



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: May 10, 2016	PROJECT NO: 16-006	PROJECT COST: Original: \$19,026,652
FACILITY NAME: Alden Estates of Bartlett, Inc.		CITY: Bartlett	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (Alden Bartlett, LLC (Owner), Alden Estates of Bartlett, Inc. (Operator/Licensee), Bartlett Investments I, LLC, and The Alden Group, Ltd.) are proposing to establish a sixty eight (68) bed long term care facility in Bartlett, Illinois at a cost of approximately \$19,026,652. **The anticipated completion date is December 31, 2019.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Alden Bartlett, LLC (Owner), Alden Estates of Bartlett, Inc. (Operator/Licensee), Bartlett Investments I, LLC, and The Alden Group, Ltd.) are proposing to establish a sixty eight (68) bed long term care facility in Bartlett, Illinois at a cost of approximately \$19,026,652. **The anticipated completion date is December 31, 2019.**
- The State Board Staff notes there are three (3) projects on the May 10, 2016 agenda to establish a long term care facility in the 7-C Dupage County Long Term Care Planning Area. These two (2) projects are
 - Project #15-056 – Transitional Care of Lisle – establish a sixty eight (68) bed facility in Lisle, Illinois, approximately 21 miles and 34 minutes from project #16-006.
 - Project #16-002 – Transitional Care of Fox Valley – establish a sixty eight (68) bed facility in Aurora, Illinois, approximately 21 miles and 38 minutes from project #16-006.

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 this project is to increase access for nursing care beds in Health Planning Area 7-C-Dupage County, and address the projected need for one hundred thirty eight (138) long term care beds in this planning area.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. Letters of support were included in the application for permit from
 - Illinois State Senator Tom Cullerton
 - Tracey Colagrosi, Director of Senior Services, Hanover Township
 - Dr. Jennifer Anda, D.V.M., Army Trail Animal Hospital
- One letter of opposition was received by the State Board Staff.
 - Assisi Health Rehabilitation – Clare Oaks stated that the proposed facility is 2.5 miles from Clare Oaks and will have a negative effect on Clare Oak's mission oriented facility.

CONCLUSIONS:

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

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1125.570 (1) (2) (3) (4) – Service Accessibility	It does not appear that there is a lack of service in this planning area. There are currently one hundred twenty one (121) facilities within forty five (45) minutes of the proposed facility one hundred one (101) of these facilities are not at the target occupancy of ninety percent (90%). Average utilization of these facilities within 45 minutes is seventy seven percent (77%).
77 IAC 1125.580 (a) (1) (2) (3) - Unnecessary Duplication of Service	It appears that an unnecessary duplication of service will result in the establishment of this facility. There are forty nine (49) facilities within thirty (30) minutes of the proposed facility. Three (3) of the facilities are not yet operational. Average utilization of these forty six (46) facilities is seventy eight percent (78%)
77 IAC 1125.800 – Financial Viability	The applicants do not meet the cushion ratio and days cash on hand for the operator and the holder of the real estate. While the applicants have not met certain ratios 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.

STATE BOARD STAFF REPORT

Project #16-006

Alden Estates of Bartlett

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Alden Bartlett, LLC (Owner), Alden Estates of Bartlett, Inc. (Operator/Licensee), Bartlett Investments I, LLC, and The Alden Group, Ltd.
Facility Name	Alden Estates of Bartlett
Location	SR-59 South of Apple Valley Road, North of Congress Drive
Permit Holder	Alden Estates of Bartlett, Inc.
Operating Entity/Licensee	Alden Estates of Bartlett, Inc.
Owner of Site	Alden Bartlett, LLC
Application Received	January 13, 2016
GSF	63,000 GSF
Application Deemed Complete	January 15, 2016
Review Period Ends	May 13, 2016
Financial Commitment Date	May 10, 2018
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. The Proposed Project

The applicants (Alden Bartlett, LLC (Owner), Alden Estates of Bartlett, Inc. (Operator/Licensee), Bartlett Investments I, LLC, and The Alden Group, Ltd.) are proposing to establish a sixty eight (68) bed long term care facility in Bartlett, Illinois at a cost of approximately \$19,026,652. The anticipated completion date is December 31, 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 Alden Bartlett, LLC, Alden Estates of Bartlett, Inc., Bartlett Investments I, LLC, and The Alden Group, Ltd. Alden Bartlett, LLC will own the site and Alden Estates Bartlett, Inc. will be the operating entity licensee of the facility. The facility will be located in Long Term Planning Area 7-C - DuPage County.

The State Board is currently projecting a need for one hundred thirty eight (138) long term care beds by CY 2018 for this planning area. Target occupancy for the long term care category of service is ninety percent (90%).

