



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: March 29, 2016	PROJECT NO: 15-051	PROJECT COST: Original: \$32,083,309
FACILITY NAME: Alden Estates-Courts of New Lenox		CITY: New Lenox	
TYPE OF PROJECT: Substantive			HSA: IX

PROJECT DESCRIPTION: The applicants (Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, and The Alden Group, Ltd.) are proposing to establish a one hundred forty (140) bed long term care facility in New Lenox, Illinois at a cost of approximately \$32,083,309. The anticipated completion date is February 28, 2019.

EXECUTIVE SUMMARY **SUPPLEMENTAL REPORT**

PROJECT DESCRIPTION:

- The applicants (Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, The Alden Group, Ltd.) are proposing to establish a one hundred forty (140) bed long term care facility in New Lenox, Illinois at a cost of approximately \$32,083,309. The anticipated completion date is February 28, 2019.
- The applicants received an Intent to Deny at the February, 2016 State Board Meeting. Additional information was received March 9, 2016 to address the non compliant findings in the Application for Permit.
- Of the twenty (20) criteria addressed by the applicants in the Application for Permit three (3) criteria were non compliant. The following criteria are discussed as part of this report:
 - o 77 IAC 1125.530 – Planning Area Need
 - o 77 IAC 1125.570 – Service Accessibility
 - o 77 IAC 1125.580 – Unnecessary Duplication of Service/Mal-distribution/Impact on Other Facilities
 - o 77 IAC 1125.800 – Financial Viability
- At the conclusion of this report is the transcript from the February 16, 2016 State Board Meeting related to Project #15-051 Alden Estates-Courts of New Lenox.

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:

- The purpose of the this project is to increase access for nursing care beds in Will County and address the projected need for long term care beds in this planning area.

CONCLUSIONS:

- The applicants addressed a total of twenty (20) criteria and provided additional material to address the criteria not met. Our findings remain unchanged from the Original State Board Report.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1125.570 – Service Accessibility	There are forty eight (48) facilities within thirty (30) minutes adjusted of the proposed facility thirty eight (38) facilities are not at the target occupancy of ninety percent (90%). There are one hundred six (106) facilities within forty five (45) minutes (adjusted) with twenty two (22) of the facilities not at target occupancy of ninety percent (90%).
77 IAC 1125 580 - Unnecessary Duplication of Service/Mal-distribution/Impact on Other Facilities	There are forty eight (48) facilities within thirty (30) minutes adjusted of the proposed facility thirty eight (38) facilities are not at the target occupancy of ninety percent (90%).

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1125.800 – Financial Viability	The applicants have not met all of the financial ratios as required by current State Board's rule. Since 2007 The Alden Group, Inc. has been approved for five projects to establish long term care facilities or add additional LTC beds in excess of the 10% or 20 bed rule.

STATE BOARD STAFF REPORT
Project #15-051
Alden Estates-Courts of New Lenox

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, The Alden Group, Ltd.
Facility Name	Alden Estates Courts of New Lenox
Location	Cedar Crossing Drive adjacent to Silver Cross Hospital, New Lenox
Permit Holder	Alden Estates-Courts of New Lenox, Inc.
Operating Entity/Licensee	Alden Estates-Courts of New Lenox, Inc.
Owner of Site	Alden New Lenox, LLC
Application Received	November 2, 2015
GSF	107,000 GSF
Application Deemed Complete	November 6, 2015
Review Period Ends	January 4, 2016
Financial Commitment Date	March 29, 2018
Received an Intent to Deny	February 16, 2016
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. The Proposed Project

The applicants (Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, and The Alden Group, Ltd.) are proposing to establish a one hundred forty (140) bed long term care facility in New Lenox, Illinois at a cost of approximately \$32,083,309. The anticipated completion date is February 28, 2019.

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 **does not** appear to be in conformance with the provisions of Part 1125.800

III. General Information

The applicants are the Alden New Lenox, LLC, Alden Estates-Courts of New Lenox, Inc., New Lenox Investments I, LLC, and The Alden Group, Ltd. Alden New Lenox, LLC will own the site and Alden Estates-Courts of New Lenox, LLC will be the operating entity licensee of the facility.

The facility will be located in the Will County Long Term Care Planning Area. The State Board is currently projecting a need for one hundred sixty six (166) long term care beds by CY 2018 for the Will County Long Term Care Planning Area. Obligation for this

project will occur after permit issuance. This is a substantive project subject to both an 1125 and 1125.800 review.

IV. Additional Information in Response to Intent to Deny

The applicants provided one hundred twenty one (121) pages of additional material to address the intent to deny. As part of that submittal the applicants submitted

- a. information (data) regarding the use of long term care facilities by residents of the community within fifteen minutes of their home; and
- b. a market study that includes
 1. Maps of Market Area (With Location of Existing Facilities)
 2. Existing Inventory Details
 3. Nursing Care Demand and Need Calculations
 4. Site Plan and Floor Plans of the Proposed Facility
 5. IDPH Population Projections
 6. Scan/US Demographic Study

The applicants stated in part:

“There is a phenomenon with something that is new and shiny which initially draws interest towards that which is new. However, that is short lived. At the end of the day, we have found as providers that it comes down to people looking for care and services for their loved ones close to where they are located. New Lenox has no general nursing or memory care nursing beds and services supporting its residents. Interestingly enough, we looked at this issue of catchment area or the predominant area from which residents originate and so we looked at the two closest of our facilities to that of the proposed site, Alden Estates of Orland Park and Alden Estate of Shorewood. Each found that a vast majority of residents for these facilities originated from within 15 minutes of the facilities. Respectively, 60% and 79% of all 2015 admissions originated from this “primary” service area. The idea of a primary service area of 15 minute travel time from the proposed project lends credit to the idea that a substantial community like the Village of New Lenox can support its own facility.”

IV. Public Hearing/Comments:

No public hearing was requested. One letter of opposition was received by the State Board Staff from Lemont Nursing and Rehab which stated in part *“In 2014, Lemont Center Nursing and Rehabilitation had an average census of 140, or 88.6% occupancy. In 2013 Lemont Center Nursing and Rehabilitation had an average census of 146, or 92.4% occupancy. Clearly, Lemont Center Nursing and Rehabilitation, on average, has beds available.”* The State Board Staff received a number of letters of support that stated the proposed skilled care facility will improve access in the community and will have a positive impact on economic development and will improve the county’s quality of life.

V. Project Details

The applicants are proposing the establishment of Alden Estates of New Lenox (Estates) and Alden Courts of New Lenox (Courts), collectively a single one hundred forty (140) bed long term care facility. Alden Estates of New Lenox will house the one hundred (100) general long-term nursing beds and it will be connected to Alden Courts of New Lenox a forty (40) bed skilled memory care facility treating residents suffering with Alzheimer's Disease and Related Disorders (ADRD) in a total of 107,000 gross square feet.

The **Estates** will be a three-story brick and masonry structure with a "main street commons" on the first floor and residents' rooms on the second and third floors. The first floor will offer ancillary services and common area amenities for residents to include an old fashion ice cream parlor, a beauty salon and barber shop, a non-denominational chapel, private dining room for residents and their guests and a club room. An out-patient therapy is also being contemplated to meet the needs of discharged Estates' residents who are still in need of additional therapy. In addition to the General Long-Term Care services to be provided, the Estates will provide sub-acute services to include pulmonary and ventilator care as well as orthopedic rehabilitation services.

The **Courts** will be a separate, distinct, and disclosed memory care facility in a single story structure. The physical layout will be provided with separate wings that will specialize in the different stages of dementia. The Courts will be license as a long term care facility and recognized by the Illinois Department of Public Health as a memory care facility.

