



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET NO:</b> H-11	<b>BOARD MEETING:</b> February 16, 2016	<b>PROJECT NO:</b> 15-044	<b>PROJECT COST:</b> Original: \$19,275,829
<b>FACILITY NAME:</b> Transformative Health of McHenry		<b>CITY:</b> McHenry	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: VIII</b>

**PROJECT DESCRIPTION:** The applicants (MS McHenry, LLC, TCO JV, LLC, and Mainstreet Property Group, LLC) propose to construct and operate a ninety eight (98) bed long term care facility on the campus of Centegra Hospital, McHenry. The anticipated cost of the project is \$19,275,829. **The anticipated completion date is December 31, 2017.**

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The applicants (MS McHenry, LLC, TCO JV, LLC, and Mainstreet Property Group, LLC) propose to establish a ninety eight (98) bed nursing care/rehabilitation facility in McHenry. The anticipated cost of the project is \$19,275,829. **The anticipated completion date is December 31, 2017.**

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The applicants are before the State Board because they are proposing to establish a healthcare facility as defined by 20 ILCS 3960/3.

### **PURPOSE OF THE PROJECT:**

- According to the applicants, the purpose of the proposed project is in response to the State Board's projected need for one hundred twenty seven (127) beds in the McHenry County Long Term Planning Area by CY 2018. The applicants' state: *"This project will provide health services that will improve accessibility for nursing care services to the residents of the market area, i.e. 30-minute travel time from the proposed site. Upon project completion, there will still be a need for 29 additional nursing beds."* The applicants note the proposed facility will be located on the campus of Centegra Hospital-McHenry, and a vast majority of admissions are expected to come from Centegra Hospital-McHenry. Ultimately, this project is expected to provide and improve health care services to the residents of McHenry County.
- **Board Staff notes** there were questions concerning the parties listed as co-applicants for the proposed project, and the absence of one particular entity and questions regarding the submitted referral letters. Subsequently a Technical Assistance meeting was held on November 23, 2015, with Board Staff and Gerry Jenich, Manager of TCO JV, LLC. This meeting further clarified Mr. Jenich's relationship with TCO JV, LLC and the Symphony Post Acute Network (SYMPAN). Mr. Jenich furnished the following written attestation: *"Ownership information provided for the application is correct. TCO JV, LLC is a new entity formed for the express purpose of this project. I (Gerry Jenich) am a manager for TCO JV, LLC. As manager for TCO JV, LLC, I will be responsible for overseeing the development and day-to-day operations of the project, if approved. MC McHenry, LLC, is the entity that is providing 100% funding for the project." "As discussed, I am also Managing Partner for SYMPAN (Symphony Post Acute Network). SYMPAN is not a co-applicant in the project. SYMPAN is providing no funds for the project and has no ownership interest in, or control over, the proposed facility or the applicants TCO JV, LLC or MS McHenry, LLC. SYMPAN has waived any conflicts of interest or encumbrances relating to my serving as Manager of TCO JV, LLC, thereby allowing me to participate in this project."*
- The applicants submitted revised referral letters from Centegra Health Systems and nine (9) physicians. The State Board requires for proposed new long term care facilities projected referral letters must be submitted with the application for permit that:

- attests to the total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application, and;
  - an estimated number of prospective residents whom the referral sources will refer annually to the applicant's facility within a 24-month period after project completion.
- **Michael S. Eesley CEO of Centegra Health System stated** *“Centegra Hospital - McHenry and Centegra Hospital - Woodstock historical records indicate that both hospitals had 1,870 combined discharged patients for skilled nursing services in the 12-month period between July 1,2014 and June 30,2015. We anticipate the referral or discharge volume to either remain the same or to increase over the next two years and in the 24 months following the completion of the project. Of the total SNF discharges that occur by both hospitals in our system, we conservatively estimate that as many as 30% of the total may get directed to the proposed project. This estimate is provided with the understanding that hospitals do not make referrals but only offer recommendations and choices to patients. Physician orders are required to make the referrals.” (See Table Three below)*
  - **The nine (9) physicians with the Centegra Health System** provided their historical referrals by zip code as required with the statement *“the admissions are facilitated by the hospitals and it is my understanding that Centegra Health System has estimated up to 30% of the total referrals to be directed to the proposed facility.”* The State Board Staff accepted the referrals.

#### **PUBLIC HEARING/COMMENT:**

- No public hearing was requested. Letters of support and opposition were received by the State Board Staff.

