term care services to the residents of Lake County. Winchester House has been county operated since 1847, initially serving the indigent population of Lake County. The facility has since evolved into a Long Term Care facility, providing 24-hour skilled nursing services to elderly and underprivileged residents of Lake County. In recent years, the applicants have determined that the continued operation of a long term care facility places an inordinate burden on the finances of Lake County. This, combined with the need for a modernized facility, has aided in the determination to assign operational control of the facility to a private entity.

B) Criterion 1110.230 (b) - Background of Applicant

An applicant must provide documentation that they have not had any adverse actions three years prior to submittal of the application for permit. "*Adverse Action*

means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois." (77 IAC 1130.140)

Transitional Care of Lake County, LLC will become the licensee of the business that is Winchester House. Brian Cloch, Manager, Transitional Care of Lake County, LLC, serves in management capacity another skilled nursing facility, Transitional Care Center, Arlington Heights (Project #11-006). This project was completed on September 1, 2015.

Transitional Care Lake County, LLC is in good standing with the State of Illinois. The applicant has authorized the Illinois Health Facilities & Services Review Board and the Illinois Department of Public Health to access all information necessary to verify any documentation or information submitted with this application and authorize the State Board and IDPH to obtain any additional documentation or information which the State Board or IDPH finds pertinent and necessary to process this application.

C) Criterion 1110.230 (c) – Alternatives to Proposed Project
An applicant must provide documentation of the alternatives to the proposed project that were evaluated.

The Applicant considered eight other alternatives to the proposed project.

- **Do Nothing**
  The applicants rejected the alternative of doing nothing, due to the adverse circumstances on behalf of the patient population, if nothing was done. There were no costs identified with this option.
- **Close Winchester House**
  The applicant rejected this alternative, due to the adverse reaction closure would have on the patients access to care, and the displacement of the current patient population. There were no costs identified with this alternative.
- **Lake County's Continual Operation of Winchester House**
  Due to substantial economic losses in previous years, the applicants determined this alternative to be infeasible. Continued operation under County ownership would be harmful to the financial health of Lake County. There were no costs identified with this alternative.
- **Lake County Build a Replacement Facility**
  The applicants identified two substantial obstacles with this alternative. One: The applicants lack available space to build a replacement facility, and Two: the financial burden placed upon the county to close, demolish, and reestablish a long term care facility.
- **Bring in an Experienced Management Company to Operate Winchester House**
  The applicants report an earlier pursuit of this option that did not succeed. The applicant note that despite the management teams prior experience, the financial losses incurred were insurmountable for continued operation under their tutelage.

- **Pursue a Joint Venture Between Lake County and a Private Entity**
  The applicants note the lack of incentive for a private operator to engage in a joint venture with Lake County, in a LTC facility that is operating at a deficit. While the applicants reported similar project costs to the alternative chosen, the guarantee of financial strain on an investors part made this option infeasible.
- **Sell Winchester House Outright**
  While the option of an outright sale seems most practical, the applicants rejected this due to the need to ensure continued operations to ensure access to its current and future patient populations.
- **Transfer Operational Control of Winchester House to a Private Operator Committed to Building a Replacement Facility**
  The applicants chose this alternative, because it proved to be the best alternative to satisfy the competing interests. Cost identified with this alternative: $1,236,960.

VI. Section 1110.240 Changes of Ownership, Mergers and Consolidations

An applicant proposing a change of ownership must provide an impact statement and how the proposed change of ownership will improve access.

A) Criterion 1110.240 (b) - Impact Statement
B) Criterion 1110.240 (c) - Access
C) Criterion 1110.240 (d) - Health Care System

Winchester House is a 224-bed Long Term Care facility, in Libertyville. The facility is currently owned and operated by Lake County, and has served the elderly and indigent residents of Lake County since 1847. Lake County is currently negotiating a change of ownership which would allow Transitional Care of Lake County, LLC (co-applicant), operational control of the facility. Pending State Board approval, Transitional Care of Lake County LLC, will maintain operations of the nursing facility, with Lake County maintaining ownership of the site and structure until a replacement facility is built on another site. The applicants (Lake County) have experienced significant financial losses in recent years and wish to relinquish ownership in the LTC facility, with the provision that the purchasing party will continue operations of the facility and build a modernized facility in the immediate future. Transitional Care of Lake County is proposing to abide by this agreement. They are currently operating the facility in its current location (1125 North Milwaukee Avenue, Libertyville), with the long range objective of establishing a modernized replacement facility at another location in Libertyville. Under the terms of the proposed agreement, there will be no disruption in service, and the impact upon the residents of the service area minimal. Page 172 of the application contains certified attestation from the applicant that admission policies in place will remain, and a copy of the lease/management agreement is located on page 110. There will be no change in the scope of services provided, and the current number of beds (224) will remain.

VII. FINANCIAL

A) Criterion 1120.120 – Availability of Funds
An applicant must document that funds are available to fund the transaction.