VI. Project Costs and Sources of Funds

The project will be funded with cash of \$6,583,309 and a mortgage of \$25,500,000.

TABLE ONE			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Preplanning Costs	\$177,917	\$78,316	\$256,233
Site Survey and Soil Investigation	\$27,774	\$12,226	\$40,000
Site Preparation	\$416,613	\$183,387	\$600,000
Off Site Work	\$83,323	\$36,677	\$120,000
New Construction Contracts	\$15,872,327	\$6,986,764	\$22,859,091
Contingencies	\$1,587,233	\$698,676	\$2,285,909
Architectural/Engineering Fees	\$1,408,986	\$620,215	\$2,029,201
Consulting and Other Fees	\$463,829	\$204,171	\$668,000
Movable or Other Equipment (not in construction contracts)	\$845,725	\$372,275	\$1,218,000
Net Interest Expense During Construction (project related)	\$955,172	\$420,453	\$1,375,625
Other Costs To Be Capitalized	\$438,312	\$192,938	\$631,250
TOTAL USES OF FUNDS	\$22,277,211	\$9,806,098	\$32,083,309
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total

TABLE ONE Project Costs and Sources of Funds			
Cash and Securities	\$4,571,154	\$2,012,155	\$6,583,309
Mortgages	\$17,706,056	\$7,793,944	\$25,500,000
TOTAL SOURCES OF FUNDS	\$22,277,210	\$9,806,099	\$32,083,309
<i>Source: Page 33 of the Application for Permit</i>			

NEED FOR THE PROJECT

A) Criterion 1125.530 (a) (b) - Planning Area Need

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

- a) Bed Need Determination**
- b) Service to Planning Area Residents**

The State Board has projected a need for one hundred sixty six (166) long term care beds in the Will County LTC Planning Area by CY 2018 primarily based upon the growth in the population that is outlined below. The method that the State Board uses for bed need determination is based on the calculation of a historical use rate for Health Service Areas (HSA) and Health Planning Areas (PSA). The method then uses that use rate - defined as the number of patient days of service for each one thousand persons in a relevant age group – to estimate the number of beds needed at some future level of population.

The State Board has estimated the growth in the **total** population in the Will County LTC Planning Area for the period 2013-2018 to grow approximately 13% or 2.46% compounded annually. For the population between the ages 65-74 years the estimated growth is 37.30% over this five year period or 6.54% compounded annually. For the population over 75 the population is expected to grow approximately 30% over this five year period or 5.33% compounded annually.

TABLE TWO Population Projection Will County				
	2013	2018	5	Compounded
	Estimated	Projected	Year	Annual
	Pop	Population	Increase	Increase
0-64 years	613,100	677,400	10.49%	2.01%
65-74 years	42,900	58,900	37.30%	6.54%
75+ years	27,300	35,400	29.67%	5.33%
<i>Source: Inventory of Health Care Facilities and Services and Need Determinations approve August 2015.</i>				

The applicants believe that a least fifty percent (50%) of the patients of the proposed new facility will come from the Will County Long Term Care Planning Area. The referral letters did not provide the zip code of the projected referrals because according to the applicants “*of HIPPA requirements.*” under the **privacy rule**. The Board Staff accepted

this statement and relied upon the attestations made by the applicants to determine that fifty percent (50%) of the residents will come from within the Will County Long Term Care Planning Area. (*See Application for Permit pages 208-215 and attestation at page 8 of the application*)

State Board Staff Notes: The **Privacy Rule** protects all "*individually identifiable health information*" held or transmitted by a covered entity or its business associate, in any form or media, whether electronic, paper, or oral. The Privacy Rule calls this information "protected health information."

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

B) Criterion 1125.540 (b) (d) - Service Demand

The applicant must document demand for the services being proposed. To determine demand the applicants provided referral letters that must

- Provide the number of historical referrals to other LTC facilities for the prior twelve (12) months;
- Provide zip codes of the historical referrals and the name of the recipient LTC facility;
- Provide the projected number of referrals by zip code of residence that will be referred annually within twenty four (24) month period;
- Attest that the projected referrals have not been used to support another pending or approved certificate of need project;
- Certify the information is true and correct; and the
- Letter must be signed by physician or CEO, dated and notarized.

The applicants have provided referral letters from four (4) physicians that estimated these four (4) physicians will refer a total of sixty-eight (68) patients a month to the skilled care facility and eight (8) patients per month to the memory care unit, or eight hundred sixteen (816) and ninety-six (96) patients annually to the proposed facility for a total of nine hundred twelve (912) patients. The referral letters provided the total number of historical referrals for the past twelve (12) months but not the zip code of residence or the name of the recipient facility. The referral letters provided the projected number of referrals to be referred annually within a twenty four (24) month period but not the zip code of residence. The letters were signed, dated, notarized and stated that the identification of individuals or their zip code of residence could not be provided because of HIPPA requirements and that the referrals have not been used to justify any pending or approved project. The State Board Staff accepted the referral letters as submitted relying upon the attestations made by a third party (the four (4) physicians) as true and correct and the calculated bed need in the Will County Long Term Care Planning Area. (*See Application for Permit pages 216-230*)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 IAC 1125.540 (b) (d))

C) Criterion 1125.570 (a) - Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access (the ability to get medical care and services when needed) for planning area residents.

The State Board has projected a need for one hundred sixty six (166) long term care beds in the Will County Long Term Care Planning Area by CY 2018.

1. There are eighteen (18) long term care facilities in the Will County Long Term Care Planning Area. One (1) facility is not yet operational and a second facility has reported unusually low census numbers (Spring Creek Nursing & Rehab Center). Four (4) of the eighteen (18) facilities in the Will County Long Term Care Planning Area are at the target occupancy of ninety (90%) percent. Fifteen (15) of the facilities are within thirty minutes of the proposed facility. Average occupancy of these sixteen (16) facilities is 81.30%.
2. There are a total of forty eight (48) skilled care facilities within thirty (30) minutes adjusted of the proposed facility. The average utilization of these forty-eight (48) facilities is approximately seventy-nine percent (79%).
3. There are one hundred six (106) facilities within forty five (45) minutes (adjusted) with twenty two (22) of the facilities not at target occupancy of ninety percent (90%).

TABLE THREE
Facilities within the Will County Planning Area

FACNAME	CITY	Gen Beds	Planning Service Area	Occ. (1)	Met Standard	Medicare Star Rating (2)	Adjusted Time (3)
Spring Creek Nursing & Rehab Center ⁽⁴⁾	Joliet	168	Will	5.70%	No	NA	8.1
Smith Crossing	Mokena	46	Will	87.20%	No	5	11.5
Victorian Village Health and Wellness	Homer Glen	50	Will	NA	No	NA	12.65
Sunny Hill Nursing Home Will County	Joliet	252	Will	64.80%	No	3	12.7
Salem Village Nursing & Rehab	Joliet	266	Will	91.60%	Yes	2	12.7
Symphony of Joliet	Joliet	214	Will	79.20%	No	3	16.1
Joliet Terrace Nursing Center	Joliet	120	Will	96.70%	Yes	2	16.1
The PARC at Joliet	Joliet	203	Will	61.20%	No	1	17.3
Presence Villa Franciscan	Joliet	154	Will	78.10%	No	2	18.4
Our Lady Of Angels Ret Home	Joliet	87	Will	85.60%	No	4	18.4
Frankfort Terrace Nursing Center	Frankfort	120	Will	95.20%	Yes	2	19.6
Lakewood Nrsg & Rehab Center	Plainfield	131	Will	87.90%	No	3	25.3
Rosewood Care Center	Joliet	120	Will	81.30%	No	5	25.3
Alden Estates of Shorewood	Shorewood	150	Will	75.20%	No	2	25.3
Meadowbrook Manor	Bolingbrook	298	Will	91.60%	Yes	4	29.9