##### **Letters of Support** were received from:

- Michael Eesley, CEO Centegra Health System
- Susan E. Low, Mayor of the City of McHenry
- State Senator Pamela Althoff
- State Representative Michael Tryon
- State Representative Barbara Wheeler
- Gus Liapis – CEO, Veza Consulting

##### **Letters of opposition** were received from:

- Florence Nursing Home
- Manor Care
- The Springs at Crystal Lake
- Crystal Pines Rehabilitation and Healthcare Center
- Fair Oaks Health Care Center
- Crossroads Care Center

#### **NEED FOR THE PROJECT:**

- There is a calculated need for one hundred twenty seven (127) long term care beds in the McHenry County Long Term Care planning area by CY 2018. There is no absence of service within the planning area and minimal indication of access limitation due to payor

status of residents. Although there is a calculated need for one hundred twenty seven (127) beds in the McHenry County Long Term Care Planning Area, Board Staff notes of the eleven (11) Long Term Care facilities/units in the service area (30 minutes), nine (9) of these facilities are operating beneath the State standard of ninety percent (90%).

**CONCLUSIONS:**

- The applicants addressed 20 criteria and did not meet the following:

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
1125.570 – Service Accessibility	There is no absence of service in the planning area and there is minimal indication of access limitations as there are seven (7) facilities within 30 minutes travel time having unlimited access and performing below the State standard (See Table Four). Of the eleven (11) total facilities located in the service area, nine (9) are below the ninety percent (90%) target occupancy. .
1125.580 – (a)(b)(c) Unnecessary Duplication/Mal-distribution/Impact of Project on Area Providers	With nine (9) of the eleven (11) facilities identified in the service area not operating at target occupancy it appears that there will be an unnecessary duplication of service and the proposed project will have an impact on the other area providers in the HSA McHenry County LTC planning area.

**STATE BOARD STAFF REPORT**  
**Transformative Health of McHenry**  
**Project #15-044**

<b>APPLICATION SUMMARY/CHRONOLOGY</b>	
Applicants(s)	MS McHenry, LLC TCO JV, LLC Mainstreet Property Group, LLC
Facility Name	Transformative Health of McHenry
Location	SW Corner of Bull Valley Road and Lawrence Parkway, on the campus of Centegra Hospital-McHenry
Permit Holder	TCO JV, LLC d/b/a Transformative Health Network
Operating Entity	TCO JV, LLC d/b/a Transformative Health Network
Owner of Site	MS McHenry, LLC
GSF	68, 586 GSF
Financial Commitment Date	February 16, 2018
Application Received	September 1, 2015
Application Deemed Complete	September 1, 2015
Review Period Ends	October 31, 2015
Review Period Extended by the State Board Staff?	Yes
Can the applicants request a deferral?	Yes

**I. The Proposed Project**

The applicants (MS McHenry, LLC, TCO JV, LLC, and Mainstreet Property Group, LLC) propose to establish a freestanding, ninety eight (98) bed long term care/rehabilitation facility on the campus of Centegra Hospital-McHenry, McHenry. The anticipated cost of the project is \$19,275,829. **The anticipated completion date is December 31, 2017.**

**II. Summary of Findings**

- A. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1125.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1125.800

**III. General Information**

The applicants are MS McHenry, LLC, TCO JV, LLC, and Mainstreet Property Group, LLC. The proposed facility will be located on the campus of Centegra Hospital-McHenry. Centegra Hospital is located in HSA-08, in the McHenry County LTC Planning Area.

The Inventory of Health Care Facilities and Services indicates there is a calculated need of 127 long term care beds in the McHenry County Planning Area by CY 2018. Per 77

IAC 1110.40 this is a substantive project subject to both a Part 1125 and Part 1125.800 review. Project obligation is contingent upon permit issuance.

#### **IV. The Proposed Project - Details**

The applicants (MS McHenry, LLC, TCO JV, LLC, and Mainstreet Property Group, LLC), propose to establish a Long Term Care (LTC)/Rehabilitation facility, serving the needs of short term and long term post acute care patients. The ninety eight (98) bed facility will be established in 68,586 GSF on newly constructed space, on the campus of Centegra Hospital-McHenry, in McHenry. In early 2015, Centegra Health System solicited proposals from potential partners to establish a post-acute care facility on the campus of Centegra Hospital-McHenry. The applicants were the successful respondent, and have full support from Centegra Health System for this project. The applicants note Centegra Health System's Care Coordination team will continue to work closely with all area skilled nursing providers to provide optimum care alternatives to its patient base being discharged to skilled nursing facilities. The specific location will be on the southwest corner of Bull Valley Road, and Lawrence Parkway. Total project cost: \$19,275,829.

