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February 4, 2016

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

VIA FEDERAL EXPRESS

Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761
Attention: Chairperson Olson

**Re: Errors in Findings of Board Staff Report
Project 15-044
Transformative Health of McHenry**

Dear Chairperson Olson:

On behalf of ManorCare Health Services, LLC, HCR Healthcare, LLC, HCR ManorCare, Inc. (collectively "ManorCare"), and ManorCare Health Services – Libertyville LLC, (collectively with ManorCare, the "ManorCare Parties"), please accept this letter which addresses certain errors contained in the Board Staff Report for Project 15-044 - Transformative Health of McHenry (the "Staff Report"), in which MS McHenry, LLC and TCO JV, LLC d/b/a Transformative Health Network (collectively, "Mainstreet") seeks approval to construct a new 98 bed freestanding skilled nursing facility in McHenry County, Illinois.

Defective Referral Letters

Page 3-4 of the Staff Report assesses Mainstreet's compliance with Section 1125.540 of the Illinois Health Facilities and Services Review Board ("IHFSRB") rules and **erroneously** concludes that the criteria in Section 1125.540 are satisfied. Specifically, the Staff Report cites the referral letter from Michael S. Eesley, CEO of Centegra Health System as follows:

"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." Emphasis added.

The Staff Report then cites the nine form physician letters, which all contain the exact same language as follows:

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“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.” Emphasis added.

As evidenced by the foregoing, Centegra Health System has stated that it does not make referrals and the physicians have stated that admissions are facilitated by Centegra Health System. Accordingly, Centegra Health System has not committed to make any referrals to Mainstreet and the physicians have not committed to make any referrals to Mainstreet. Given the lack of any commitment to make referrals, it is clearly erroneous for the Board Staff to accept the referral letters and assert that the criteria in Section 1125.540 are satisfied, when the criteria in Section 1125.540 require, in relevant part, that the referral source document “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.” Emphasis added.

Lack of Need

In addition to the defective referral letters, the Staff Report erroneously concludes that there is a need for 127 beds in McHenry County. On November 13, 2015, the Circuit Court of McHenry County reversed the IHFSRB decision denying ManorCare's application (Project #12-039) for a certificate of need ("CON") permit to establish and operate a 130-bed skilled nursing facility in McHenry County (the “ManorCare Project”) and remanded the matter back to the IHFSRB to issue a CON permit for the ManorCare Project.

The December 16, 2015 State Board Bed Inventory (the “Inventory”) incorrectly reflects a calculated bed need of 127 beds in McHenry County, as the Inventory has not been adjusted to reflect that the IHFSRB has been directed to issue a CON for 130 beds for the ManorCare Project by the Circuit Court of McHenry County.

Due to the decision of the Circuit Court of McHenry County, there is no need for any additional beds in McHenry County. If the IHFSRB approves the Mainstreet Project, it is creating unnecessary duplication of services and approving duplicative beds, as the ManorCare Project will completely satisfy the calculated bed need in McHenry County.

Accordingly, the ManorCare Parties respectfully request that the foregoing errors be corrected.

Very truly yours,



Andrew P. Tecson

APT:ktb