Transitional Care of Lake County, LLC will fund the proposed transaction through the fair market value of the lease, which totals $1,236,960. Page 175 of the application contains a copy of the lease and management agreement between the two parties. The application also contains copies of Lake County's A-Bond rating from Moody's Investor Service (dated June 2015), and Standard & Poor's (dated June 2015). Transitional Care of Lake County does not have an A-Bond rating. Based on these submitted documents, the applicants qualify for the financial viability waiver, and meet the requirements of this criterion.

A) Criterion 1120.130 Financial Viability
An applicant must provide documentation that the new owner is financial viable.

Transitional Care of Lake County, LLC will fund the proposed transaction through the fair market value of the lease, which totals $1,236,960. Page 175 of the application contains a copy of the lease and management agreement between the two parties. The application also contains copies of Lake County's A-Bond rating from Moody's Investor Service (dated June 2015), and Standard & Poor's (dated June 2015). Transitional Care of Lake County does not have an A-Bond rating. Based on these submitted documents, the applicants qualify for the financial viability waiver, and meet the requirements of this criterion.

VIII. Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements
B) Criterion 1120.140 (b) – Terms of Debt Financing
An applicant must provide evidence that the financing and terms of the financing are reasonable.

Transitional Care of Lake County, LLC will fund the proposed transaction through the fair market value of the lease, which totals $1,236,960. Page 175 of the application contains a copy of the lease and management agreement between the two parties. The application also contains copies of Lake County's A-Bond rating from Moody's Investor Service (dated June 2015), and Standard & Poor's (dated June 2015). Transitional Care of Lake County does not have an A-Bond rating. Based on these submitted documents, the applicants qualify for the financial viability waiver, and meet the requirements of this criterion.

C) Criterion 1120.140 (c) - Reasonableness of Project Costs
The applicant must document that the project costs are reasonable.

Transitional Care of Lake County, LLC will fund the proposed transaction through the fair market value of the lease, which totals $1,236,960. Page 175 of the application contains a copy of the lease and management agreement between the two parties. The project is classified as being funded internally, and meet the requirements of this criterion.

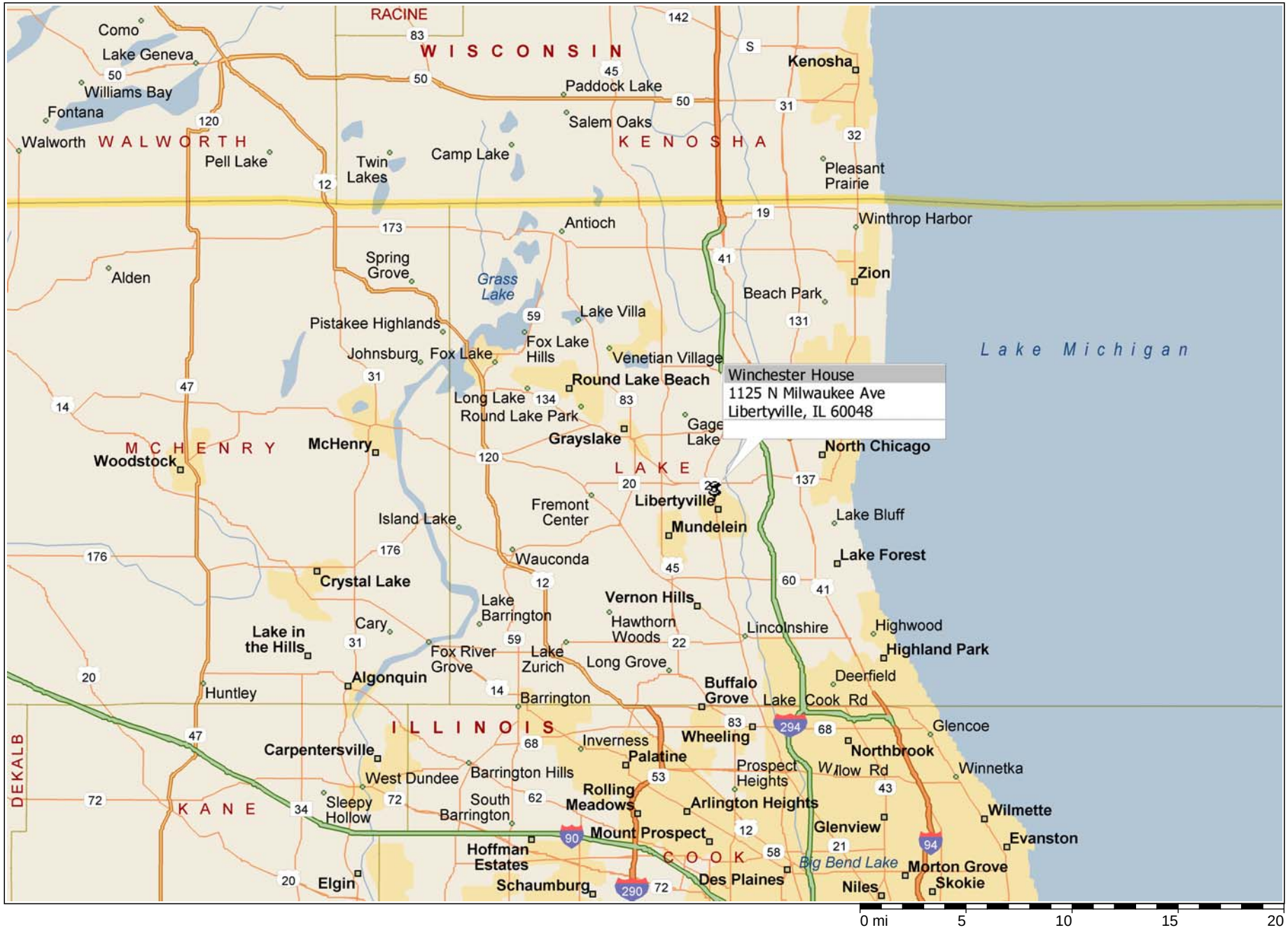
D) Criterion 1120.140 (d) – Projected Direct Operating Costs