The proposed facility will be a two-story structure, consisting of all-private resident rooms, and free standing from all other facilities on the Centegra campus. The facility will be located on a 7.99 acre parcel of land, located directly on the hospital campus, with easy access to health care services. The facility is also accessible from residential neighborhoods, and major roads in McHenry County.

#### **V. Project Costs and Sources of Funds**

The total cost of the Project is \$19,275,829, and is being funded exclusively through cash and securities. The project cost listed contains both clinical and non-clinical considerations, and are explained further in Table One.

<b>TABLE ONE</b>			
<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Pre planning Costs	\$181,334	\$85,451	\$266,785
Site Survey and Soil Investigation	\$503,707	\$237,364	\$741,041
New Construction Contracts	\$9,158,304	\$4,315,707	\$13,474,010
Contingencies	\$915,830	\$431,571	\$1,347,401
Architectural/ Engineering Fees	\$580,270	\$273,443	\$853,713
Consulting and Other Fees	\$908,757	\$428,238	\$1,336,995
Movable or Other Equipment	\$564,145	\$265,845	\$829,990
Other Costs to be Capitalized	\$289,460	\$136,404	\$425,864
<b>TOTAL USES OF FUNDS</b>	<b>\$13,101,808</b>	<b>\$6,174,021</b>	<b>\$19,275,829</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities	\$13,101,808	\$6,174,021	\$19,275,829
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$13,101,808</b>	<b>\$6,174,021</b>	<b>\$19,275,829</b>

<b>TABLE ONE</b>			
<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Source: Application for Permit Page 32			

## **VI. Cost/Space Requirements**

Table Two 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."

<b>TABLE TWO</b>					
<b>Cost Space Requirements</b>					
<b>Clinical</b>	<b>Total Cost</b>	<b>Proposed</b>	<b>New Construction</b>	<b>Modernization</b>	<b>As Is</b>
<b>Clinical</b>					
Nursing	\$534,269	1,901	1,901	0	0
Living/Dining/Activity	\$10,203,660	36,306	36,306	0	0
Kitchen/Food Service	\$483,680	1,721	1,721	0	0
PT/OT	\$903,282	3,214	3,214	0	0
Laundry	\$209,660	746	746	0	0
Janitor Closets	\$68,013	242	242	0	0
Clean/Soiled Utility	\$295,098	1,050	1,050	0	0
Beauty/Barber	\$404,144	1,438	1,438	0	0
<b>Sub Total</b>	<b>\$13,101,808</b>	<b>46,618</b>	<b>46,618</b>	<b>0</b>	<b>0</b>
<b>Non Clinical</b>					
Office/Administration	\$391,497	1,393	1,393	0	0
Employee Lounge/Locker	\$106,516	379	379	0	0
Mechanical/Electrical	\$547,759	1,949	1,949	0	0
Lobby	\$492,955	1,754	1,754	0	0
Storage/Maintenance	\$437,027	1,555	1,555	0	0
Corridor/Public Toilet	\$3,708,123	13,194	13,194	0	0
Stairs/Elevator	\$490,144	1,744	1,744	0	0
<b>Sub Total</b>	<b>\$6,174,021</b>	<b>21,968</b>	<b>21,968</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>\$19,275,829</b>	<b>68,586</b>	<b>68,586</b>	<b>0</b>	<b>0</b>
Source: Application for Permit Page 35					

## **VII. Project Purpose and Alternatives**

### **A. Criterion 1125.320 – Purpose of the Project**

According to the applicants, the purpose of the proposed project is in response to the current need for 127 additional beds in HSA-08/McHenry County (September 2015 Bed Need Update). The applicants note the proposed facility will be located on the campus of Centegra Hospital-McHenry, and a vast majority of admissions are expected to come from Centegra Hospital-McHenry. Ultimately, this project is expected to provide and improve health care services to the residents of McHenry County. (*See Application for Permit pages 57-75*)

### **B. Criterion 1125.330 - Alternatives to the Proposed Project**

Four alternatives were considered. They are:

#### **1. Continue Status Quo/No Change**

While there was no cost identified with this alternative, this would do nothing to address a key issue, which involves accessibility to long term care services. The applicants cite the need for 127 additional beds in the McHenry County Planning Area, and a lack of available long term care beds.

#### **2. Establish a Lesser Level of Care/Smaller Facility**

The applicants rejected this alternative, because common industry practice is that a free-standing facility with less than 75 beds is not financially viable. While the applicants note that a 75-bed facility would account for significant cost savings (\$14,751,910), it would not adequately address the shortage of beds in the health planning area.