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

IV. **Project Details**

The applicants are proposing the establishment of Alden Estates of Bartlett, a sixty eight (68) bed long term care facility. **Alden Estates of Bartlett** 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 a gourmet cafe, a beauty salon, a media room, library/lounge area, and a fully equipped PT/OT area with state-of-the-art services. In addition to the general long-term care services to be provided, the Estates will provide sub-acute services to include pulmonary, orthopedic, neurologic, and respiratory care.

Alden Estates of Bartlett will consist of 37,929 GSF of reviewable space and 25,071 GSF of non reviewable space, resulting in a 63,000 GSF facility consisting of 48 private rooms and 10 double-occupancy units.

V. **7-C Long Term Planning Area – DuPage County**

The State Board has calculated a need for one hundred thirty eight (138) long term care beds in the 7-C Long Term Care Planning Area by CY 2018.

The State Board has projected this need based primarily upon the projected 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 to estimate the number of patient days projected five years in the future in this case to 2018. Once the projected patient days have been determined an estimate of the number of beds needed is calculated at the 90% target occupancy. The resulting number is then compared to the existing number of licensed beds to determine excess or need.

The State Board is projecting a 5-year growth in the **overall population** in the 7-C LTC Planning Area – DuPage County of approximately one-half of one percent. In the 65-74 year age cohort the 5-year population growth is expected to increase approximately 34% and the 75 and over age cohort the population is expected to increase by approximately 16% over this five year period. This growth in the two age cohorts that will utilize long term care services more frequently is the principle reason there is a calculated need for one hundred thirty eight (138) long term care beds in this planning area.

	Estimated 2013	Projected 2018	5-Year Growth	Compounded Annual Growth
0-64 years	809,200	781,500	-3.42%	-0.69%
65-74 years	69,300	92,600	33.62%	5.97%
75+ years	51,900	60,200	15.99%	3.01%
<p>An estimate is a calculation of the current population based on a set of records or other data that reflect current or recent conditions. Projections are done to see where past trends seem to be taking us. <i>Source: Population Estimate and Projections completed by State of Illinois Demographer and IDPH Staff</i></p>				

Over the past five years (2010-2014) the average occupancy has been approximately 79% in this planning area. On average approximately 4% of the licensed beds were never set up during this same period. This is consistent with what we are seeing in the State of Illinois overall. We believe these beds (beds not set up ⁽¹⁾) can be considered dead beds or beds taken out of service, or converted to single bed rooms, offices, or other uses. These beds that have been removed from service have not been reported to the State Board in order for the State Board to remove the beds from the Long Term Care Inventory. [⁽¹⁾ Beds not set up = Licensed beds – Peak Beds Set-Up]

	2010	2011	2012	2013	2014	Average
Licensed Beds	5,922	5,795	5,790	5,745	5,841	5,819
Peak Beds Set-Up	5,637	5,643	5,594	5,519	5,516	5,582
Beds Not Set Up ⁽¹⁾	285	152	196	226	325	237
Peak Beds Used	5,146	5,123	5,054	4,913	4,935	5,034
Days	1,739,030	1,679,569	1,632,963	1,679,566	1,656,120	1,677,450
Daily Census	4,764	4,602	4,474	4,602	4,537	4,596
Utilization	80.45%	79.41%	77.27%	80.10%	77.68%	78.98%
% of Beds Not Set Up ⁽²⁾	4.81%	2.62%	3.39%	3.93%	5.56%	4.06%
5- Year Utilization State of Illinois						
	2010	2011	2012	2013	2014	Average
Licensed Beds	101,679	100,450	99,473	99,422	98,819	99,969
Peak Beds Set-Up	97,788	96,438	96,741	95,532	94,877	96,275
Beds Not Set Up ⁽¹⁾	3,891	4,012	2,732	3,890	3,942	3,694
Peak Beds Used	86,403	85,861	85,620	83,901	83,125	84,982
Days	28,847,192	28,050,307	27,534,976	27,893,175	27,639,075	27,992,945
Daily Census	79,033	76,850	75,438	76,420	75,723	76,693
Utilization	77.73%	76.51%	75.84%	76.86%	76.63%	77%
% of Beds Not Set Up	3.83%	3.99%	2.75%	3.91%	3.99%	3.69%
1. Beds not set up = Licensed beds – Peak Beds Set-Up 2. % of Beds Not Set Up = Beds Not Set Up/Licensed beds						

1. Beds not set up = Licensed beds – Peak Beds Set-Up
2. % of Beds Not Set Up = Beds Not Set Up/Licensed beds

There are thirty six (36) long term care facilities in the 7-C DuPage County Long Term Care Planning Area with 5,841 licensed long term care beds. Below is the payor mix in this long term care planning area by patient days.