TABLE THREE Facilities within the Will County Planning Area							
FACNAME	CITY	Gen Beds	Planning Service Area	Occ. (¹)	Met Standard	Medicare Star Rating (²)	Adjusted Time (³)
St. James Manor & Villa	Crete	110	Will	54.40%	No	3	37.95
Aperion Care Wilmington	Wilmington	171	Will	87.30%	No	3	40.25
Beecher Manor Nursing and Rehab	Beecher	130	Will	83.50%	No	2	43.75
Total Beds/Average Occupancy		2,790		76.85%			
1. Occupancy based upon information reported to the State Board as part of the Long Term Questionnaire 2. Medicare Star Rating taken from Centers for Medicare and Medicaid 3. Adjusted time from Map Quest and adjusted per 1100.510 (d) 4. Spring Creek was contacted on March 8, 2016 and reported a census of seven (7) patients. No explanation was given for the low census. 5. NA – Not Available							

There is no absence of service in the Will County Planning Area as seen from Table Three above, nor access limitations due to payor status or evidence of restrictive admission policies at existing providers. Based upon the above it does not appear service access will be improved with the addition of this facility. (*See Application for Permit pages 231-305*).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 IAC 1125.570 (a))

D) Criterion 1125.580 (a) (b) (c) - Unnecessary Duplication/ Mal-distribution of Service, Impact on Other Facilities

- a) The applicant shall document that the project will not result in an unnecessary duplication.
- b) The applicant shall document that the project will not result in mal-distribution of services. Mal-distribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services.
- c) The applicant shall document that, within 24 months after project completion, the proposed project will not impact existing facilities.

There are a total of forty eight (48) skilled care facilities within thirty (30) minutes adjusted of the proposed facility. The average utilization of these forty-eight (48) facilities is approximately seventy-nine percent (79%). Ten (10) of the forty-eight (48) facilities are at the target occupancy of ninety percent (90%). Thirty eight (38) of the forty eight (48) facilities are not at target occupancy. It would appear given the number of facilities not at target occupancy that an unnecessary duplication of service may result.

The ratio of beds to population within the thirty (30) minute service area adjusted is one (1) bed for every 164 residents (777,794 population /4,757 beds). The State of Illinois ratio is one (1) bed for every 128 residents. Based upon the bed to population ratio it does not appear to be a surplus of long term care beds in this 30 minute adjusted service

area. The applicants do not believe there will be an impact on other facilities in the planning area as the residents identified for this project are not being moved from any other facilities in the planning area. (See *Application for Permit pages 306-333*)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1125.570 (a) (b) (c))

FINANCIAL

A) Financial Viability

Criterion 1125.800 – Financial Viability of the Applicants

This criterion asked that the Board Staff to determine if the applicants are financially viable. To do this we ask that the applicants to provide historical financial information.

These applicants are new entities therefore projected financial ratios for the years 2019-2021 have been provided. The State Board Staff compares these projected ratios to standards established by the State Board. Long term care facilities generally do not meet the State Board Ratio Standards because of the business model that is being used by the industry. As can be seen by Table Four below the applicants are not in compliance with the State Board Standards for all years.

However while the applicants have not met certain ratios below the applicants have demonstrated their ability to finance, construct, and complete projects that have been approved by the State Board. Since 2007 The Alden Group, Inc. has been approved for five projects to establish long term care facilities or add additional beds in excess of the 10% or 20 bed rule. Those projects are:

#07-102	Alden of Shorewood establish one hundred (100) bed long term care facility
#12-032	Alden Courts of Shorewood add fifty (50) long term care beds to existing facility for memory care
#13-013	Alden Estates of Huntley establish a one hundred seventy (170) long term care facility
#13-023	Alden Estates of Evanston convert forty one (41) shelter care beds to nursing care beds for a total of ninety nine long term care beds.
#15-037	Alden Courts of Waterford establish a twenty (20) bed long term care facility

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1125.800))

TABLE FOUR				
Financial Ratios				
		Projected		
Combined	State Standard	2019	2020	2021
Current Ratio	1.5	1.99	1.25	2
Net Margin Percentage	2.5%	-39.63%	-11.04%	11.01%
Percent Debt to Total Capitalization	<50%	74.23%	76.71%	73.45%
Projected Debt Service Coverage	>1.5	-0.25	0.21	2.52
Days Cash on Hand	>45 days	78.19	14.64	35.57
Cushion Ratio	>3.0	0.84	0.33	0.91
		Projected		
Alden New Lenox, LLC (Real Estate)	State Standard	2019	2020	2021
Current Ratio	1.5	0.38	0.57	0.59
Net Margin Percentage	2.5%	-6.79%	-6.00%	-5.18%
Percent Debt to Total Capitalization	<50%	75.19%	75.16%	75.10%
Projected Debt Service Coverage	>1.5	1.11	1.11	1.11
Days Cash on Hand	>45 days	1,102	2,958	3,535
Cushion Ratio	>3.0	0	0.06	0.08
		Projected		
Alden Estates-Courts of New Lenox (Operator)	State Standard	2019	2020	2021
Current Ratio	1.5	2.74	1.52	2.72
Net Margin Percentage	2.5%	-37.42%	-10.13%	11.56%
Percent Debt to Total Capitalization	<50%	44.36%	78.35%	31.51%
Projected Debt Service Coverage	>1.5	-42.49	-13.83	18.66
Days Cash on Hand	>45 days	77.99	11.91	32.78
Cushion Ratio	>3.0	30.86	4.46	10.41
Source: Application for Permit page 378-380				

TABLE FIVE
Facilities within 30 minutes (adjusted) of the proposed facility

FACNAME	CITY	Gen Beds	Health Service Area	Planning Service Area	Occ. ⁽¹⁾	Met Standard	Medicare Star Rating ⁽²⁾	Adjusted Time ⁽³⁾
Spring Creek Nursing & Rehab Center	Joliet	168	9	Will	5.70%	No	NA	8.1
Smith Crossing	Mokena	46	9	Will	87.20%	No	5	11.5
Sunny Hill Nursing Home Will County	Joliet	252	9	Will	64.80%	No	3	12.7
Salem Village Nursing & Rehab	Joliet	266	9	Will	91.60%	Yes	2	12.7
Alden Estates of Orland Park	Orland Park	200	7	7-E	69.40%	No	3	16.1
Symphony of Joliet	Joliet	214	9	Will	79.20%	No	3	16.1
Lemont Nrsg & Rehab Center	Lemont	158	7	7-E	88.40%	No	3	16.1
Joliet Terrace Nursing Center	Joliet	120	9	Will	96.70%	Yes	2	16.1
The PARC at Joliet	Joliet	203	9	Will	61.20%	No	1	17.3
Presence Villa Franciscan	Joliet	154	9	Will	78.10%	No	2	18.4
Our Lady Of Angels Ret Home	Joliet	87	9	Will	85.60%	No	4	18.4
Franciscan Village	Lemont	127	7	7-E	90.80%	Yes	5	19.6
Frankfort Terrace Nursing Center	Frankfort	120	9	Will	95.20%	Yes	2	19.6
Lexington Health Care Center	Orland Park	278	7	7-E	79.70%	No	1	20.7
McAllister Nursing & Rehab	Country Club Hills	200	7	7-E	81.10%	No	2	20.7
Advocate South Suburban Hospital	Hazel Crest	41	7	7-E	67.50%	No	4	21.9
Holy Family Villa	Palos Park	129	7	7-E	76.50%	No	2	21.9
Pine Crest Health Care	Hazel Crest	199	7	7-E	88.10%	No	2	21.9
Bria of Westmont	Westmont	215	7	7-C	85.50%	No	2	23
Fairview Baptist Home	Downers Grove	160	7	7-C	54.90%	No	NA	24.15
Applewood Rehabilitation Center	Matteson	154	7	7-E	84.20%	No	2	24.2
Glenshire Nsg & Rehab Centre	Richton Park	294	7	7-E	65.80%	No	1	25.3
Burgess Square	Westmont	203	7	7-C	71.70%	No	3	25.3
Manorcare of Homewood	Homewood	132	7	7-E	81.70%	No	2	25.3
Emeritus Burr Ridge	Willowbrook	30	7	7-C	81.90%	No	4	25.3
Borridale Plaza Lisle	Lisle	55	7	7-C	84.30%	No	5	25.3
Lakewood Nrsg & Rehab Center	Plainfield	131	9	Will	87.90%	No	3	25.3
Alden Estates of Shorewood	Shorewood	150	9	Will	75.20%	No	2	25.3
Rosewood Care Center	Joliet	120	9	Will	81.30%	No	5	25.3
Alden Estates of Naperville	Naperville	203	7	7-C	72.04%	No	3	26.45