#### **3. Establish a Larger Project**

The applicants weighed the alternative of a 127-bed skilled nursing facility. While this alternative would address the bed need in its entirety, it also comes at an increased cost (\$24,979,901). The applicants note having concern for the impact a project this size would have on other facilities in the planning area, and the need to maintain emphasis on quality of patient care. The applicants rejected this alternative, based on these concerns.

#### **4. Project as Being Proposed**

The applicants felt the issues associated with patient access are best addressed through the chosen alternative of developing a 98-bed nursing unit on the campus of Centegra Hospital-McHenry. The applicants note the quality of care would be enhanced through continuity of service, and proximity of service for patients discharged from Centegra Hospital-McHenry, and the community. The applicants identified a project cost of \$19,275,829, and chose this as their alternative. (*See Application for Permit pages 78-89*)



## VIII. Section 1125 - General Long Term Care

### A. Criterion 1125.520 - Background of Applicant

The applicants attest to no direct ownership or operational responsibilities at any other licensed facilities in Illinois. The applicants attest to having no adverse actions taken against them in the three years prior to the filing of the application (application, pgs. 101-102), and authorize the State Board and IDPH access to any documents necessary to verify this attestation (application, pgs. 103-104). The applicants provided additional information pertaining to the ownership and operational responsibilities at for the proposed facility. The applicants provided written attestation from Gerry Jenich, Manager, TCO JV, LLC which stated: *“TCO JV, LLC is a new entity formed for the express purpose of this project. I (Gerry Jenich) am a manager for TCO JV, LLC. As manager for TCO JV, LLC, I will be responsible for overseeing the development and day-to-day operations of the project, if approved. MC McHenry, LLC, is the entity that is providing 100% funding for the project.”* *“As discussed, I am also Managing Partner for SYMPAN (Symphony Post Acute Network). SYMPAN is not a co-applicant in the project. SYMPAN is providing no funds for the project and has no ownership interest in, or control over the proposed facility or the applicants TCO JV, LLC or MS McHenry, LLC. SYMPAN has waived any conflicts of interest or encumbrances relating to my serving as Manager of TCO JV, LLC, thereby allowing me to participate in this project.”* (See Application for Permit pages 4)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE BACKGROUND OF APPLICANTS CRITERION (77 IAC 1125.520)**

### B. Criterion 1125.530 (a) (b) - Planning Area Need

There is a calculated need for 127 long term care beds in the McHenry County Health Planning Area by CY 2015. The applicants supplied referral letters from 9 physicians and 2 hospitals (See Table 3), attesting to the historical referral of 2,429 patients to skilled nursing facilities in FY 2015, and projecting that this number will remain for the following years. These referral letters contained patient zip codes to ascertain that 87% (1,628) of the referrals from Centegra facilities were from patients residing within the McHenry County Health Planning Area, and the McHenry area. These data, combined with the referral origin data from the other 9 physicians show that approximately 85% of all patient referrals to the facility will be from within the McHenry County Health Planning Area. It appears the applicants have met the requirements of this criterion. (See Application for Permit pages 105-118 and Supplemental Information provided by the Applicants on December 23, 2015)

<b>Table Three</b>		
<b>Referral Sources to Transformative Health of McHenry</b>		
<b>Referring Facility/Physician</b>	<b>Number of Referrals</b>	<b>% of Patients from McHenry County HPA</b>

<b>Table Three</b> <b>Referral Sources to Transformative Health of McHenry</b>		
<b>Referring Facility/Physician</b>	<b>Number of Referrals</b>	<b>% of Patients from McHenry County HPA</b>
Centegra Hospital-McHenry	1,107	87%
Centegra Hospital-Woodstock	500	
Dr. Joseph Emmons, M.D.*	59	92%
Dr. Karen Judy, M.D.*	167	86%
Dr Marcel Hoffman, M.D.*	368	90%
Dr. Thomas Thandupurakal, M.D.^	16	69%
Dr. Ifzal Bangash, M.D.>	124	90%
Dr. Daniel Huerta-de Hathaway>	8	88%
Dr. John Anderson, M.D.>	55	96%
Dr. Corey Black, M.D. CPC Specialist	2	100%
Dr. Prashant Sura, M.D. CPC Specialist	23	52%
<b>Total/Average</b>	<b>2,429</b>	<b>85%</b>
*Centegra Hospital-Woodstock ^CPC Fox Lake Internal Medicine >CPC McHenry Internal Medicine		