TABLE THREE							
2014 Patient Days by Payment Source							
Nursing Care	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity	Total Patient Days
Patient Days	314,170	891,124	11,941	66,278	366,730	5,877	1,656,120
Percentage of Total	18.97%	53.81%	0.72%	4.00%	22.14%	0.35%	100.00%
Source: Information 2014 IDPH Data Summary 7-C Long Term Care Planning Area							

VI. Project Costs and Sources of Funds

The project will be funded with cash of \$3,126,652 and a mortgage of \$15,900,000.

TABLE FOUR			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Preplanning Costs	\$25,587	\$16,913	\$42,500
Site Survey and Soil Investigation	\$24,082	\$15,918	\$40,000
Site Preparation	\$361,229	\$238,771	\$600,000
Off Site Work	\$72,246	\$47,754	\$120,000
New Construction Contracts	\$8,034,052	\$5,310,493	\$13,344,545
Contingencies	\$803,405	\$531,049	\$1,334,454
Architectural/Engineering Fees	\$662,809	\$438,116	\$1,100,925
Consulting and Other Fees	\$411,957	\$272,302	\$684,259
Movable or Other Equipment (not in construction contracts)	\$357,127	\$236,061	\$593,188
HUD Loan Origination Fees	\$350,572	\$231,728	\$582,300
Net Interest Expense During Construction (project related)	\$321,783	\$212,698	\$534,481
Other Costs To Be Capitalized	\$30,102	\$19,898	\$50,000
TOTAL USES OF FUNDS	\$11,454,951	\$7,571,701	\$19,026,652
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$1,882,393	\$1,244,259	\$3,126,652
Mortgages	\$9,572,557	\$6,327,443	\$15,900,000
TOTAL SOURCES OF FUNDS	\$11,454,951	\$7,571,701	\$19,026,652
Source: Page 33 of the Application for Permit			

VII. Cost Space Requirements

The applicants are proposing 37,929 GSF of reviewable space and 25,071 GSF of non reviewable space.

TABLE FIVE			
Cost Space Requirements			
			Amount of Proposed Total Gross Square Feet That Is:
Dept. / Area	Cost	Proposed	New Const.
Reviewable			
Nursing	\$7,139,753		23,642
Living/Dining/Activity	\$1,675,163	5,547	5,547
Kitchen/Food Service	\$993,260	3,289	3,289
P.T./O.T.	\$799,077	2,646	2,646
Laundry	\$347,898	1,152	1,152
Janitor Closets	\$19,026	63	63
Clean Soiled Utility	\$189,955	629	629
Beauty./Barber	\$104,792	347	347
Housekeeping	\$185,425	614	614
Total Clinical	\$11,454,348	37,929	37,929
Non Reviewable			
Office/Administration	\$775,824	2,569	2,569
Employee Lounge	\$292,633	969	969
Mechanical	\$239,180	792	792
Lobby	\$213,208	706	706
Storage/Maintenance	\$257,903	854	854
Corridor/Public Toilets	\$3,833,518	12,694	12,694
Stair/Elevators	\$1,071,778	3,549	3,549
Amenities	\$464,468	1,538	1,538
Penthouse/Mechanical	\$422,792	1,400	1,400
Total Non Clinical	\$7,571,304	25,071	25,071
Total	\$19,025,652	63,000	63,000
<i>Source: Page 44 of the Application for Permit</i>			

VIII. General Long Term Care

A) Criterion 1125.320 - Purpose of the Project

The applicants stated the following:

The applicants note the proposed project to establish a 68-bed skilled nursing facility in Bartlett partially addresses a need for 138 LTC beds in DuPage County and Health Planning Area 7-C. The proposed facility will provide general long term care, rehabilitative nursing services, and post-acute nursing services under the skilled care (SNF) license. The applicants note the facility will be both Medicare and Medicaid certified, allowing for increased patient access. The applicants acknowledge recent Certificate of Need applications submitted for facilities in the southern sector of HPA-7C, and note that the proposed project will address a more specified need in northern HPA-7C, and southern HPA-7A. [See Application for Permit pages 70-85 for complete discussion].

B) Criterion 1125.330 – Alternatives

The applicants considered three other alternatives to the proposed project.

1. Maintain status quo or doing nothing
2. Establish a larger project
3. Project as Proposed

Maintain Status Quo/Do Nothing

The applicants rejected this alternative due to its negative results on patient access and its lack of effect on the current bed need in the Health Planning Area (“HPA”). The applicants acknowledge two existing CON applications to establish long term care beds in the planning area, but note these facilities are located in the southern section of the HPA. The applicants note the northern portion of the HPA would remain underserved if this option was chosen. The applicants identified no costs with this alternative.