TABLE FIVE
Facilities within 30 minutes (adjusted) of the proposed facility

FACNAME	CITY	Gen Beds	Health Service Area	Planning Service Area	Occ. ⁽¹⁾	Met Standard	Medicare Star Rating ⁽²⁾	Adjusted Time ⁽³⁾
Lydia Healthcare	Robbins	412	7	7-E	90.50%	Yes	NA	26.45
Symphony of Crestwood	Midlothian	303	7	7-E	72.80%	No	3	26.5
Heather Healthcare Center	Harvey	173	7	7-E	73.50%	No	1	26.5
Manorcare of Palos Heights West	Palos Heights	130	7	7-E	86.00%	No	3	26.5
Manorcare of Palos Heights East	Palos Heights	184	7	7-E	88.10%	No	3	26.5
Aperion Care Midlothian	Midlothian	91	7	7-E	93.60%	Yes	2	26.5
Beacon Hill	Lombard	110	7	7-C	94.70%	Yes	5	27.6
Tri-State Manor Nursing Home	Lansing	84	7	7-E	89.60%	No	1	28.75
Rest Haven West	Downers Grove	145	7	7-C	55.10%	No	2	29.9
Rest Haven South	South Holland	171	7	7-E	67.30%	No	4	29.9
Rest Haven Central	Palos Heights	193	7	7-E	67.40%	No	2	29.9
Manor Care of Westmont	Westmont	149	7	7-C	72.40%	No	2	29.9
Manorcare of South Holland	South Holland	216	7	7-E	76.30%	No	2	29.9
Lexington Health Care Center-Lombard	Lombard	224	7	7-C	79.70%	No	1	29.9
Lexington Of Lagrange	Lagrange	120	7	7-E	85.00%	No	5	29.9
Meadowbrook Manor	Bolingbrook	298	9	Will	91.60%	Yes	4	29.9
Prairie Manor Nsg & Rehab Ctr	Chicago Heights	148	7	7-E	92.20%	Yes	1	29.9
Crestwood Terrace Nursing Center	Midlothian	126	7	7-E	92.90%	Yes	1	29.9
Total Beds/Average Utilization		8,086			78.79%			

1. Occupancy based upon information reported to the State Board as part of the Long Term Questionnaire
2. Medicare Star Rating taken from Centers for Medicare and Medicaid
3. Adjusted time from Map Quest and adjusted per 1100.510 (d)
4. NA – Not Available

A detailed map of the New Lenox, Illinois area. The map shows surrounding counties: DuPage to the north, Cook to the northeast, Will to the east, Kane to the northwest, Kendall to the west, and Grundy to the southwest. Major highways are marked with red and blue shields, including I-55, I-57, I-80, I-90, and I-94. Numerous cities and towns are labeled, such as Aurora, Joliet, Chicago Heights, Lansing, Hammond, and New Lenox. Water bodies like Lake Michigan, Heidecke Lake, and various sloughs are shown in blue. A callout box points to a specific location near Cedar Crossing Drive in New Lenox, IL, with the text 'Alden Estates-Courts of New Lenox, IL'. The map also shows the Illinois and Michigan Canal and the DuPage River.

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11 MS. COLBY: Good morning. My name is
12 Ruth Colby. I'm the senior vice president of
13 business development and the chief strategy officer
14 at Silver Cross Hospital. I'm here to express the
15 support of Silver Cross Hospital for Alden Estates-
16 Courts of New Lenox, Project No. 15-051.

17 Alden and Silver Cross Hospital have had a
18 long and successful relationship. We currently
19 partner on the Centers for Medicare and Medicaid on
20 services bundled pilot program, which is improved
21 care for patients with heart failure, pneumonia, and
22 those that have had major joint replacements, and as
23 this Board probably knows, the bundled pilot program
24 requires that hospitals are responsible for the cost

1 of care for these patients 30 days after they leave
2 the hospital. So in partnering with Alden we have
3 identified wonderful skilled facilities that help us
4 manage the cost, improve the continuum of care, and
5 allover just improve overall health care for the
6 patients that we serve.

7 Having an Alden facility next door to our
8 hospital in New Lenox would be a great addition to
9 that medical hub that we've created in New Lenox.
10 It will offer close proximity for physicians to be
11 able to round on their patients that will be
12 residents at Alden, and it also offers easy access
13 for the patients that need to come over to the
14 hospital to see a physician or for outpatient testing.

15 So, in summary, Silver Cross supports this
16 project and the advantages it offers the community
17 and our patients, and we hope that the Illinois
18 Health Facilities and Services Review Board will
19 vote in favor of Alden Estates-Courts of New Lenox.

20 Thank you.

21 CHAIRWOMAN OLSON: Thank you.

22 MS. DYE: Good morning. I'm Nancy Dye, the
23 economic development coordinator for the Village of
24 New Lenox, and New Lenox wholeheartedly supports

1 Alden Estates-Courts of New Lenox, 15-051.

2 This is the first skilled nursing facility
3 in the village, and we are a growing community. We
4 have 26,000 residents in the village, another 15,000
5 in the township, and approximately 8 of -- 8 percent
6 of those residents are seniors. So as the
7 development coordinator, we do want to keep resident
8 services in New Lenox.

9 In addition, as far as being a growing
10 community, last year we had 167 housing permits, and
11 between yesterday and April 1st we have six new
12 businesses opening. So that brings seniors as well
13 as new residents to New Lenox.

14 This is an ideal location next to Silver
15 Cross Hospital. As Ruth stated, there are doctors'
16 offices and other facilities where the residents
17 won't have to travel far.

18 The Village has met several times with the
19 Alden representatives. In fact, our Village
20 administrator, Kurt Carroll, was the administrator
21 in Shorewood, Illinois. So he has firsthand
22 experience in not only working with Alden but seeing
23 the quality product that they bring to a community.

24 The project will create over 100 full-time

1 jobs and even additional jobs during the construction
2 of this development.

3 On a personal note I will tell you I've had
4 a mother-in-law and mother both with broken hips,
5 both who could not stay in the hospital for physical
6 therapy, and I assure you their angst would have
7 been much less had they been able to go to a
8 facility that was very close to the hospital where
9 their surgery took place.