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION PLANNING AREA NEED (1125.530(a) (b))**

**B. Criterion 1125.540 - Service Demand – Establishment of General Long-Term Care**

The applicants have recorded a total of 1,607 hospital referrals, and 833 individual physician referrals to Long Term Care facilities in the planning area (See Table Three). The applicants' project that with conservative referral estimates using the data in Table three, combined with the growth rate of the 65+ age cohort in McHenry County (9.5%); the proposed facility will be at operational capacity by its second full year after project completion. It appears the applicants have met the requirements of this criterion. (*See Application for Permit pages 119-132 and Supplemental Information provided by the Applicants on December 23, 2015*)

Cities and Population within 30 minutes of the Proposed facility					
ZIP Code	City	Population	ZIP Code	City	Population
53128	Genoa City Wisconsin		60060	Mundelein	37,586
60012	Crystal Lake	11,081	60071	Richmond	3,488
60013	Cary	26,811	60072	Ringwood	976
60014	Crystal Lake	48,234	60073	Round Lake	60,237
60020	Fox Lake	10,391	60081	Spring Grove	9,939
60021	Fox River Grove	5,560	60084	Wauconda	16,304
60030	Grayslake	35,685	60097	Wonder Lake	10,758
60034	Hebron	1,826	60098	Woodstock	32,549
60041	Ingleside	8,877	60102	Algonquin	32,166
60042	Island Lake	8,630	60110	Carpentersville	38,998
60050	McHenry	32,369	60118	Dundee Township	15,587
60051	McHenry	24,664	60156	Lake in the Hills	28,886

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION SERVICE DEMAND (1125.540)**

**C. Criterion 1125.570 - Service Accessibility**

There is no absence of service within the planning area, although three of the 12 facilities identified in Table Three have limited access. Although there appears to be access limitations through the need for 127 additional beds in the 30-minute drive radius, Board Staff notes that of the eleven (11) Long Term Care facilities/units in the service area (30 minutes), nine (9) of these facilities have unrestricted access and are operating beneath the State standard of ninety percent (90%). The applicants have not met the requirements of this criterion. (See Table Three). (See Application for Permit pages 133-165)

<b>TABLE FOUR</b>						
<b>Facilities within 30 minutes of Transformative Health of McHenry, McHenry</b>						
<b>Facility Name</b>	<b>City</b>	<b>Gen Beds</b>	<b>Star Rating</b>	<b>Adjusted Travel Time</b>	<b>Utilization %</b>	<b>Met Standard ?</b>
Alden Terrace of McHenry	McHenry	316	2	5	38.6%	No
The Springs at Crystal Lake*	Crystal Lake	97	4	6	63.7%	No
Crystal Pines Rehabilitation	Crystal Lake	114	2	11	85.2%	No
Fair Oaks Health Care Center	Crystal Lake	51	4	14	85.2%	No
Crossroads Care Center	Woodstock	115	1	17	81.7%	No
Hearthstone Manor^	Woodstock	75	3	17	29%	No
Wauconda Healthcare & Rehab	Wauconda	135	5	18	70.3%	No
Valley Hi Nursing Home	Woodstock	128	4	23	95.7%	Yes
Hillcrest Retirement Village	Round Lake Beach	144	3	26	84.2%	No
Lexington of Lake Zurich	Lake Zurich	203	4	30	91.9%	Yes
Prairieview Nursing Unit*	Barrington	20	5	30	61.3%	No
<b>Total Beds/Average Occupancy</b>		<b>1,398</b>			<b>71.53%</b>	
1. Travel time determined by MapQuest and adjusted per 77 IAC 1100.510 (d) 2. Star Rating provided Medicare 3. NA – Star rating not available from Medicare 4. Utilization taken from 2014 Long Term Care Profiles 5. *No beds certified for Medicaid 6. ^Approximately 70% of its residents diagnosed with Alzheimer's/Dementia, suggesting specialty care						

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION SERVICE ACCESSIBILITY (1125.570)**

**D. Criterion 1125.580 (a) (b) (c) - Unnecessary Duplication/Mal-**

**distribution/Impact on Other Facilities**

There are eleven (11) facilities within thirty (30) minutes normal drive time of the proposed facility (See Table Three). Nine (9) of the existing facilities are not at the State Board's target occupancy of ninety percent (90%). It appears that the proposed facility will create an unnecessary duplication of service because the existing facilities are not at the target occupancy.