Establish a Larger Project

The applicants acknowledge a need for one hundred thirty eight bed (138) long term care care (“LTC”) beds in HPA 7-C, as well as a need for 462 additional LTC beds in neighboring HPA 7A. However, the applicants rejected any larger building options, due to the desire to serve the residents of the immediate service area, while maintaining sufficient bed/population ratios. The applicants also were concerned with the quality of care that may be compromised through a larger facility. The applicants felt a sixty eight (68) bed LTC facility would ensure access with no impact on neighboring facilities. The applicants identified a project cost of \$23,122,590 with this option.

Project as Proposed

The applicants note that the proposed project size “*improves accessibility in a responsible fashion*”. The applicants note the service area contains a large number of aging residents, who will require skilled nursing services in the near future. However, it is the applicants desire to maintain the current bed/population ratio in an effort to stay in

concert with the State's ratio. The applicants acknowledge the existence of similar LTC projects in the southwestern sector of HPA-7C, and view this project as being most beneficial to the residents in the northern sector of HPA-7C, and southern HPA-7A. The applicants feel the proposed project will improve access without sacrificing quality of service for its patients. The applicants identified a project cost of \$14,678,999 (construction plus contingencies), with this alternative.

C) Criterion 1125.520 - Background of the Applicant

The applicants for the proposed project are Alden Bartlett, LLC (Owner) and Alden Estates of Bartlett, Inc. (Operator/Licensee). Bartlett Investments I, LLC, and is identified as the sole shareholder of each entity above. The Alden Group, Ltd. is the sole shareholder of Bartlett Investments, LLC, and is identified as the parent entity. A complete organizational chart for this ownership structure *is on page 59 of the Application for Permit*. Certificates of Good Standing from the Illinois Secretary of State have been provided as required for the applicants. A listing of all related Alden facilities has also been provided as required. The applicants are in compliance with Executive Order #2006-05 regarding Construction Activities in a Special Flood Hazard Area and have submitted the required documentation from the Illinois Historic Preservation Agency that no historic properties are affected by the proposed project. A copy or the real estate purchase agreement has been provided as evidence of site ownership.

The applicants stated *"Please be advised that no adverse actions as defined under 1130.140 have been taken against the Applicants within three years preceding the filing of the Certificate of Need Application. There are a few other Alden facilities that have received violations at the "A" level from the Illinois Department of Public Health. Notably, there are 27 Alden licensed long-term care facilities in the State of Illinois. Since June of 2012, only 4 of those facilities have received level "A" violations. [See Application for Permit pages 96-131]*

TABLE SIX The Alden Group, Ltd.	
Related Facilities	
Alden Alma Nelson Manor	Alden Poplar Creek Rehab & HCC
Alden Estates of Barrington	Alden Princeton Rehab & HCC
Alden Des Plaines Rehab & HC	Alden Estates of Shorewood
Alden Garden Cts. of Des Plaines	Alden Estates of Skokie
Alden Estates of Evanston	Alden Town Manor Rehab & HCC
Heather Health Care Center	Alden Valley Ridge Rehab & HCC
Alden Lakeland Rehab & HCC	Alden Village Health Facility
Alden Lincoln Rehab & H C Ctr	Alden Village North
Alden Long Grove Rehab & HCC	Alden of Waterford
Alden Terrace of McHenry Rehab	Alden Courts of Waterford
Alden Estates of Naperville	Alden Gardens of Waterford
Alden Northmoor Rehab & HCC	Alden Wentworth Rehab & HCC
Alden North Shore Rehab & HCC	Alden of Old Town East
Alden Orland Park Rehab & HCC	Alden of Old Town West

TABLE SIX The Alden Group, Ltd.	
Related Facilities	
Alden Park Strathmoor	Alden Trails
Alden Springs	
Source Application for Permit	

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANT (77 IAC 1125.520)

D) 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
- a) The State Board has projected a need for one hundred thirty eight (138) long term care beds in Long Term Planning Area 7-C by CY 2018
- b) The applicants believe that a least fifty percent (50%) of the patients will come from Bartlett and Health Planning Area 7-C. The referral letters did not provide the zip code of residence of the patients because according to the applicants "*HIPPA requirements*". Because of the stated HIPPA limitation, the State Board Staff relied upon the attestations made by the applicants that fifty percent (50%) or more of the patients will come from within the 7-C Planning Area. [See Application for Permit pages 135-136]

The HIPPA 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. [Source: US Department of Health and Human Services]

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

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

The applicant must document demand for the services being proposed. To address this criterion the applicants have provided referral letters from two (2) physicians that estimate the referral of a total of thirty five (35) patients a month to the proposed facility or four hundred twenty (420) patients annually.