10 We, therefore, in addition to myself
11 personally, support this project and hope that you
12 will approve it today.

13 CHAIRWOMAN OLSON: Thank you.

14 [REDACTED]
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Board Discussiona and Vote
#15-051 Alden of New Lenox
Full Meeting
Conducted on February 16, 2016

174

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CHAIRWOMAN OLSON: Next we have H-12,
Project 15-051, Alden Estates-Courts of New Lenox.

May I have a motion to approve Project 15-051,
Alden Estates-Courts of New Lenox to establish a
140-bed long-term care facility? May I have a
motion?

VICE CHAIRMAN HAYES: So moved.

CHAIRWOMAN OLSON: And a second?

MEMBER SEWELL: Second.

CHAIRWOMAN OLSON: Mr. Constantino, your
report.

MR. CONSTANTINO: Thank you, Madam Chairwoman.

The applicants are proposing to establish a
140-bed long-term care facility in New Lenox, Illinois,
at a cost of approximately \$32 million. The
anticipated completion date is February 28th, 2019.
There was no public hearing, no opposition letters
received, and we did have findings on this project.

Thank you, Madam Chairwoman.

CHAIRWOMAN OLSON: Thank you, Mike.

Comments for the Board.

MS. SCHULLO: Hi. Good afternoon.

Randi Schullo.

1 Madam Chairman, members of the Board, I'm
2 Randi Schullo, president of Alden Management Services.
3 I'm pleased to have with me today Bob Molitor, our
4 chief executive officer; Tene Tillery, RN and
5 director of Alden's postacute services; John Kniery,
6 our CON consultant; Joe Ourth, our CON counsel, and
7 behind us we have Charles Foley if there's any
8 additional questions.

9 As always, I'd like to first thank
10 Mr. Constantino and Mr. Roate with their help with
11 the State agency report.

12 We are here to ask for your approval for a
13 new skilled long-term care facility adjacent to
14 Silver Cross Hospital in New Lenox. We are very
15 excited about this new project, as we will be the
16 first and only skilled nursing facility in the
17 village of New Lenox at this time.

18 I know we've presented to this Board
19 recently and feel that many of you know a little bit
20 about Alden and who we are and how we started.

21 Alden is a family-owned/operated provider
22 founded by my father, Floyd Schlossberg, here in
23 Illinois. We started as general contractors
24 building schools and park district facilities. In

1 1970 we built our very first skilled nursing
2 facility in Chicago which we still own and operate
3 today.

4 We currently have 35 facilities for which we
5 provide care to residents requiring skilled nursing,
6 postacute care, memory care, skilled peds, assisted
7 and supportive living. We also serve seniors
8 through our 10 affordable independent senior living
9 communities with our 11th under construction in
10 Woodridge.

11 We take pride in the quality of the facilities
12 we offer our residents. When we were here before
13 you, perhaps we talked too enthusiastically about
14 how nice our facilities are. We want to be sure we
15 didn't give you that false impression. We do have
16 quality facilities, but we do provide quality care
17 for all people.

18 Systemwide 75 percent of all Alden residents
19 are Medicaid. The majority of our beds in our
20 facility are Medicaid certified. We have developed
21 over 800 units of affordable independent senior housing
22 serving seniors 62 years of age and older, with our
23 average age being 79. These seniors are on fixed
24 incomes, and some live on less than \$10,000 per year.

1 MR. MOLITOR: My name is Bob Molitor,
2 M-o-l-i-t-o-r. I'd like to address the negative
3 findings.

4 I'd like to first point out the State Board
5 report made positive findings on all but three
6 criteria, among the findings -- the positive finding
7 that there is actually a 140-bed need within this area.

8 One negative finding was because this was a
9 new facility it could not meet all the financial
10 ratios, and two of the negative findings relate to
11 one issue, which is the underutilization at existing
12 facilities.

13 The concern about the underutilized
14 facilities is effectively addressed by the fact that
15 we had no facility express any timely opposition to
16 our project.

17 I'd like to move into why this is a good
18 facility for this location.

19 The first thing is the obvious one, there is
20 a bed need of 140 beds. This is a project that
21 we're doing in New Lenox which doesn't have its own
22 nursing facility within the area, and we have good
23 support from New Lenox, and they're projecting higher
24 population in New Lenox over the next few years.

1 We also have a great relationship, as you
2 saw by the comments from Silver Cross Hospital, the
3 group that was up here, and we already do some work
4 with Silver Cross Hospital in one of our facilities
5 from the postacute care side of the business. So
6 building that relationship has really been a good
7 thing for Alden and Silver Cross.

8 The unique part about our project compared
9 to everybody else is, something similar to what
10 we've done throughout our years with Alden, first
11 and foremost, I'd like to point out that we are
12 currently operating eight postacute care facilities
13 in the State of Illinois. They are purposefully
14 built and they do cater to the postacute care
15 population. But I also want to point out that our
16 model is a little different than everybody else's.

17 We just don't focus simply on the postacute.
18 This project in New Lenox not only will cater to
19 postacute care patients; it will have long-term care
20 patients. In addition to that, we have a separate
21 building that will be connected through a tunnel
22 that will cater to the Alzheimer's patient, and
23 those beds will also be skilled.

24 So in our minds, with the full continuum of

1 care being met, we're not only taking care of the
2 postacute care market. And I don't want to bore
3 you. Today you've heard a lot of testimony with
4 regards to what bundled care is and the Affordable
5 Care Act is and all that, but right now I think it's
6 more important to look at the difference in our
7 project, and our project really is a full continuum
8 of care.

9 Not only are we taking care of the
10 Alzheimer's patients whether they're public aid, or
11 private pay, or even Medicare care -- and there's
12 something specific to say about that -- when you
13 build a building as a postacute care provider or a
14 nursing home, you really have to have a separate
15 area, designated area for the Alzheimer's patients.
16 We're doing that with a separate building that's
17 connected underground. We use the same kitchen and
18 everything else but it's separate.

19 So what happens, too, is that if an
20 Alzheimer's patient or dementia patient happens to
21 fall and fracture a hip, we can actually take care
22 of Medicare patients within our Alzheimer's/dementia
23 unit because we're Medicare certified. So that's a
24 differentiation that we have in our project.

1 The other thing is that, like everybody
2 else, we're going to take public aid. We have
3 long-term care beds; we will have private rooms to
4 accommodate the -- and hopefully help out the
5 customer satisfaction-type thing. Right now we're
6 looking at across the board in our situation, we're
7 meeting and being a good neighbor to New Lenox and
8 providing all types of services to the community.
9 And, also, we are not specifically looking just for
10 hips and knees; we will be taking all types of
11 high-acuity level patients. Whether it's a trach
12 patient, whether it's IV therapy, we can take all of
13 those at this location.

14 One of the things that we have to point out,
15 and it's a realistic thing that happens in our
16 business today is that you have to have a good
17 relationship with a hospital because the hospital is
18 being judged in regards -- as relates to the
19 readmission rates to their hospital. So having a
20 good collaboration with a hospital, which we do, and
21 we do set aside specific people to help monitor
22 that, make sure our readmissions are low, and you
23 have to have a good collaboration, which means
24 resources from the hospital and resources from the

1 nursing home are working together to prevent those
2 rehospitalizations.

3 So that in a sense is what this whole
4 postacute care thing is about. The length of stay,
5 that's all very subjective in my opinion. If you
6 ask anybody, in most cases for health care they're
7 going to want a real low length of stay. I don't
8 know if that's realistic these days. Data will come
9 out in the next few years in regards to all these
10 judgments of whether or not the low length of stay
11 is good for postacute care.