The ratio of skilled care beds in the McHenry County Long Term Planning Area to the population is one (1) bed for every three hundred thirty nine (339) individuals and the ratio of skilled care beds to population in the State of Illinois is one (1) bed per for every one hundred thirty (130) individuals. Based upon these ratios it does not appear to be a surplus of long term care beds in the McHenry County Long Term Care Planning Area.

The applicants do not believe the proposed facility will lower the utilization below target occupancy at the existing facilities because utilization of the McHenry County Planning area is reported at 65.6% according to its 2014 Illinois Long-Term Care LTC Planning Area Data Summary. Therefore, the existing facilities' utilization is already less than the State's optimum rate of 90%. As far as the potential to lower utilization "to a further extent", the State's calculated bed need addresses this issue. Specifically, the bed need takes into consideration the existing beds and their low use rate and it still finds that additional beds and services are necessary and should not, to a further extent, reduce area facilities' utilization. *(See Application for Permit pages 166-186)*

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (1125.580)**

**E. Criterion 1125.590 - Staffing Availability**

The applicants note their affiliation with Symphony Post Acute Network, which provides management and consulting services to skilled nursing facilities in Illinois, and employs approximately 4,500 full and part-time employees in the skilled nursing field. The applicants will utilize the resources of Symphony Post Acute Network to launch a staffing recruitment program six months before the scheduled project completion date. The applicants have met requirements of this criterion. *(See Application for Permit Pages 187-189)*

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION STAFFING AVAILABILITY (1125.590)**

**F. Criterion 1125.600 - Bed Capacity**

The applicants are proposing a 98 bed skilled nursing unit on the campus of an existing acute care hospital which is less than the maximum number of beds of 250 long term care beds allowed by the State Board rule. The applicants have met the requirements of this criterion. *(Application for Permit page 473)*

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION BED CAPACITY (1125.600)**

**G. Criterion 1125.610 - Community Related Functions**

The applicants provided nine letters of support from various individuals and businesses within the community as required by this criterion. (*Application for Permit pages 192-200*)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION COMMUNITY RELATED FUNCTIONS (1125.610)**

**H. Criterion 1125.620 - Project Size**

The State Board Standard for skilled care beds in relation to this project is 435-713 BGSF/Bed. The applicants are proposing to establish 98 beds in 46,618 GSF of clinical space. This results in 476 DGSF/Bed. The applicants have met the requirements of this criterion. (*Application for Permit page 201*).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION PROJECT SIZE (1125.620)**

**I. Criterion 1125.630 -Zoning**

**The applicants shall document one of the following:**

- a) The property to be utilized has been zoned for the type of facility to be developed;**
- b) Zoning approval has been received; or**
- c) A variance in zoning for the project is to be sought.**

The applicants have supplied the necessary paperwork stating the property has been zoned in accordance with the proposed project. The applicants have met the requirement of this criterion. (*Application for Permit page 203*)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION ZONING (1125.630)**

**J. Criterion 1125.640 - Assurances**

- a) The applicants 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 applicants will achieve and maintain the occupancy standards specified in Section 1125.210(c) for each category of service involved in the proposal.**

The applicants attest that by the second year of operation after the project completion the applicants will make every attempt to achieve and maintain the

occupancy standards specified in Part 1125.210 of the Board's Rules for the long term care category of service (*Application for Permit page. 205*).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION ASSURANCES (1125.640)**

## **FINANCIAL**

### **IX. Section 1125.800 - Availability of Funds**

The total cost of the Project is \$19,275,829, and the project will be funded in its entirety through cash and securities (internally). The applicants supplied a letter (*Application for Permit*, p. 207), identifying Mainstreet Property Group, LLC as the sole financier for the proposed project. The application contains audited consolidated financial statements for Mainstreet Property Group, LLC, (*application*, pgs 208-224), which attests to the availability of funds for the proposed project. (*Audited Financial Statements can be found at pages 208-224 of the Application for Permit*)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1125.800)**

### **X. Section 1125.800 - Financial Viability**

#### **A) Criterion 1125.800 (b) - Viability Ratios**

The total cost of the Project is \$19,275,829, and the project will be funded in its entirety through cash and securities (internally). The application contains audited consolidated financial statements for Mainstreet Property Group, LLC, (*Application for Permit*, pgs. 208-224), which attests to their financial viability to fund the proposed project. A positive finding has been made for this criterion. (*Audited Financial Statements can be found at pages 208-224 of the Application for Permit*)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE FINANCIAL VIABILITY CRITERION (77 IAC 1125.800)**