The referral letters must

- Provide the number of historical referrals to other LTC facilities for the prior twelve (12) months;
- Provide the zip code 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 a 24 month period;
- Attest that the projected referrals have not been used to support any pending or approved certificate of need projects;
- Certify the information is true and correct; and the
- Letter must be signed by physician or CEO, dated and notarized

The referral letters did not contain the zip codes of the residents referred for the past twelve (12) months or the name of the recipient facility or the zip codes of the projected referrals as required. The referral letters stated that “*due to HIPAA compliance, identification of these residents cannot be provided.*” The letters were notarized signed and dated and stated that these referrals had not been used to support any other pending or approved certificate of need projects. The State Board Staff accepted the referral letters based upon the attestations made by the signatory of the referral letters. Based upon these referral letters and the projected need for beds there appears to be sufficient demand for the proposed project. [See Application for Permit pages 135-136].

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

F) Criterion 1125.570 (a) (1) (2) (3) (4) - 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. To address this criterion the applicants must provide documentation that access to long term care services is restricted within forty five minutes of the proposed facility. To determine that access is restricted all LTC facilities must be at the target occupancy of ninety percent (90%).

1. The State Board has projected a need for one hundred thirty-eight (138) long term care beds in **Long Term Care Planning Area 7-C DuPage County** by CY 2018. There are thirty six (36) facilities within the 7-C LTC Planning Area. Average occupancy of these thirty seven (36) facilities is 78%. [See Table Seven below]
2. There are forty nine (49) facilities within **thirty (30) minutes** of the proposed facility. Three (3) of the facilities are not yet operational. Average utilization of these forty six (46) facilities is seventy eight percent (78%). [See Table at the end of this report]
3. There are one hundred twenty one (121) long term care facilities within **a 45-minute drive time of the proposed facility**. Of those one hundred twenty one (121) facilities eleven (11) are new facilities or did not provide data to the State Board in 2015. Of the one hundred eleven (111) facilities twenty one (21) are at the target

occupancy of ninety (90%) percent. Average occupancy of these facilities is seventy seven percent (77%). [See Table Seven at the end of this report]

It is the opinion of the State Board Staff based upon the information submitted by the applicants that there is no absence of service within the planning area or any indication of access limitation due to payor status of patients or residents. Additionally there has been no evidence provided of restrictive admission policies of existing providers or that the existing care system exhibits indications of medical care problems. It does not appear that service access will be improved with the establishment of this facility. [See Application for Permit pages 150-157]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 IAC 1125.570 (a) (1) (2) (3) (4))

TABLE SEVEN
Long Term Care Facilities
7-C (DuPage County Planning Area)

Facility	City	Beds	Utilization (1)	Met Standard	Medicare Star Rating (2)	Adjusted Time
Abbingtion Rehab & Nursing Ctr	Roselle	82	85.20%	No	3	17
Alden Estates Of Naperville	Naperville	203	72.40%	No	3	42
Alden-Valley Ridge Rehab &Care	Bloomingtondale	232	70.00%	No	3	37
Beacon Hill	Lombard	110	94.30%	Yes	5	36
Bria Of Westmont	Westmont	215	85.50%	No	2	43
Bridgeway Senior Living	Bensenville	222	66.10%	No	1	35
Brookdale Burr Ridge	Burr Ridge	30	69.90%	No	5	39
Brookdale Plaza Lisle	Lisle	55	84.30%	No	5	35
Burgess Square	Westmont	203	71.70%	No	4	44
Chateau Nrsg & Rehab Center	Willowbrook	150	92.70%	Yes	3	43
Community Nsg & Rehab Center	Naperville	153	75.60%	No	3	27
Dupage Convalescent Home	Wheaton	368	87.70%	No	4	21
Elmbrook Nursing Elmhurst	Elmhurst	180	88.50%	No	2	29
Elmhurst Extended Care Center	Elmhurst	108	69.20%	No	5	31
Forest View Rehab & Nursing Center	Itasca	144	67.90%	No	2	24
Lexington Hlth Care Ctr-Bloomingtondale	Bloomingtondale	166	84.90%	No	2	19
Lexington Hlth Care Ctr-Lombard	Lombard	224	79.70%	No	1	34
Lexington Of Elmhurst	Elmhurst	145	76.20%	No	4	34
Manor Care - Naperville	Naperville	118	60.00%	No	3	39
Manorcare Of Hinsdale	Hinsdale	202	84.40%	No	2	39
Manorcare Of Westmont	Westmont	149	72.40%	No	4	39
Marianjoy Rehab Hospital	Wheaton	27	91.20%	No	N/A	23
Meadowbrook Manor	Naperville	153	95.20%	Yes	3	29
Oak Brook Health Care Center	Oak Brook	154	73.50%	No	5	39
Oak Trace	Downers Grove	160	54.50%	No	3	37
Park Place Christian Village	Elmhurst	37	91.30%	Yes	4	36
Providence Of Downers Grove	Downers Grove	145	55.10%	No	3	37

TABLE SEVEN
Long Term Care Facilities
7-C (DuPage County Planning Area)

[illegible]

G) 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.

To address this criterion the applicants must provide sufficient documentation that an unnecessary duplication of service will not result in the establishment of the proposed facility. To determine if there is an unnecessary duplication of service all existing facilities within thirty (30) minutes must be at the target occupancy of ninety (90%) percent.

- a) There are forty nine (49) facilities within thirty (30) minutes of the proposed facility. Three (3) of the facilities are not yet operational. Average utilization of these forty six (46) facilities is seventy eight percent (78%). It appears that the proposed facility will create an unnecessary duplication of service because there are existing facilities in the thirty (30) minute service area that are not at the target occupancy of ninety percent (90%). [See Table above]
- b) The ratio of beds to population within the thirty minute (30) service area adjusted is one (1) bed for every 221 residents (777,794 population /8,086 beds). The State of Illinois ratio is one (1) bed for every 187 residents. It does not appear there is a surplus of beds based upon the ratio of beds to the population within the thirty (30) minute service area to the State of Illinois ratio.
- c) Additionally, 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))

H) Criterion 1125.590 - Staffing Availability

I) Criterion 1125.600 - Bed Capacity

J) Criterion 1125.610 - Community Related Functions

K) Criterion 1125.630 - Zoning

The staffing information was provided at *pages 286-289 of the Application for Permit* and it appears sufficient staffing will be available for the proposed facility. The maximum bed capacity for a long term care facility is two hundred fifty (250) beds. The applicants are proposing to establish a sixty eight (68) bed long term care facility. Letters of support from the community were provided by Illinois State Senator Tom Cullerton, Tracey Colagrosi, Director of Senior Services, Hanover Township, and Dr. Jennifer Anda, D.V.M., Army Trail Animal Hospital. The letters are located at *pages 292-294 of the Application for Permit*. The property is currently zoned with a Special Use for a Planned Unit Development. This site has been previously zoned for use for a memory care facility [Application, p. 297].

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY, BED CAPACITY, COMMUNITY RELATED FUNCTIONS, ZONING (77 IAC 1125.590, 600, 610, 630))

L) Criterion 1125.620 - Project Size

Upon project completion, the proposed Alden Estates of Bartlett will comprise 37,929 gross square feet of clinical space for sixty eight (68) nursing care beds. This equates to 557.8 GSF per bed upon project completion. The State Board Standard is 435-713 gross square feet per bed.

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

M) Criterion 1125.640 - Assurances

The applicants stated the following: *“This letter attests to the fact that if this Project is approved by the Illinois Health Facilities and Services Review Board, Alden Estates of Bartlett, Inc., understands that it is expected to achieve and maintain the occupancy specified in §1125.210(c) by the second year of operation after project completion. Our ability to maintain this occupancy level could be affected by various factors outside of our control, such as natural disasters, regulatory changes in healthcare, interruption of necessary utilities, physical plant problems, or other unexpected issues outside of our control which could have a direct or indirect effect upon our occupancy rate.”*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCE (77 IAC 1125.640))

IX. FINANCIAL

A) Availability of Funds

Criterion 1125.800 – Availability of Funds

The applicants are to provide documentation to demonstrate that they have sufficient resources to fund the proposed project.

The applicants propose to fund the project with a combination of Cash and Securities totaling \$3,126,652, or 16.5% of the total cost and a mortgage totaling \$15,900,000 or 83.5% of the total cost of \$19,026,652. The applicants supplied projected financial statements, and data attesting to their projected financial viability.

The applicants have demonstrated to the State Board their ability to fund projects of this size and scope utilizing mortgage insurance through HUD, via a letter from, Capital Funding, LLC [Application, p. 302]. The State Board Staff believes based upon the past ability of these applicants to fund these projects that the proposed project will be appropriately funded and funds are available.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1125.800))

B) Financial Viability

Criterion 1125.800 – Financial Viability of the Applicants

The State Board Staff is to determine the financial viability of the applicants based upon the financial information provided in the application for permit. The applicants have provided the projected financial ratios for the years (2019 thru 2021) for the operator of the proposed facility (Alden Estates of Bartlett, Inc.), the owner of the facility (Alden Bartlett, LLC and the combined ratio for both entities) and Bartlett Investments, I, LLC (not presented below). As can be seen by Table Nine below Alden Estates of Bartlett, Inc. and Alden Bartlett, LLC are not in compliance with the State Board Standards for the projected financial ratios. The applicants are expecting to profitable by the second year after project completion.[Table Eight] [See Application for Permit pages 319-327]

However while the applicants have not met certain ratios 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