E) Criterion 1120.140 (e) – Projected Capital Costs

The applicant must provide the projected direct operating costs and the projected capital c costs.

The projected operating expense per resident day is $220.86. The total effect of the project on Capital Costs is $2.03 per patient day. The State Board has no standard for these criteria.

15-041 Winchester House - Libertyville



WINCHESTER HOUSE NURSING HOME
1125 NORTH MILWAUKEE AVENUE
LIBERTYVILLE, IL. 60048

Reference Numbers

Facility ID	6010052	
Health Service Area	008	
Planning Service Area	097	Lake
County	097	Lake County

Administrator
Maxine Bergman

Contact Person and Telephone
Rick Meeske
847-377-7236

Registered Agent Information

Date Questionnaire Completed 4/14/2015

ADMISSION RESTRICTIONS

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

Note: Reported restictions denoted by '1'

ADMISSIONS AND DISCHARGES - 2014

Residents on 1/1/2013	159
Total Admissions 2013	273
Total Discharges 2013	264
Residents on 12/31/2013	168

RESIDENTS BY PRIMARY DIAGNOSIS

DIAGNOSIS	
Neoplasms	0
Endocrine/Metabolic	11
Blood Disorders	0
*Nervous System Non Alzheimer	26
Alzheimer Disease	3
Mental Illness	17
Developmental Disability	0
Circulatory System	24
Respiratory System	20
Digestive System	1
Genitourinary System Disorders	5
Skin Disorders	4
Musculo-skeletal Disorders	4
Injuries and Poisonings	1
Other Medical Conditions	52
Non-Medical Conditions	0
TOTALS	168

Total Residents Diagnosed as Mentally Ill 17

Total Residents Reported as Identified Offenders 1

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	224	224	183	0	168	56	360	360
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	224	224	183	0	168	56	360	360

FACILITY UTILIZATION - 2014

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	5492	4.2%	41087	31.3%	2894	282	9887	0	59642	72.9%	72.9%
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	5492	4.2%	41087	31.3%	2894	282	9887	0	59642	72.9%	72.9%

RESIDENTS BY AGE GROUP, SEX AND LEVEL OF CARE - DECEMBER 31, 2014

	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	1	2	0	0	0	0	0	0	1	2	3
45 to 59	3	6	0	0	0	0	0	0	3	6	9
60 to 64	8	5	0	0	0	0	0	0	8	5	13
65 to 74	6	15	0	0	0	0	0	0	6	15	21
75 to 84	14	23	0	0	0	0	0	0	14	23	37
85+	15	70	0	0	0	0	0	0	15	70	85
TOTALS	47	121	0	0	0	0	0	0	47	121	168

WINCHESTER HOUSE NURSING HOME
1125 NORTH MILWAUKEE AVENUE
LIBERTYVILLE, IL. 60048

Classification Numbers

License Number	6010052	
Health Service Area	008	
Planning Service Area	097	Lake
County	097	Lake County

RESIDENTS BY PAYMENT SOURCE AND LEVEL OF CARE

LEVEL OF CARE	Medicare	Medicaid	Other Public	Insurance	Private Pay	Charity Care	TOTALS
Nursing Care	22	121	0	0	25	0	168
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	22	121	0	0	25	0	168

AVERAGE DAILY PAYMENT RATES

LEVEL OF CARE	SINGLE	DOUBLE
Nursing Care	220	210
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	2	0	0	0	2
American Indian	0	0	0	0	0
Black	7	0	0	0	7
Hawaiian/Pacific Isl.	0	0	0	0	0
White	159	0	0	0	159
Race Unknown	0	0	0	0	0
Total	168	0	0	0	168

ETHNICITY	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Hispanic	7	0	0	0	7
Non-Hispanic	161	0	0	0	161
Ethnicity Unknown	0	0	0	0	0
Total	168	0	0	0	168

FACILITY STAFFING

Employment Category	Full-Time Equivalent
Administrators	2.00
Physicians	0.00
Director of Nursing	2.00
Registered Nurses	21.00
LPN's	14.00
Certified Aides	92.00
Other Health Staff	3.00
Non-Health Staff	182.00
Totals	316.00

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
24.3%	57.1%	0.0%	0.0%	18.6%	100.0%		
2,848,102	6,693,045	0	0	2,179,860	11,721,007	0	0.0%

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