### **XI. Section 1125.800 - Economic Feasibility**

#### **A) Criterion 1125.800 (a) - Reasonableness of Financing Arrangements.**

#### **B) Criterion 1125.800 (b) - Conditions of Debt Financing**

No debt is being used to fund this project. This project is being funded with cash of \$19,275,829.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE REASONABLENESS OF FINANCING AND THE CONDITIONS OF DEBT FINANCING CRITERION (77 IAC 1125.800)**

#### **C) Criterion 1125.800 (c) - Reasonableness of Project and Related Costs**

The applicant shall document that the estimated clinical project costs are reasonable and are in compliance with the State Board Standards in Appendix A. Itemization of costs includes both clinical and non clinical costs.

**Preplanning Costs** – These costs total \$181,334 and are less than 1% of new construction, modernization, contingencies and equipment costs of \$10,638,279. This appears reasonable when compared to the State standard of 1.8%. Preplanning Costs include the following:

<b>Preplanning Costs</b>	<b>\$266,785.00</b>
Site Planning	\$6,500.00
Architect Site Services Reimbursable	\$8,000.00
Site Dev Services	\$8,000.00
Signage	\$40,000.00
Development	\$54,285.00
Impact fees/assessments	\$150,000.00

**Site Survey and Soil Investigation and Site Preparation** – These costs total \$503,707 and are .05% of new construction, and contingency costs. This appears reasonable when compared to the State Board Standard of 5%. These costs include the following:

<b>Site Survey and Soil Investigation</b>	<b>\$741,071.00</b>
Survey	\$11,000.00
Geo Study	\$18,000.00
Mat. Testing	\$25,000.00
Mass Grading/Earthwork	\$550,071.00
Phase I	\$25,000.00
Phase II	\$37,000.00
Wetlands Investigation	\$15,000.00
Wetland Mitigation/Remediation	\$60,000.00

**New Construction and Contingencies** – These costs are \$10,074,134 or \$216.09 per gross square foot. This appears reasonable when compared to the State Board Standard of \$232.78. These costs include the following:

<b>New Construction Contracts</b>	<b>\$13,474,010.00</b>
Exterior Landscaping	\$19,000.00
Sign age	\$5,000.00
Inspections	\$40,000.00
Building shell	\$12,952,596.00
Building interior	\$1,260,000.00
Development	\$544,815.00
minus contingency	(\$1,347,401.00)



**Contingencies** – These costs total \$915,830 and are 9.9% of new construction cost. This appears reasonable when compared to the State Board Standard of 10% for architectural contract documents classified as in the preliminary stage.

**Architectural and Engineering Fees** – These costs are \$580,270 and are 5.7% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 5.90-8.86%. These costs include the following:

<b>Architectural/Engineering Fees</b>	<b>\$853,713.00</b>
Architect Services	\$650,000.00
Site Engineering	\$88,200.00
Other Architect & Eng. Costs	\$35,513.00
Interior Architecture (including reimbursable)	\$80,000.00

**Consulting and Other Fees** – These costs are \$908,757. The State Board does not have a standard for these costs. These costs include the following:

<b>Consulting and Other Fees</b>	<b>\$1,336,995.00</b>
Title Work	\$10,000.00
Zoning/Entitlement	\$120,000.00
Legal Land Expense	\$140,000.00
Transfer/other Land Taxes	\$14,995.00
Permitting	\$200,000.00
Accounting	\$15,000.00
Legal	\$250,000.00
Building Permit Fees/Plan Check Fee	\$450,000.00
/Utility fees/Other Permit fees	
Marketing	\$27,000.00
Travel & Reimbursement	\$45,000.00
Title & Insurance	\$20,000.00
Appraisal	\$25,000.00
Inspections	\$20,000.00

**Movable and Other Equipment** – These Costs are \$564,145 or \$5,757 per bed. This appears reasonable when compared to the State Board Standard of \$7,983.