TABLE EIGHT			
Projected Income Statement			
Operating Entity			
	Year 1	Year 2	Year 3
Income	\$4,171,781	\$10,512,212	\$10,943,980
Expenses	\$4,520,261	\$8,463,073	\$8,769,202
Net Operating Income	-\$348,500	\$2,049,139	\$2,174,778
Rent Expense	\$1,092,000	\$1,220,000	\$1,250,000
Interest-Working Capital	\$47,142	\$48,397	\$30,423
Net Income Operations	-\$1,487,642	\$780,742	\$894,355
Income Tax	\$595,057	-\$312,297	-\$357,742
Net Income	-\$892,585	\$468,445	\$536,613

TABLE NINE				
Projected Financial Ratios				
		Projected		
	State Standard	2019	2020	2021
Combined				
Current Ratio	1.5	1.48	1.86	2.27
Net Margin Percentage	2.5%	-36.91%	4.87%	5.68%
Percent Debt to Total Capitalization	<50%	77.9%	76.3%	74.39%
Projected Debt Service Coverage	>1.5	(0.42)	1.58	1.65
Days Cash on Hand	>45 days	36.28	29.54	51.03
Cushion Ratio	>3.0	0.39	0.59	1.06
Alden Bartlett, LLC (Real Estate)	State Standard	2019	2020	2021
Current Ratio	1.5	2.01	1.63	1.55
Net Margin Percentage	2.5%	-3.85%	-22%	-20.9%
Percent Debt to Total Capitalization	<50%	78.72%	79.2%	79.67%
Projected Debt Service Coverage	>1.5	1.14	1.13	1.13
Days Cash on Hand	>45 days	135,783	14,959	15,273
Cushion Ratio	>3.0	0.43	0.53	0.54
Alden Estates-Courts of Bartlett Inc. (Operator)	State Standard	2019	2020	2021
Current Ratio	1.5	1.33	1.95	2.57
Net Margin Percentage	2.5%	-35.66%	7.43%	8.17%

TABLE NINE Projected Financial Ratios				
Percent Debt to Total Capitalization	<50%	59.19%	24.56%	0.00%
Projected Debt Service Coverage	>1.5	(30.56)	2.96	3.30
Days Cash on Hand	>45 days	5.22	9.86	31.59
Cushion Ratio	>3.0	1.64	0.81	2.67
<i>Source: Application for Permit page 318-320</i>				

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

X. ECONOMIC FEASIBILITY

A) Criterion 1125.800 (a) – Reasonableness of Financing Arrangements

B) Criterion 1125.800 (b) – Terms of Debt Financing

The applicants are estimating that the mortgage will be in the amount of \$15,900,000 for forty (40) years at an approximate interest rate of 4.5%. The loan will be secured by (1) a first mortgage lien on the land and improvements now and hereafter acquired or constructed thereon, (2) a chattel mortgage or security agreement creating a first mortgage lien on the furnishings and equipment to be located at the Project, and (3) the endorsement by FHA of the Insured Loan. The Insured Loan shall also be secured by a lien on the Project operator's: tangible and intangible personal property (including, but not limited to, cash and deposit accounts).

The applicants attested to the following

- 1. That the selected form of debt financing for the project will be at the lowest net cost available;*
- 2. That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;*
- 3. That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment is less costly than constructing a new facility or purchasing new equipment. [See Application for Permit page 331]*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1125.800 (a) (b))

C) Criterion 1125.800 (c) – Reasonableness of Project Costs

By rule only the clinical costs are to be reviewed for reasonableness.

Preplanning Costs – These costs are \$25,587 and are less than 1% of new construction, contingencies and movable equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey and Soil Investigation and Site Preparation Costs - These costs are \$385,311 and are 4.3% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

Off Site Work Costs are \$72,246. The State Board does not have a standard for these costs.

New Construction and Contingency Costs are \$8,837,457 or \$233 per GSF. This appears reasonable when compared to the State Board Standard of \$239.76.

Contingency Costs are \$803,405 or 9.9% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Costs are \$662,809 or 7.49% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5.94% - 8.92%.

Consulting Costs and Other Costs are \$411,957. The State Board does not have a standard for these costs.

Movable or Other Equipment Costs are \$357,127 or \$5,252 per bed. This appears reasonable when compared to the State Board Standard of \$7,983.

Net Interest Expense During Construction Costs are \$321,783. The State Board does not have a standard for these costs.

Loan Origination Fees These costs total 350,572. The State Board does not have a standard for these costs.

Other Costs to be Capitalized is \$30,102. The State Board does not have a standard for these costs.

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

D) Criterion 1125.800 (d) - Direct Operating Costs

The applicants are estimating the direct operating costs per patient day as \$381.61. This appears reasonable when compared to previously approved projects.

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

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

The applicants are estimating the projected capital costs per patient day as \$65.68. This appears reasonable when compared to previously approved projects.

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

TABLE TEN Facilities within 30-Minute Radius of Alden Estates of Bartlett						
FACNAME	CITY	Gen Beds	Occ. (1)	Met Standard	Medicare Star Rating (2)	Adjusted Time (3)
Assisi Healthcare Center Clare Oaks	Bartlett	120	87.4%	No	4	3
Wood Glen Nursing & Rehab	West Chicago	213	80.3%	No	3	8
Park Point South Elgin Healthcare*	South Elgin	120	N/A	No	N/A	8
Lexington of Streamwood	Streamwood	214	81%	No	3	11
Claremont Hanover Park	Hanover Park	150	67.4%	No	4	11
South Elgin Healthcare & Rehab	South Elgin	90	78.4%	No	1	12
Tower Hill Healthcare Center	South Elgin	206	91.5%	Yes	3	12
Rosewood Care Center St. Charles	St. Charles	109	83.1%	No	4	12
Heritage Health	Elgin	94	85%	No	5	14
Provena Pine View Care Center	St. Charles	120	78.51%	No	3	16
ARBA Care Center of Elgin	Elgin	102	85%	No	2	16
Manorcare of Elgin	Elgin	88	85%	No	5	16
River View Rehab Center	Elgin	203	89.1%	No	2	17
West Chicago Terrace Nursing Home	West Chicago	120	96.9%	Yes	2	17
Windsor Park Manor	Carol Stream	80	80.4%	No	5	17
Abbington Rehab & Nursing Center	Roselle	82	85.2%	No	3	17
Alden-Poplar Creek Rehab & Care	Hoffman Estates	217	81.8%	No	2	17
Sherman West Court	Elgin	112	66.9%	No	5	18
Bria of Geneva	Geneva	107	78.6%	No	2	18
Rosewood Care Center of Elgin	Elgin	139	85.2%	No	4	19
Apostolic Christian Resthaven	Elgin	50	93.3%	Yes	4	19
Lexington HealthCare Center- Bloomingtondale	Bloomingtondale	166	84.9%	No	2	19
Lexington of Schaumburg	Schaumburg	214	83.3%	No	1	19
Manor Care Elk Grove Village	Elk Grove Village	190	90.3%	Yes	5	19

TABLE TEN Facilities within 30-Minute Radius of Alden Estates of Bartlett						
FACNAME	CITY	Gen Beds	Occ. (1)	Met Standard	Medicare Star Rating (2)	Adjusted Time (3)
Batavia Healthcare & Rehab Center	Batavia	63	83.2%	No	2	21
Winfield Woods Healthcare Center	Winfield	138	79.4%	No	4	21
DuPage Convalescent Home	Wheaton	368	87.7%	No	4	21
Alden-Valley Ridge Rehab & Care	Bloomingtondale	207	89.2%	No	3	21
West Suburban Nursing & Rehab	Bloomingtondale	259	71.3%	No	2	21
Wynscape Health & Rehab	Wheaton	209	54.9%	No	5	23
Friendship Village Schaumburg	Schaumburg	250	84.6%	No	5	23
Marianjoy Rehabilitation Hospital	Wheaton	27	N/A	No	N/A	23
Forest View Nursing & Rehab	Itasca	144	67.9%	No	2	24
Addison Rehabilitation & Living Center*	Elgin	120	N/A	No	N/A	24
Wheaton Care Center	Wheaton	123	93.5%	Yes	2	25
Manor Care of Rolling Meadows	Rolling Meadows	155	72.6%	No	5	26
Covenant Health Care	Batavia	99	86.6%	No	5	27
Meadowbrook Manor*	Geneva	150	N/A	No	N/A	27
Alden Estates of Barrington	Barrington	150	78.3%	No	3	27
Prairieview Nursing Unit	Barrington	20	59.8%	No	5	27
Community Nursing & Rehab	Naperville	153	75.6%	No	3	27
Rosewood Care Ctr. of Iverness	Iverness	142	77.6%	No	5	27
Tabor Hills Healthcare	Naperville	211	81.5%	No	5	28
The Grove of Fox Valley	Aurora	195	73.4%	No	1	28
Greenfields of Geneva	Geneva	43	78.3%	No	4	29
Elm Brook Healthcare & Rehab Ctr.	Elmhurst	180	88.5%	No	2	29
North Aurora Care Center	North Aurora	129	88.9%	No	2	29
St. Patrick's Residence	Naperville	209	92.7%	Yes	4	29

TABLE TEN
Facilities within 30-Minute Radius of Alden Estates of Bartlett

FACNAME	CITY	Gen Beds	Occ. (1)	Met Standard	Medicare Star Rating (2)	Adjusted Time (3)
Meadowbrook Manor	Naperville	153	95.2%	Yes	3	29
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. *Project not completed						

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