12 In our minds we're looking at our
13 transitional postacute care patients probably being
14 anywhere between 14 and 18 days length of stay on
15 average. The long-term care patients will stay in
16 the building, and if we have some in between ones --
17 obviously, a trach patient would obviously be a
18 longer stay or a recent stroke patient would be a
19 longer length of stay. Hips and knees would be out
20 between 14 and 18 days.

21 One of the things I thought would be
22 beneficial today is if you heard from Tene some of
23 her experiences. She is the direct resource as the
24 director of postacute care services that works

1 directly with the hospital, and she can tell you a
2 little bit more specifically on how that collaboration
3 works and why that's a big difference between a
4 facility that doesn't have necessarily that type of
5 relationship.

6 MS. TILLERY: Good afternoon. My name --

7 THE COURT REPORTER: I can't hear you.

8 MS. TILLERY: Good afternoon. My name is
9 Tine Tillery. You spell the last name T-i-l-l-e-r-y.

10 As Bob said, I am the director of postacute
11 services for Alden, and I would just like to share a
12 little bit about kind of a typical patient, ortho,
13 cardiac patient and how this collaborative process
14 works within the facility.

15 Our transitional care nurse is a key role
16 regarding the collaboration between the hospital and
17 acts as a liaison between the hospital and the
18 facility, as well as coordinates care between both
19 organizations in implementation of our postacute
20 program within the facility on a daily basis and
21 ensuring that the treatment plans are followed per
22 our physician protocols.

23 The transitional care nurse, of course,
24 meets and greets the patient upon arrival to the

1 facility along with their family and there's also
2 a -- to ensure that there's a smooth transition from
3 the hospital to the facility. The transitional care
4 nurse oversees the care of potential patients that
5 are at high risk for return to the hospital. She
6 coordinates and accompanies patients to outside
7 appointments with patients if that's needed at any
8 given time, and that's been well -- very well
9 received by the community physicians because of the
10 clinician-to-clinician collaboration and discussion
11 of the patient and how they're progressing within
12 the facility during their stay with us.

13 There's also collaboration between, like I
14 said, the hospital and the case managers of the
15 hospital and discharge planners and the physicians
16 of the postacute program and the services that we
17 provide within the facility, including proactive
18 communication with patients regarding return to the
19 hospital, medication reconciliation on admission and
20 upon discharge.

21 The collaboration with the hospitals is done
22 on a weekly basis. It's team approach where the
23 hospital partners, as well as the facility partners --
24 those would include our transitional care nurse, the

1 director of nursing at the facility, the therapy
2 team, our discharge planner, case manager,
3 administrator, and some partnership with the care
4 coordination from the hospital's end, as well as the
5 nurse practitioners from the hospital end, too.

6 We sit down and we discuss the patients plan
7 of care. We discuss how the patient is progressing
8 from a clinical standpoint, medical standpoint, as
9 well as from a therapy standpoint and to -- as well
10 as -- I'm sorry -- as well as the discharge planner
11 is there to be able to identify any potential
12 barriers and to also establish resources for home
13 health care equipment needs that the patient will
14 need when they transition to the next level of care,
15 which will be the community.

16 If readmissions do occur within the facility,
17 because we know that sometimes readmissions occur
18 from our facility back to the hospital, but that
19 doesn't necessarily mean that all readmissions are
20 bad readmissions, but there is analysis that's done
21 between the hospitals and the skilled facility. We
22 sit down and we discuss what both sides may have/
23 could have done differently to prevent that
24 readmission, and from that comes possibly

1 reeducation, system and protocol changes on the
2 hospital end, as well as the skilled facility's end,
3 as well.

4 The patients do receive patient education by
5 our nurses, our nurse practitioners that are on
6 staff, our physicians, as well as our registered
7 dietitians to provide diet and healthy lifestyle
8 changes necessary to stabilize the patient within
9 the facility, as well as when they transition home.

10 We follow our patients, as well, once they
11 leave our facility. Our transitional care nurse
12 actually makes a phone call to the patient 24 hours
13 postdischarge on the 7th day of discharge and on the
14 31st day of discharge, as well, to ensure that the
15 patient is still stable within the community, as
16 well as to act as a liaison between the facility,
17 home health care, and the patient to see if there's
18 any additional resources that are needed while the
19 patient is still in the community, and as well as to
20 help with maintaining and preventing patient
21 readmissions to the hospital.

22 This collaborative approach between the
23 hospital and the facility has been proven to reduce
24 the unnecessary readmissions to the hospital and

1 ensure that patients that are discharged to us from
2 the hospital receive quality comprehensive care,
3 achieve their optimal functioning, and provide a
4 seamless transition to the community to continue on
5 with the recovery process.

6 MS. SCHULLO: In closing, thank you for your
7 time and attention this afternoon. We hope we have
8 been able to articulate the Alden difference and how
9 important this development in New Lenox is to all
10 of us. Before I close I want to just add a couple
11 quick statements.

12 We've been looking at the site in New Lenox
13 that is before you for approximately five years, and
14 we have not brought this project before you because
15 there was not a bed need. We've been in contact
16 with the seller and with the Village for a long time
17 now, and the time was right when the bed need came
18 out, and you showed that there was 141 beds needed
19 in the planning area. So we really hope that you'll
20 take that into consideration today when you're
21 considering our project because we're very excited
22 about this project.

23 We ask for your approval of our project. We
24 thank the Board for its consideration and would be

1 pleased to address any questions you may have.

2 CHAIRWOMAN OLSON: Thank you.

3 Questions from Board members?

4 Mr. Sewell.

5 MEMBER SEWELL: Thank you.

6 Help me understand. You sort of dismissed
7 the financial ratios because you argued that, you
8 know, you're a new facility. But these are the
9 projections anyway. So doesn't that mean that
10 there's still something off here in terms of these
11 ratios?

12 I mean, they're 2019 through 2021. So I
13 presume they were calculated based on your projected
14 financial statements, and your demand, and revenue
15 and all that. So I don't know if we can just ignore
16 the financial ratios just because you're new.

17 MR. KNIERY: I get the honors.

18 A couple comments and you've heard these
19 same kind of things before.

20 If you look at the combined ratios, you saw
21 before us a lot of times you have an owner and an
22 operator. ESRDs are a perfect example of that where
23 you never look at a landlord's ratios. This is
24 different.

1 Long-term care is typically different
2 because you have an owner and an operator. Both of
3 them are coapplicants. So a combined -- I guess
4 what I'm saying combined ratios give you a little
5 better picture of the overall total profitability
6 and functionability of the entities. So what you're
7 able to see on page 12 of 19 of the staff report,
8 the ratios are much -- are much better than they are
9 individually.

10 The cushion ratio and today's cash on hand,
11 for instance, are usually the big ones. We have
12 35 days' cash on hand. You need a total of 45.
13 The difference in the cushion ratio is you need
14 three years' coverage. That's a lot of cash
15 especially for long-term care providers.

16 MS. SCHULLO: I just had one. What I was
17 told by the CFO was there is no way we'd ever be
18 positive on a cushion ratio just based on the
19 formula. So that would be negative for almost
20 anybody I think.

21 CHAIRWOMAN OLSON: Mr. Johnson.

22 MEMBER JOHNSON: I think similarly we really
23 didn't address the finding of unnecessary
24 duplication of services. I mean, the fact that

1 there was no timely opposition submitted doesn't
2 really explain away the fact that there's still
3 duplication of services.

4 MR. KNIERY: If I may, Mr. Johnson, one
5 thing you heard from the Village this morning was
6 they have -- I had 24,000 people; they said 26,000
7 and they weren't even including the additional
8 15,000 in the township. But this specific area with
9 24,000 people has no long-term care -- have no
10 long-term care beds.

11 So that's one issue that we have an issue
12 here that's a little bit different. You have to go
13 nearly 10 minutes' travel time to find another
14 provider.

15 You know, we -- there are lot of indicators
16 of need. I can go through all the facilities, but
17 the indicators of need are the bed need, which we
18 know we have. Sufficient population to support the
19 project. Not only do we have the existing New Lenox
20 population, the Village of New Lenox population
21 that has no services, but we also have the State's
22 population projection for the planning area, which
23 is Will County, to show that there's a need, and
24 that's one of the reasons why a projection was found.

1 The issue is the utilization of area
2 facilities. That is the one indicator of need that
3 is negative out of the four, the utilization of area
4 facilities. We're addressing a need that's, again,
5 2018. We're going to be complete after that. So
6 this probably won't be in line for 2, 2 1/2 years.

7 Will the project call for a maldistribution?
8 That's the final criteria for indication of --
9 indicators of need. Maldistribution is typified by
10 there -- there are too many beds in one area. Okay?
11 There are no beds in New Lenox and the issue of --
12 we have a large -- we have 24, 26,000 people and we
13 have a large elderly population within that area
14 just looking -- just looking at New Lenox itself.

15 MR. MOLITOR: I'd like to address, too, the
16 question about are we duplicating services.

17 When I look at our project -- and I'll
18 mention like the Alzheimer's section -- that's a
19 separate distinct building. Nobody else in the area
20 has a separate distinct building exclusively for the
21 Alzheimer's population. So for me that sets us
22 apart from everybody else for one.

23 The other thing that was mentioned before
24 today was we talked about the postacute care

1 services, and I think Tine did a great job of
2 explaining what the difference is is providing
3 postacute care services with the level that we are
4 as it relates to the collaboration with the hospital,
5 the transitional care nurse, the additional meetings.

6 Not every long-term care facility out there
7 participates in this type of program, doesn't
8 dedicate the resources to be able to meet those
9 criteria that the hospitals are currently working
10 under.

11 Can they, in fact, take the same patient?
12 Yes, but it's not about taking the same patient.
13 It's actually what you're doing with that patient
14 and the collaboration to make sure that all the
15 services are provided on a timely basis and are
16 being most efficient in this world of health care
17 today.

18 Not everybody sets themselves up like that.
19 It's just not a reality. A smaller facility might
20 or might not be able to do it, but being on the
21 campus does give you an advantage, too. It really
22 does. And that's primarily for the fact that people
23 view that as a collaboration because we're on the
24 campus with Silver Cross, and there's advantages to

1 that, that is true.

2 But I look at ourselves being different in
3 respect to primarily the way we're taking care of
4 the postacute care services, and we have the
5 separate distinct Alzheimer's/dementia care unit
6 that I feel is new to the whole community in general.

7 MS. SCHULLO: Maybe just one more thing to
8 add. Bob did a great job, and Tine, explaining what
9 we have but besides for the fact that there's no
10 other skilled nursing provider in the village of
11 New Lenox. There already is assisted living in the
12 community and senior housing. They need, they want
13 a place to send their loved ones when they need
14 skilled services.

15 So both on the memory care side and the
16 skilled side I really hope you'll consider our
17 project.

18 CHAIRWOMAN OLSON: Senator.

19 MEMBER DEMUZIO: Just a quick question.

20 We heard all about New Lenox today, it's a
21 growing population I understand, and now we find out
22 that there's not a facility there for this service.

23 Do you have any statistics as to where these
24 individuals go now from New Lenox? Do you have --

1 you're very close -- I mean, that's part of the
2 issue here. You have 48 different facilities,
3 approximately. So that's one of your findings. So
4 where do they go now? Do you have any statistics?
5 How far away do they go?

6 MR. MOLITOR: From everything we looked at,
7 the patients go just about anyplace.

8 MEMBER DEMUZIO: With 48, I mean, you have
9 carte blanche.

10 MR. MOLITOR: You have a number of facilities
11 that have been there a long time, and that's in our
12 whole market all together. Where do people go?
13 Traditionally patients go -- and this is not Bob
14 making up this rule. People typically go the
15 closest to their home. So what we're trying to show
16 everybody is that if New Lenox doesn't have anything
17 within 10 minutes or so, there is an obvious reason
18 why people would go to this facility.

19 MEMBER DEMUZIO: You feel this population of
20 26,000 will be able to keep them there at home
21 rather than go 10 miles or 10 minutes away?

22 MR. MOLITOR: Every community that we go into
23 and we talk to one of the key things is that they --

24 MEMBER DEMUZIO: Their family wants them

1 near home, within five minutes.

2 MR. MOLITOR: They want at home or the
3 family wants them close to home. So that's what
4 we're banking on.

5 MEMBER DEMUZIO: But the duplication of
6 services does create an issue in terms of looking at
7 your findings. Can you give me another reason for
8 me not to think about that?

9 MR. MOLITOR: Well, even though there -- I'm
10 not going to sit and argue the fact that -- skilled
11 care is skilled care. We know that but there's
12 differences in regards to the way it's being done
13 today which we tried to articulate.

14 The bottom line at the end of the day is
15 people are going to go where they feel most
16 comfortable. They're going to look at the
17 environment; they're going to look at the type of
18 people you have working there and how they're treated.

19 We have a really good history in regards to
20 providing quality care. Our latest project we had
21 that you guys approved was Shorewood. We're running
22 87 percent occupancy rate at Shorewood right now,
23 and that was a home that we put in in the same type
24 of area at many different locations.

1 No one -- our competition hasn't complained
2 about the lack of patients in their building. We
3 are just providing a different type of service, and
4 in addition, as you saw this morning, we're
5 following through on our concept because the
6 Shorewood project is also having the memory care
7 right next to it. So that model has worked well,
8 and the community has really enjoyed it.

9 MEMBER DEMUZIO: So New Lenox would have a
10 new facility, and everyone wants a new facility, and
11 everyone wants to stay closer to home. Does that
12 sum it up?

13 MR. MOLITOR: Yes.

14 CHAIRWOMAN OLSON: Other questions or
15 comments?

16 MEMBER JOHNSON: Mr. Constantino, any idea
17 what the average occupancy is for the 38 facilities
18 that are below 90 percent?

19 MR. CONSTANTINO: About 79 percent.

20 MR. KNIERY: Mr. Johnson, if I can also
21 add, if you look at the chart on page 17, Table 10,
22 the first facility, Spring Creek Nursing Rehab, that
23 facility has extremely low utilization, 5.7 percent.
24 You know, it makes you scratch your head what's

1 really going on in this area.

2 If you look online, it used to be Hillcrest
3 Nursing Home, and that facility lost its Federal
4 funding, and there's articles that it's bordering on
5 closing.

6 So there are issues in the service area. I
7 mean, I don't want to beat up -- I think we have a
8 great industry. Everyone is trying to do the best
9 they can. This is a model that addresses a specific
10 area, a specific need that I think works quite well.

11 CHAIRWOMAN OLSON: Other questions or
12 comments?

13 VICE CHAIRMAN HAYES: Thank you, Madam Chair.

14 Can you explain the mortgage and the
15 financing of this project?

16 MS. SCHULLO: This will be a HUD insured loan.

17 VICE CHAIRMAN HAYES: And the term of
18 that note?

19 MS. SCHULLO: It's a 40-year term, the same
20 financing vehicle that we use in the majority of our
21 projects.

22 VICE CHAIRMAN HAYES: And the interest rate
23 is what?

24 MS. SCHULLO: I'd have to look it up. It's

1 about 4 percent.

2 VICE CHAIRMAN HAYES: It says here 4.5 percent.

3 MS. SCHULLO: That sounds right.

4 VICE CHAIRMAN HAYES: The financial ratios,
5 the only thing I would comment on that is they are --
6 with this mortgage on the books, you know, the
7 combined entity, they don't look too good, these
8 ratios there.

9 MR. OURTH: Mr. Hayes, we acknowledge what
10 you're talking about there. One of the things we
11 probably would say is that here we're talking about
12 Alden which has a proven track record for -- how
13 many years, Randi? -- 35 years. All of those
14 projects when going for HUD funding have received
15 the financing. Sometimes HUD takes a lot longer,
16 but the financing is one that there's a long track
17 record and a history of doing a project that's well
18 vetted to make sure -- now maybe they're not as
19 profitable as people would like them to be, but they
20 do have a track record of sustainability and comfort
21 that way despite the individual ratios on this page.

22 So if you're looking at the system, I think
23 you can take broader comfort than you might in
24 looking at one specific facility.

1 VICE CHAIRMAN HAYES: Well, because the HUD
2 is based on mortgage insurance, is that there's
3 either a bank or internal funds that are used to
4 actually make the loan. Do you have a bank that is
5 willing to do this?

6 MR. OURTH: Randi can talk about a
7 long-standing relationship with Cambridge.

8 MS. SCHULLO: This project, we're working
9 with capital funding on this project.

10 VICE CHAIRMAN HAYES: Thank you.

11 MS. SCHULLO: And it's been 45 years that
12 we've been working with HUD on the projects, not
13 35, Joe.

14 CHAIRWOMAN OLSON: Other questions or
15 comments?

16 (No response.)

17 CHAIRWOMAN OLSON: I actually have a
18 question.

19 I'm curious. Do you have any -- I mean, why
20 do you think there were no opposition letters
21 because I somewhat disagree with esteemed colleague.
22 I think the fact that there was no opposition speaks
23 to something.

24 MS. SCHULLO: Truly I feel New Lenox needs a

1 skilled nursing facility. The closest facility is
2 over 5 miles away, and I think the fact that we are
3 not next door to another skilled nursing provider
4 says a lot. As I said earlier, your Board showed a
5 need of about 141 beds, and we waited for the
6 opportunity to appear before you now that the bed
7 need is there, and having no other skilled nursing
8 provider in the area, that really says a lot.

9 CHAIRWOMAN OLSON: So let me ask you this
10 because -- I sort of have an issue with this whole
11 dead bed thing, and I think it's something that the
12 industry created for themselves and has to live
13 with. So I have little sympathy when people come up
14 here and say it's over 80 percent occupancy but
15 really that's all -- because that's something you
16 created yourselves.

17 But do you think that that's playing a part
18 into why? Because many of these are pretty close.
19 If you go down the list, a lot of them are pretty
20 close to the 90 percent threshold. And, again, like
21 I said, I don't have much sympathy that you as an
22 industry created that whole dead bed mess but is
23 that partially --

24 MR. MOLITOR: I'll be honest with you, yeah,

200

1 I think you're right on target. Facilities do make
2 a choice as to where their occupancy should be.

3 If you have a facility -- one of the things
4 that we try to do or at least our company tries to
5 do is that we want to deliver the best care possible
6 every single day. Sometimes that's not maximizing
7 your building; it's not saying in your 200-bed
8 building put 200 people in your building. If you're
9 sitting in a position where you can meet your
10 financial obligations and everything is going well,
11 you might not look at it and say, "I need to be at
12 90 percent occupancy every day."

13 CHAIRWOMAN OLSON: So why don't you give up
14 the beds? It's a money thing; right?

15 MR. MOLITOR: Well, that relates back to the
16 mortgage. If you buy a facility, and you buy a
17 facility for 316 beds, then that's what it's valued
18 at. How do you go back to your lender and say,
19 "Well, I only have 200 today"? It devalues the
20 property in a lot of people's minds. That's
21 something we need to continue to debate on.

22 I would like to say one other thing. You
23 asked the question why the other operators might not
24 be complaining so much or didn't come up to complain.

1 This is an area, too, that has multiple
2 hospitals. The locations are not depending upon one
3 hospital, Silver Cross. There's many hospitals out
4 there. If we were in New Lenox, we would also be
5 looking to get patients from other locations.

6 I think when I look at the demographics of
7 this, some of our competitors are in closer
8 proximity to other hospital systems where we're not
9 going to be pulling a lot of patients, so they're not
10 necessarily worried about their occupancy. That's
11 how I look at it.

12 CHAIRWOMAN OLSON: Other questions or
13 comments?

14 (No response.)

15 CHAIRWOMAN OLSON: Seeing none, I'd ask for
16 a roll call vote on 15-051, Alden Estates-Courts of
17 New Lenox in New Lenox.

18 MR. ROATE: Thank you, Madam Chair. Motion
19 made by Mr. Hayes, seconded by Mr. Sewell.

20 Senator Burzynski.

21 MEMBER BURZYNSKI: Here we go again. I'm
22 going to vote no based on the fact that we had
23 three findings from the State board staff and in an
24 effort to be consistent. Thank you.

1 MR. ROATE: Thank you.

2 Senator Demuzio.

3 MEMBER DEMUZIO: I have some real concerns
4 here just for the mere fact that you're so close,
5 there's 48 different facilities around.

6 Having said that, I also know that when you
7 go into a new community like New Lenox, they're
8 probably going to be thrilled to death. So I'm
9 going to go ahead and vote yes just for the mere
10 fact that if it wasn't for New Lenox, I probably
11 wouldn't be doing so.

12 MR. ROATE: Thank you.

13 Justice Greiman.

14 MEMBER GREIMAN: I'm taking into
15 consideration the responses of the panel to issues
16 that I thought were somewhat important, and so I'm
17 going to vote yes.

18 MR. ROATE: Thank you.

19 Mr. Hayes.

20 VICE CHAIRMAN HAYES: I'm going to vote no
21 based on the State agency report and unnecessary
22 duplication of service and service accessibility.

23 MR. ROATE: Thank you.

24 Mr. Johnson.

1 MEMBER JOHNSON: I'm also going to vote no
2 based on the State agency report.

3 MR. ROATE: Thank you.
4 Mr. McGlasson.

5 MEMBER MCGLASSON: I'm going to vote yes
6 because I think the case was made for putting a
7 facility in New Lenox.

8 MR. ROATE: Thank you.
9 Mr. Sewell.

10 MEMBER SEWELL: I'm going to vote no.
11 There's probably not a more classic conflict between
12 institutional planning, which I think has been good
13 and the innovations with care of Alzheimer's
14 patients, and planning for the region. Our job is
15 planning for the region.

16 MR. ROATE: Thank you, sir.
17 Madam Chair.

18 CHAIRWOMAN OLSON: I'm actually going to
19 vote yes. I understand there are three negative
20 findings, but I agree with Senator Demuzio that it's
21 important for a community to have a nursing home of
22 their own, and I also think the fact that there was
23 no opposition by the other area providers to this
24 project speaks volumes about, even though there is a

1 negative finding on that, them not being concerned
2 about maldistribution. So I'm going to vote yes.

3 MR. ROATE: Thank you, Madam Chair.

4 That make 4 votes in the positive, 4 votes
5 in the negative.

6 CHAIRWOMAN OLSON: The motion fails.

7 MR. MORADO: You're going to be receiving an
8 intent to deny notification from the Board, and
9 you're going to have an opportunity to come back and
10 appear before the Board and submit additional
11 information if you so desire.

12 CHAIRWOMAN OLSON: Thank you.

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