**Net Interest Expense During Construction** - These costs total \$289,460. The State Board does not have a standard for these costs. These costs include the following:

<b>Other Costs to be Capitalized</b>	<b>\$425,864.00</b>
Carrying Cost	\$210,829.00
Fees	\$215,035.00

All criteria meet the State Board standards, and a positive finding was made.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE REASONABLENESS OF PROJECT AND RELATED COSTS CRITERION (77 IAC 1125.800(c))**

**D) Criterion 1125.800 (d) - Projected Operating Costs**

The applicants are estimating \$323.45 projected operating costs per equivalent patient day. This appears reasonable when compared to previously approved projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF PROJECTED OPERATING COSTS CRITERION (77 IAC 1125.800(d))**

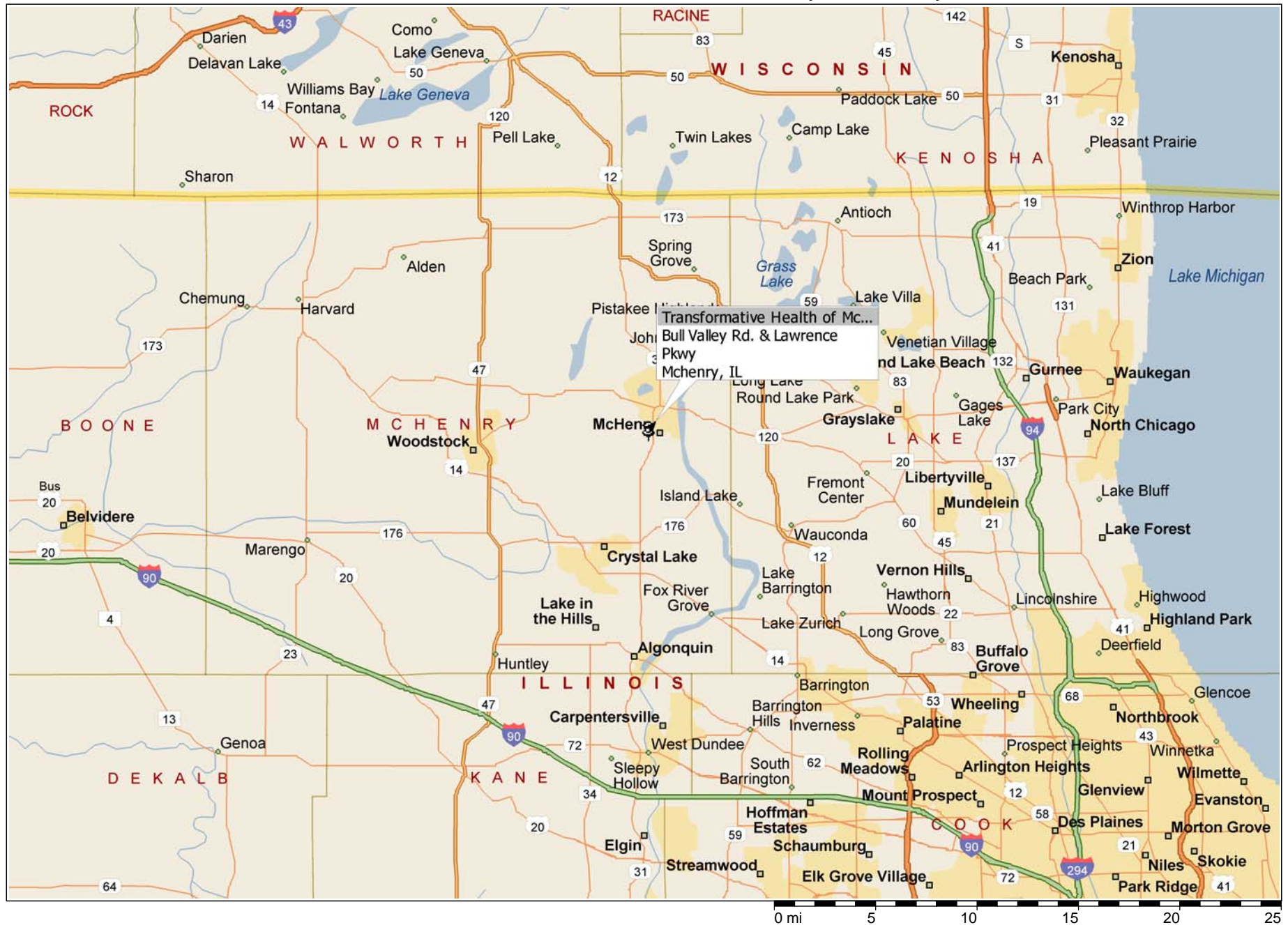
**E) Criterion 1125.800 (e) - Total Effect of the Project on Capital Costs**

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

The applicants are estimating \$44.48 projected capital costs per equivalent patient day. This appears reasonable when compared to previously approved projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1125.800(e))**

## 15-044 Transformative Health of McHenry - McHenry



Copyright © and (P) 1988–2006 Microsoft Corporation and/or its suppliers. All rights reserved. <http://www.microsoft.com/mappoint/>  
 Portions © 1990–2005 InstallShield Software Corporation. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2005 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc.