



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM NUMBER: G-01	BOARD MEETING: June 4, 2019	PROJECT NUMBER: 17-012
BUSINESS ITEM: Status Report on Conditional Permits		
FACILITY: Meadowbrook Manor of Geneva		

STATE BOARD STAFF REPORT

Permit #17-012 is before State Board to determine if the Permit Holders have met the requirements of the condition of the permit.

I. Background Information

In February of 2018 (Permit #17-012) the Permit Holders (Butterfield Healthcare III, LLC, and MMG Partners, L.P.) were approved to establish a 150-bed skilled nursing facility in Geneva, Illinois. The total cost of the project is \$30,083,868. The completion date is March 31, 2021. Permit #17-012 was approved with a condition: *that financing for the project was to be secured by March 31, 2019.*

The first annual progress report for Permit #17-012 was received on March 29, 2019. The Annual Report stated that Greystone Funding Corporation was committed to the debt financing of the project (mortgage) subject to the United States Department of Housing and Urban Development commitment. As of the date of the Annual Report (March 28, 2019) construction had not begun, zoning had been approved by the Kane County Development Department and the Permit Holders have not received approval from IDPH on the Architectural submittal.

II. History

The Permit Holders have had a long history in attempting to develop a long-term care facility in Geneva.

In March 1995 (Permit #95-030) Meadowbrook Manor of Geneva., the Permit Holders proposed to establish a 249-bed skilled nursing facility, in Geneva. The application received an Intent to deny at the August 1995 Health Facilities Planning Board meeting. The application was modified in October 1995, to provide 166 skilled nursing beds and 83 sheltered care beds and was withdrawn by the Permit Holders in February 1996. The estimated cost of the project was \$13.2 million.

In November 2008 (Permit #08-099), the Permit Holders proposed to establish a 150-bed skilled nursing facility, in Geneva, at 37W220 Keslinger Road. This application received an Intent to Deny at the April 2009 Illinois Health Facilities and Services Review Board meeting and was approved by the State Board at the September 2009 meeting. The permit

was approved for four (4) permit renewals, allowing the project to proceed until a newly established completion date of July 31, 2016. On September 13, 2016, project #08-099 was denied for its fifth permit renewal, and the permit for project #08-099 expired on July 31, 2016. Board Staff notes the reasons for the multiple renewals were due to issues with securing Housing and Urban Development (HUD) financing, and zoning/site access issues with the neighboring Delnor Hospital, and the City of Geneva. The estimated cost of the project was \$25.3 million.

II. Status of Reporting

The State Board staff has received the first Annual Report.

III. State Board Staff Analysis

The Board Staff's understanding of the condition is that financing was to be in place by a date certain – March 31, 2019. The Board's Staff has reviewed the February 2018 Board Meeting transcript and the first annual report. From that review it does not appear that the Permit Holders have met the requirements of the condition.

The State Board may:

1. Accept the financing structure currently proposed (a mortgage with HUD insurance) and remove the condition.
2. Require the Permit Holder to secure a conventional loan without HUD financing and begin construction.
3. Refer to the Board's General Counsel as a compliance issue
4. Revoke the permit.
5. Agree to allow the applicant to relinquish the permit.

Attached:

- State Board Staff Report for #17-012
- February 2018 State Board Meeting Transcript
- #17-012 - First Annual Report
- #17-012 Permit Letter



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-01	BOARD MEETING: February 27, 2018	PROJECT NO: 17-012	PROJECT COST: Original: \$30,083,868 Current:
FACILITY NAME: Meadowbrook Manor of Geneva		CITY: Geneva	
TYPE OF PROJECT: Substantive			HSA: VIII

DESCRIPTION: The Applicants (Butterfield Healthcare III, LLC, and MMG Partners, L.P.) propose to establish a 150-bed skilled nursing facility in Geneva, Illinois. The total cost of the project is \$30,083,868. The completion date is March 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants propose to establish a 150-bed long term care facility, at 37W220 Keslinger Road, Geneva. The anticipated cost of the project is \$30,083,868. **The anticipated completion date is March 31, 2021.**

BACKGROUND

- This application is one of three (3) pursuits to establish a Long Term Care (LTC) facility in Geneva. They are:
 - #95-030: Meadowbrook Manor of Geneva. In March 1995, the Applicants proposed to establish a 249-bed skilled nursing facility, in Geneva. The application received an Intent to deny at the August 1995 Health Facilities Planning Board meeting. The application was modified in October 1995, to provide 166 skilled nursing beds and 83 sheltered care beds, and was withdrawn by the Applicants in February 1996. The estimated cost of the project was \$13.2 million.
 - #08-099: Meadowbrook Manor of Geneva. In November 2008, the Applicants proposed to establish a 150-bed skilled nursing facility, in Geneva, at 37W220 Keslinger Road. This application received an Intent to Deny at the April 2009 Illinois Health Facilities and Services Review Board meeting, and was approved by the State Board at the September 2009 meeting. The permit was approved for four (4) permit renewals, allowing the project to proceed until a newly established completion date of July 31, 2016. On September 13, 2016, project #08-099 was denied for its fifth permit renewal, and the permit for project #08-099 expired on July 31, 2016. Board Staff notes the reasons for the multiple renewals were due to issues with securing Housing and Urban Development (HUD) financing, and zoning/site access issues with the neighboring Delnor Hospital, and the City of Geneva. The estimated cost of the project was \$25.3 million.
 - #17-012: Meadowbrook Manor of Geneva, proposes to establish a 150-bed skilled nursing facility at the location initially identified in application #08-099, at a cost of \$, and a project completion date slated for March 31, 2021.
 - Project #17-012 has been extended from the September 2017, November 2017, and the January 2018 State Board Meeting. The extensions occurred to review additional information provided by the Applicants. The Applicants submitted a Type A Modification on November 15, 2017 increasing the cost of the project by approximately 30%.

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.

PUBLIC COMMENT:

- A public hearing was offered in regard to this project, and a request was received on April 10, 2017. The Public Hearing was held on Tuesday, June 13, 2017, at the Kane County Government Center, in Geneva. The public hearing was attended by Mr. Juan Morado and Ms. Jeannie Mitchell, Board Counsel, and overseen by Richard Sewell, Board member. The meeting began at 12:00 pm. Twenty-two (22) individuals were in attendance, eighteen (18) registered their support for the project and three (3) registered their opposition. The transcript from this hearing has been provided as a separate attachment to this report.
- State Board Staff has received 13 letters of support and 2 letters of opposition to this project. A sample of comments received is below.

A spokesman for the Applicants stated in support:

“We propose to establish a 150-bed skilled long-term care facility. Importantly, the proposed Meadowbrook Manor of Geneva will be located adjacent to the Northwestern Delnor-Community Hospital campus, which includes physician and specialists' offices as well as an ambulatory surgery center. While not physically situated on a hospital campus, a fully occupied 90-bed independent living facility is located near the northwest corner of the hospital campus. The addition of a skilled long-term care facility would provide a continuum of care from independent living to acute care to this health care hub. Furthermore, the proposed Meadowbrook Manor of Geneva will improve access to skilled long-term care to individuals living in Kane County, particularly Medicaid beneficiaries. While, admittedly, there is no shortage of skilled term long-term facilities in the facility -- or in the service area; I apologize -- there is an absence of Medicaid beds. Collectively, there are only 661 skilled long-term care beds for Medicaid beneficiaries within the service area. This number is further reduced when the facility admissions restrictions are taken into account. For example, three facilities within the service area are continuing care retirement communities. While not operating under a closed admissions policy, Medicaid beds in the CCRCs are generally reserved for individuals of the community who have exhausted their financial resources and not otherwise available to the general public. With respect to Medicaid certification, it is also important to note that facilities that participate in the Medicaid program are not required to accept any Medicaid residents. Among the remaining skilled long-term care facilities in the service area, only 44 percent of the residents are Medicaid beneficiaries. This is low considering Medicaid is the primary payer of long-term care facilities, accounting for 62.2% of long-term care expenditures in 2010. As previously noted, Meadowbrook Manor of Geneva will be dually certified, and we have a track record of accepting Medicaid residents. I do it myself. In fact, we operate three facilities in Illinois, and approximately 80 percent of our residents are Medicaid beneficiaries. What will further set this facility apart from other services in the area is its clinical programming. As with our other facilities, we will provide a cardiology, pulmonary, wound care, and nephrology clinic as well as bedside dialysis to residents suffering from kidney failure. Rather than having to leave the facility for appointments, residents can schedule appointments with a specialist who conducts weekly rounds. Not only is this a convenience for our residents, but it improves the quality of patient care. Additionally, skilled long-term care beds are warranted in Geneva. As noted in the market survey prepared for this project, the service area population is rapidly aging. By 2021, 15 percent of the population will be over the age of 65, compared to 12 percent in 2016. As a result of the rapid population growth in the 65-and-over age cohort, the current inventory of skilled long-term beds will be insufficient to address the future demand, particularly among Medicaid beneficiaries. Accordingly, this proposed project is warranted.”

Butterfield Health Care Group, Inc submitted a comment on October 24, 2017 that stated in part

“Specifically, Project #10-065 stated that construction would finally commence on August 1, 2016 and now, more than a year later, it has not yet done so. This information is but just one more indicator of the current long-term care landscape.” [State Board Staff Notes: Project #10-065 - Park Point South Elgin Healthcare was approved to establish a 120 bed long term care facility in South Elgin]

Bria of Geneva Stated in Opposition: *“This project began in 2009. Since that time at least 426 new beds have opened or been approved for construction within the market area. As a facility that has been in Geneva for many years, we understand the needs of the community. Simply put, there is no need for additional beds in the area. We believe that the 4,127 beds in the area provide all of the services needed. Furthermore, according to Applicant's own submission, current occupancy in the 27 Kane County facilities is only 64.5 percent. Moreover, according to the 2017 LTC facility update reports, not only is there no need for more beds, there is an excess of 590 beds. BRIA of Geneva is licensed for 107 beds, and our census has consistently been well below 90 percent, and the majority of our resident population is Medicaid patients. We have never turned away an indigent patient for lack of beds. Currently our patient population is made up of 84 percent Medicaid patients, and we currently have 16 empty beds that can be filled with Medicaid patients. In order for Applicant to achieve the projected stabilized income shown in their submission, they would have to run their facility with a minimum of 30 percent Medicare patients. That's Medicare, not Medicaid. This project is not meant to serve Medicaid patients, as claimed by the Applicant. If the Applicant were allowed to proceed and further saturate the market with another 150 beds, it will cause financial hardship to all of the surrounding facilities by further lowering census while at the same time increasing the demand for quality nursing staffing in a market suffering from shortages.”*

SUMMARY:

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

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1125. 530 - Planning Area Need	There is no need for additional beds in this Planning Area. The State Board has calculated an excess of one hundred eight (108) long term care beds in the Kane County Long Term Care Planning Area. Additionally, the Applicants failed to provide patient zip code information, confirming residency in the planning area.
Criterion 1125. 540 – Service Demand	There is no absence of long term care services in the Kane County Long Term Care Planning Area, or in the 30-minute drive radius surrounding the proposed facility. The Applicants failed to provide zip code information, confirming patient residence in the planning area. The referral letters stated the reason the zip codes were not provided was “ <i>due to HIPAA compliance, identification of these residents cannot be provided.</i> ” ¹ [State Board Staff Notes: The Applicants did not provide all long term care facilities within forty-five minutes as required by rule]
Criterion 1125.570 – Service Accessibility	There are thirty-four (34) facilities within thirty (30) minutes of the proposed facility with 4,127 LTC beds. Of these thirty-four (34) facilities, three (3) are not yet operational and the fourth facility is a hospital (Northwestern Medicine Marianjoy Rehabilitation Center) and is not considered in this evaluation. The remaining thirty (30) facilities are operating at an average utilization of approximately 81%. There is no absence of the LTC service within the planning area; or access limitations due to payor status of patients/residents, or evidence of restrictive admission policies of existing providers. The area population and existing care system does not exhibit indicators of medical care problems. [State Board Staff Notes: The Applicants did not provide all long term care facilities within forty-five minutes as required by rule]
Criterion 1125.580 – Unnecessary Duplication of Service/Mal-distribution of Service/Impact on Other Facilities	There are thirty four (34) facilities within 30 (thirty) minutes of the proposed facility (see Appendix I). Of these thirty-four (34) facilities, three (3) are not yet operational and the fourth facility is a hospital (Northwestern Medicine Marianjoy Rehabilitation Center) and is not considered in this evaluation. The remaining thirty (30) facilities are operating at an average utilization of approximately 81%. Of thirty (30) facilities, four (4) facilities are at target occupancy of ninety percent (90%) [See Appendix I].
1125.800 – Availability of Funds	The Applicants provided documentation from the US

¹ State Board Legal Counsel Guidance March 2017

“HIPAA states that “[a] covered entity may use or disclose protected health information to the extent that such use or disclosure is required by law and the use or disclosure complies with and is limited to the relevant requirements of such law.” 45 CFR 164.512(a)(1). For certain projects, the Administrative Code requires Applicants to provide zip code information about patients or residents. Because this information is required by law and the disclosure of it as part of a CON application is limited to the relevant requirements of that law, the Board’s legal counsel has advised the Board that HIPAA is not a persuasive defense for failing to provide the required information. Therefore, any applicant that fails to provide necessary zip code information based on HIPAA may receive a negative finding for the relevant criteria.”

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
	<p>Department of Housing and Urban Development (HUD), committing to funding the mortgage portion (\$15,600,000), of the project. However, the two documents contained expiration dates that have already passed. A <u>non-binding letter of intent</u> has been submitted from Greystone Funding Corporation that stated: <i>“This is a project that Greystone Funding Corporation is interested in pursuing with you. This letter sets forth a summary of the terms and conditions under which Greystone will evaluate the Borrower and the above-referenced project (the “Project”) for a mortgage loan (the “Loan”) to be insured by the Department of Housing and Urban Development (“HUD”) acting through the Federal Housing Administration (“FHA”) under its Section 232 program.”</i></p>
1125.800 – Financial Viability	<p>Table Seven below outlines the financial ratios for MMG Partners, L.P., Butterfield Health Care, LLC, and the combined ratios of both entities. The Applicants have not met all of the State Board Standards for these financial ratios.</p>

STATE BOARD STAFF REPORT
Meadowbrook Manor of Geneva
Geneva, Illinois
#17-012

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants	Butterfield HealthCare III, LLC MMG Partners, L.P.
Facility Name	Meadowbrook Manor of Geneva
Location	37W220 Keslinger Road
Permit Holders	Butterfield HealthCare III, LLC MMG Partners, L.P.
Operating Entity/Licensee	Butterfield Health Care III, LLC
Owner of the Facility	MMG Partners, L.P.
GSF	94,816 GSF
Application Received	March 28, 2017
Application Deemed Complete	March 29, 2017
Financial Commitment Date	February 27, 2020
Expedited Review?	No
Review Extended	Yes
Can Applicant Request Another Deferral?	No

I. The Proposed Project

The Applicants (Butterfield Healthcare III, LLC, and MMG Partners, L.P.) propose to establish a 150-bed long term care (LTC) facility in Lincoln, Illinois. The total cost of the project is \$30,083,868. **The anticipated completion date is March 31, 2021.**

II. Summary of Findings

- A. State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of 77 ILAC1125.800 (Subpart D).
- B. State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of 77 ILAC1125.800 (Subpart F).

III. General Information

The Applicants are Butterfield HealthCare III, LLC, and MMG Partners, L.P. The proposed 3-story facility will be located at 37W220 Keslinger Road, in Geneva, and will be located on property proximal to Northwestern Medicine’s Delnor Hospital campus, which contains a 159-bed hospital, an Ambulatory Surgery Treatment Center (ASTC), physicians’ offices, and a 90-unit elderly independent living facility.

The proposed facility will be located in the Kane County Long Term Care Planning Area/HSA-VIII. The State Board is currently projecting an excess of one hundred eight (108) long term care beds by CY 2020 for this Long Term Care Health Planning Area. Target occupancy for the long term care category of service is ninety percent (90%).

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

IV. Kane County Long Term Planning Area

The State Board has calculated an excess of one hundred eight (108) long term care beds in the Kane County Long Term Care Planning Area by CY 2020. The Kane County Long Term Care Planning Area has a total of 2,934 LTC beds. Of these 2,934 LTC beds four hundred thirty (430) are not yet operational. Below are the current facilities within the Kane County long term care planning area (See Table One). (See Appendix II at the end of this report for methodology)

TABLE ONE						
Facilities within the Kane County LTC Planning Area						
Facilities	Medicare Star Rating	City	Patient Days*	HSA	Beds	Utilization
Alden of Waterford	4	Aurora	28,490	8	99	78.6%
Arba Care Center Elgin	1	Elgin	30,906	8	102	82.9%
Asbury Gardens Nursing & Rehab Ctr.*	3	North Aurora	11,764	8	75	42.9%
Batavia Rehab & Healthcare Center	2	Batavia	15,490	8	63	62.7%
Bria of Geneva	2	Geneva	33,699	8	107	86.1%
Citadel of Elgin	3	Elgin	27,930	8	88	86.7%
Covenant Health Care Center	5	Batavia	29,270	8	99	80.8%
Elmwood Terrace Healthcare Center	3	Aurora	22,213	8	68	89.3%
Greenfields of Geneva*	5	Geneva	13,800	8	43	87.7%
Heritage Health – Elgin	5	Elgin	27,778	8	94	80.7%
Highland Oaks	5	Elgin	17,600	8	50	96.2%
Jennings Terrace	4	Aurora	19,364	8	60	88.3%
North Aurora Care Center	4	North Aurora	41,272	8	129	87.4%
Presence Mcauley Manor	4	Aurora	19,403	8	87	60.9%
Presence Pine View Care Center	4	St. Charles	32,864	8	120	74.8%
River View Rehab Center	1	Elgin	66,393	8	203	89.4%
Rosewood Care Center of Elgin	5	Elgin	42,063	8	139	79.0%
Rosewood Care Center of St. Charles	4	St. Charles	39,666	8	109	78.0%
Sherman West Court	5	Elgin	25,454	8	112	62.1%
South Elgin Rehab & Healthcare Ctr.	2	South Elgin	26,208	8	90	79.6%
Symphony of Orchard Valley	2	Aurora	64,870	8	203	87.3%
The Grove of Fox Valley	2	Aurora	54,659	8	158	94.5%
Tower Hill Healthcare Center	1	South Elgin	64,380	8	206	85.4%
Total Patient Days/Beds/Average Utilization			755,536		2,504	82.88%
Avondale Estates of Elgin*	N/A	Elgin	0	8	120	N/A
Alden Estates of Huntley*	N/A	Huntley	0	8	170	N/A
Alden Courts of Waterford*	N/A	Aurora	0	8	20	N/A
Park Point South Elgin Healthcare*	N/A	South Elgin	0	8	120	N/A

TABLE ONE						
Facilities within the Kane County LTC Planning Area						
Facilities	Medicare Star Rating	City	Patient Days*	HSA	Beds	Utilization
Total Patient Days/Beds/Average Utilization			755,536		2,934	70.55%
<i>Source: Information taken from 2016 LTC Profile Information reported by the facilities</i> *Facility recently approved for permit, or in ramp-up phase. No data or insufficient data reported						

V. The Proposed Project - Details

The Applicants propose to establish a 150-bed Long Term Care facility in 94,816 GSF of newly constructed space, in Geneva. The three-story facility will be located at 37W220 Keslinger Road, adjacent and south of Northwestern Medicine’s Delnor Hospital. Projects of this nature have been previously submitted to the State Board (Projects #95-030, and #08-099), but were withdrawn due to funding delays and access/zoning issues. The facility will contain 26 private and 62 semi-private rooms, and will be part of a “health care hub”, containing the 159-bed hospital, a multi-specialty ASTC, three elderly restricted independent living buildings, and physician’s offices. All 150 beds will be dual certified for Medicare and Medicaid. The project cost is \$30,083,868 and project financial commitment will occur after permit issuance. Per the Applicants “*all one hundred fifty (150) beds will dual certified for Medicare and Medicaid.*”

VI. Project Costs and Sources of Funds

The proposed project is being funded with cash and securities totaling \$6,021,169, Housing and Urban Development-insured (HUD) mortgages totaling \$22,500,000, and Other Funds and Sources totaling \$1,562,699. The \$1,562,699 amount was expenses from the previous application (#08-099). Those expenses were

- \$1,190,598 – Architectural and Engineering Fees (A/E)
- \$176,633 – Legal Fees
- \$195,468 – Other items including taxes, traffic studies, marketing fees, appraisals, and permits.

The expected initial operating deficit is \$1,383,000.

The Applicants submitted a Type A Modification on November 15, 2017 increasing the total project costs by approximately 30%. [See Table Three below]

TABLE THREE

Project Costs and Sources of Funds

USE OF FUNDS	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Change	% Increase
Pre planning Costs	\$133,556	\$92,444	\$226,000	\$257,156	\$177,996	\$435,152	\$209,152	92.55%
Site Survey/Soil Investigation	\$29,548	\$20,452	\$50,000	\$38,412	\$26,588	\$65,000	\$15,000	30.00%
Site Preparation	\$490,494	\$339,506	\$830,000	\$385,147	\$266,589	\$651,736	(\$178,264)	-21.48%
Off Site Work	\$300,609	\$208,073	\$508,682	\$300,609	\$208,073	\$508,682	\$0	0.00%
New Construction Contracts	\$10,046,257	\$6,953,743	\$17,000,000	\$12,495,160	\$8,648,808	\$21,143,968	\$4,143,968	24.38%
Contingencies	\$411,306	\$284,694	\$696,000	\$1,249,516	\$864,881	\$2,114,397	\$1,418,397	203.79%
Architectural/ Engineering Fees	\$605,695	\$419,245	\$1,024,940	\$1,118,095	\$773,915	\$1,892,010	\$867,070	84.60%
Consulting and Other Fees	\$468,167	\$324,053	\$792,220	\$468,167	\$324,053	\$792,220	\$0	0.00%
Movable or Other Equipment	\$740,871	\$512,811	\$1,253,682	\$932,280	\$645,298	\$1,577,578	\$323,896	25.84%
Net Interest Expense During Construction (project related)	\$310,178	\$214,697	\$524,875	\$310,178	\$214,697	\$524,875	\$0	0.00%
Other Costs to be Capitalized	\$200,287	\$138,633	\$338,920	\$223,529	\$154,721	\$378,250	\$39,330	11.60%
TOTAL USES OF FUNDS	\$13,736,968	\$9,508,351	\$23,245,319	\$17,778,250	\$12,305,618	\$30,083,868	\$6,838,549	29.42%
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total		
Cash and Securities	\$3,594,563	\$2,488,057	\$6,082,620	\$ -	\$ -	\$6,021,169	(\$61,451)	-1.01%
Mortgages	\$9,218,918	\$6,381,082	\$15,600,000	\$ -	\$ -	\$22,500,000	\$6,900,000	44.23%
Other Funds and Sources	\$923,487	\$639,212	\$1,562,699	\$ -	\$ -	\$1,562,699	\$0	0.00%
TOTAL SOURCES OF FUNDS	\$13,736,968	\$9,508,351	\$23,245,319	\$ -	\$ -	\$30,083,868	\$6,838,549	29.42%

Source: Application for Permit Page 29 and Modification filed November 15, 2017.

Itemization of these costs can be found at Appendix III

VII. Cost/Space Requirements

Table Four displays the project’s cost/space requirements for the reviewable/non-reviewable portions of the project.

The building will be "L" shaped with a semi-circle drive leading to the one story entrance. The three-story design with a basement will have a total of 94,816 gross square feet with 13,201 square feet in the lower level, 31,585 square feet on the main level and 25,015 square feet on each of the upper two floors. The lower level will have facility support space such as kitchen, laundry and storage. The main level will house 24 resident rooms with physical and occupational therapy department and facility administrative space. The upper floors will have 32 resident rooms each with their own main dining room and multiple living/dining/activity areas and required nursing support space.

TABLE FOUR			
Costs Space Requirements			
Department /Area	Cost	Proposed	Construction
	Reviewable		
Nursing/Clinical	\$10,713,249	33,765	33,765
Living/Dining/Activity	\$3,743,571	11,799	11,799
Kitchen/Food Service	\$1,539,507	4,852	4,852
P.T./O.T.	\$603,479	1,902	1,902
Laundry	\$569,403	1,795	1,795
Janitor Closets	\$17,832	56	56
Clean/Soiled Utility	\$486,527	1,533	1,533
Beauty/Barber	\$104,682	330	330
Total Reviewable	\$17,778,250	56,032	56,032
	Non Reviewable		
Office/Admin	\$1,004,688	3,167	3,167
Employee Lounge	\$638,413	2,012	2,012
Mechanical	\$1,069,321	3,370	3,370
Lobby	\$216,548	682	682
Storage/Maintenance	\$807,051	2,544	2,544
Corridor/Public Toilets	\$6,976,818	21,989	21,989
Stair/Elevators	\$1,592,779	5,020	5,020
Total Non Reviewable	\$12,305,618	38,784	38,784
TOTAL	\$30,083,868	94,816	94,816
Source: Application for Permit Page 41			

VIII. Purpose of the Project, Alternatives

These two (2) criteria are for informational purposes only.

A) Criterion 1125.320 - Purpose of the Project

According to the Applicants the proposed project is a re-submittal of a previously approved project (#08-099), that was never completed. The project proposes to establish a 150-bed skilled nursing facility in Geneva (Kane County), Illinois. The proposed facility will be located on the grounds and in close proximity to Northwestern Medicine-Delnor Community Hospital. At the time of application submittal for #08-099, there was a calculated need for 418 LTC beds in the Kane County Planning Area. The current state bed need methodology indicates there is no need for additional beds in The Kane County planning area.

B) Criterion 1125.330 - Alternatives to the Proposed Project

Below is the Applicants' explanation of the alternatives considered for this project.

1. Do Nothing/Maintain Status Quo

The Applicants rejected this alternative. The Applicants report a project cost of \$1,700,000 for this alternative, from land purchases already made as a result of the previous project (Project #08-099). However, the Applicants note the resulting limited access to modern beds and health care services to the geriatric population of Kane County renders this option infeasible. The Applicants identified six (6) area LTC facilities, identified their limitations to access for Medicare/Medicaid, and MI (Mentally Ill) patients. These limitations in place at these facilities are the basis for the need for an additional LTC facility in the service area.

2. Establish a Lesser Level of Care/Smaller Facility

The Applicants acknowledge that an alternative of lesser scale would come with a smaller cost, but note the industry practice that confirms a free-standing facility with less than 75 beds is not financially viable. While the issues of cost and quality of care would be competitive to the alternative chosen, the issue of accessibility would go unaddressed, and a smaller facility would not meet the specialized LTC needs in the service area. The Applicants rejected this alternative.

3. Establish a Larger Project

The Applicants gave this alternative no consideration, based on the State's lack of an identified need for additional beds in eth planning area. No project costs were identified with this alternative.

4. Project as Proposed

The Applicants selected this alternative, based on its cost, and economies of scale that allows for a higher percentage of care for Medicaid patients. The initial approval and denial of Project #08-099 has left a significant need for services in the planning area,

based on occupancy trends observed in other facilities in the service area. Cost associated with this alternative: \$30,083,868.

5. Joint Venture

Three facilities are part of a CCRC and give priority admission to residents of the community. Most area providers that the applicant surveyed stated that they did not have Medicaid admissions available. The one that did is a fairly well utilized facility and has a large population of MI residents. Furthermore, two area providers have utilization above the 90%. For these reasons, the applicant decided this was not a viable option.

IX. Background of the Applicants

A) **Criterion 1125.520 – Background of the Applicant**

To determine if the Applicants have the necessary background to own and operate a health care facility the Applicants must provide:

1. A listing of all health care facilities owned and operated by the Applicants.
2. A certified listing of any adverse action taken against any health care facility owned or operated by the Applicants.
3. A listing of each member of the LLC that owns more than 5% of the proposed licensed entity.
4. Authorization from the Applicants to allow the Illinois Department of Public Health and the Illinois Health Facilities and Services Review Board to access any all information to verify information in the application for permit

The Applicants supplied licensure credentials for four (4) other nursing facilities owned or operated by related entities/co-Applicants (application, pgs. 243-248), attestation that no adverse action has been taken against these facilities in the three years preceding the filing of this application (application, p. 249), and authorization for IDPH or the State Board to access any documents need to verify this attestation (application, p. 250). The four (4) facilities are Meadowbrook Manor Bolingbrook (298 beds, 86.9%), Meadowbrook Manor Naperville (245 beds, 91.9%), Meadowbrook Manor LaGrange (197 beds, 53.1%)² and Lee Manor Des Plaines (262 beds, 82.8%).

The Applicants are in compliance with the Flood Plain documentation as required of Illinois Executive Order #2006-5 and the Illinois Historic Preservation Act Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 ILAC 1125.520)

X. Need for Project

A) **Criterion 1125.530 - Planning Area Need**

To demonstrate compliance with the criterion the Applicants must document a calculated need for long term care beds in the planning area and the proposed will provide service to residents of the planning area.

a) The State Board has estimated an **excess of one hundred eight (108) long term care beds** in the Kane County Long Term Planning Area by CY 2020.

b) Service to Planning Area Residents

The Applicants provided five (5) referral letters from area physicians (application, pgs. 258-262), agreeing to the referral of approximately 528 residents to the LTC facility after project completion. Table Five identifies the physician, and the number of

² Permit #11-021 authorized the modernization of this facility. Third permit renewal approved at the September 2017 State Board Meeting until March 2018.

patients expected to be referred to the facility, upon project completion. No zip codes were supplied with the referral letters to determine if the referrals were from within the planning area, a requirement for a positive finding for this criterion.

TABLE FIVE Referral Letters	
Name	Referrals annual
Dr. Jabban, Edward-Elmhurst Health, Plainfield	96
Dr. Craig Popp, Fox Valley Orthopedics, Geneva	60-84
Dr. David Morawaski, Fox Valley Orthopedics, Geneva	144
Dr. Jasper Petrucci, Fox Valley Orthopedics, Geneva	60-84
Dr. Hashemi, Northwestern Medicine	120
Average total Referrals:	528
Source: Application, pgs. 258-262/	

The Applicants' provided updated referral letters dated July 28, 2017. The updated referrals letters provided a percentage of patients that reside within twenty (20) miles of Northwestern Delnor Community Hospital. The revised referral letters did not meet the requirements of the State Board.

TABLE FIVE Continued Revised Referral Letters			
Name	Referrals (annual)	% within 20 miles	Number of patient w/20 miles
Dr. Jabbar, Edward-Elmhurst Health, Plainfield	96	50%	48
Dr. Craig Popp, Fox Valley Orthopedics, Geneva	60-84	90%	54-76
Dr. David Morawaski, Fox Valley Orthopedics, Geneva	144	90%	130
Dr. Jasper Petrucci, Fox Valley Orthopedics, Geneva	60-84	90%	54-76
Dr. Hashemi, Northwestern Medicine	120	70%	84
Average total Referrals:	528		414
Source: Revised referral letters received July 28, 2017			

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC1125.530)

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

To address this criterion the Applicants must provide referral letters documenting the number of historical referrals to long term care facilities and the projected number of residents to be referred to the proposed new facility within twenty four (24) months after project completion.

The Applicants provided five (5) referral letters from area physicians. 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 a physician or CEO, dated and notarized

As stated above the revised referral letters did not meet the requirements of the State Board. The revised letters did not provide the number of patients by zip of residence, or provide the historical referrals to other LTC facilities as required.³

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 ILAC1125.540)

C) Criterion 1125.570 - Service Accessibility

To demonstrate compliance with this criterion the Applicants must provide documentation that the proposed project will improve service accessibility in the forty five minute service area by identifying one of the following four factors.

- 1) The absence of the proposed service within the planning area;
- 2) Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;
- 3) Restrictive admission policies of existing providers;
- 4) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
- 5) All services within the 45-minute travel time meet or exceed the occupancy standard (90%).

³ In guidance provided by the **State Board dated March 2, 2017**, “some Applicants have alleged that they cannot provide zip code information about patients or residents when submitting their permit application because it violates the Health Insurance Portability and Accountability Act (HIPAA). This memorandum addresses those concerns and notifies the public of the Health Facilities and Services Review Board’s position on the matter. HIPAA states that “[a] covered entity may use or disclose protected health information to the extent that such use or disclosure is required by law and the use or disclosure complies with and is limited to the relevant requirements of such law.” 45 CFR 164.512(a)(1). For certain projects, the Administrative Code requires Applicants to provide zip code information about patients or residents. Because this information is required by law and the disclosure of it as part of a CON application is limited to the relevant requirements of that law, the Board’s legal counsel has advised the Board that HIPAA is not a persuasive defense for failing to provide the required information. Therefore, any applicant that fails to provide necessary zip code information based on HIPAA may receive a negative finding for the relevant criteria.”

There are thirty-four (34) facilities within thirty (30) minutes of the proposed facility with 4,127 LTC beds. Of these thirty-four (34) facilities, three (3) are not yet operational and the fourth facility is a hospital (Northwestern Medicine Marianjoy Rehabilitation Center) and is not considered in this evaluation. The remaining thirty (30) facilities are operating at an average utilization of approximately 81%. This data suggests there is no absence of long term care services in the Kane County Long Term Care Planning Area, or the 30-minute drive radius identified by the Applicants.

Of the thirty (30) facilities within thirty (30) minutes three (3) do not have Medicaid certified beds. Twenty-seven (27) facilities within thirty (30) minutes have 2,786 beds certified for Medicaid with an average utilization of approximately fifty-six percent (56%). Of the thirty (30) facilities within thirty (30) minutes eight (8) of the facilities do not have Medicare certified beds. Twenty-two (22) facilities within thirty (30) minutes have 2,642 beds certified for Medicare patients with an average utilization of approximately sixteen percent (16%). [See Appendix I at the end of this report]

The Applicants stated they have identified accessibility issues at facilities within the 30-minute travel radius, which suggests access limitations due to payor status (Medicaid). The Applicants conducted a telephone survey of area facilities to determine Medicaid bed eligibility at 31 area facilities. Of the 31 facilities polled (application, p. 139), only 9 responded as having availability for Medicaid beds, and only one of the nine facilities that responded favorably is located within a 20-minute travel radius.

There is no absence of long term care services in the thirty (30) minute service area and the Applicants have not provided evidence that the area population and existing care system exhibit indicators of medical care problems. Additionally 73% of the licensed long term care beds have been certified for Medicaid which would indicate that there is access to this service in this thirty (30) minute service area. Finally not all long term care facilities within this thirty (30) minute service area are operating at the target occupancy of ninety (90%) percent utilization. [The State Board Staff Notes the Applicants failed to provide all the facilities within forty-five (45) minutes as required by rule.]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC1125.570)

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

To address this criterion the Applicants must provide documentation that an unnecessary duplication of service or a surplus of beds or the proposed facility will have an impact on other facilities the planning area.

- a) The applicant shall document that the project will not result in an unnecessary duplication of service; and
- b) The applicant shall document that the project will not result in mal-distribution of services; and
- c) The applicant shall document that, within 24 months after project completion, the proposed project will not impact other providers in the planning area.

a) There are thirty four (34) facilities within 30 (thirty) minutes of the proposed facility (see Appendix I). Of these thirty-four (34) facilities, three (3) are not yet operational and the fourth facility is a hospital (Northwestern Medicine Marianjoy Rehabilitation Center) and is not considered in this evaluation. The remaining thirty (30) facilities are operating at an average utilization of approximately 81%. Of thirty facilities, four (4) facilities are at target occupancy.

b) There is one (1) bed for every one hundred ninety five (195) residents in the thirty minute service area compared to the State of Illinois ratio of one (1) bed for every one hundred twenty eight (128) residents. The over age 65 cohort amounts to (1) one bed for every twenty six (26) persons, and the state ratio for this population is one (1) bed for every twenty (20) senior citizens. To have a surplus of beds in this thirty (30) minute service area the thirty (30) minute ratio must be 1.5 times the State of Illinois. To have a surplus in the thirty (30) minute radius the ratio must be (1) resident for every eighty-five (85) individuals

c) There are underutilized facilities in the 30 minute service area, and the apparent surplus of beds in this 30 minute service area it would appear the proposed facility will have an impact on other facilities in the area.

[The State Board Staff Notes the Applicants failed to provide all the facilities within forty-five (45) minutes as required by rule.]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 ILAC1125.580)

E) Criterion 1125.590 – Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that staffing requirements of licensure, certification and applicable accrediting agencies can be met.

The Applicants have attested that the relevant clinical and professional staffing need for the proposed project will be provided that will meet licensure, certification, and accrediting agency standards. The Applicants have supplied a staffing matrix, and attest that recruitment for all openings will occur through Butterfield Health Care Groups Human Resources division [See Application pages 483-487]

F) Criterion 125.600 - Bed Capacity

The maximum bed capacity of a general LTC facility is two hundred fifty (250) long term care beds.

The Applicants are proposing to establish a one hundred fifty (150) bed long term care facility, and are complaint with this criterion. [See Application, page 488].

G) Criterion 1125.610 - Community Related Functions

The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located.

The Applicants have provided seventeen (17) letters of support from various individuals and entities in the community. The Applicants note that seven of these letters are from area physicians, attesting to having cared for approximately five hundred thirty five (535) patients from Meadowbrook Manor, Geneva, and attesting to the referral of approximately 49 patients to Meadowbrook Manor in the past twelve (12) months, and the referral of as many patients upon project completion[See Application, pages 490-506]

H) Criterion 1125.620 - Project Size

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive.

The Applicants propose to establish a 150-bed skilled facility in 94,816 gross square feet of clinical space (or 632.1 GSF per skilled nursing bed). The State Board Standard is 713 GSF per bed or 106,950 GSF.

I) Criterion 1125.630 –Zoning

The Applicants provided a letter from Kevin Burns, Mayor of Geneva, attesting that he proposed site is a suitably zoned site for the proposed LTC facility.

[See Application for Permit page 509-512]

J) Criterion 1125.640 – Assurances

The Applicants have provided necessary attestation that the proposed facility will not be part of a Continuum of Care Retirement Community (CCRC), and will be at target occupancy within two (2) years after project completion. [See Application for Permit page 514]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, BED CAPACITY, COMMUNITY RELATED FUNCTIONS, PROJECT SIZE, ZONING, ASSURANCES (77 ILAC1125.590, 600, 610, 620, 630, 640)

*“The **Purpose of the Act** shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.” [20 ILCS 3960/2]*

XI. FINANCIAL

A) Criterion 1125.800 - Availability of Funds

To address this criterion the applicant must provide documentation that the funds are available to finance the proposed project.

The Applicants are funding this project with cash and securities totaling \$6,021,169 a Federal Housing and Urban Development (HUD)-backed mortgage totaling \$22,500,000, and Other Funds and Sources totaling \$1,562,699. The cash portion of the project will originate from the facility’s existing cash and cash generated through ongoing operations. The Applicants supplied financial viability ratios and projected audited financial statements (application, pgs 531-539), to prove financial viability.

The Applicants provided documentation from the US Department of Housing and Urban Development (“HUD”), outlining the funding of a loan through Cambridge Realty Capital, Ltd. The financing terms are outlined in proposals, located on pages 518-529 of the application. However, the two documents supplied contain commitment termination dates that have since expired.

Subsequently, the Applicants provided a non-binding letter of intent from Greystone Funding Corporation to fund the loan amount that would be insured by HUD. Greystone & Co., Inc. is a financial services and private investment group whose original core business is multifamily real estate lending. Over the years, Greystone has added business lines that are related to, and natural extensions of, its core business. Greystone is headquartered in New York with a presence in 35 states and 17 offices. Greystone is active in four major business segments: Multifamily Mortgage Finance, Proprietary Investment, Healthcare and Real Estate. Approval from HUD has not been completed.

TABLE SIX			
Butterfield Health Care III and MMG Partners, LP			
Projected Balance Sheets			
2020, 2021, and 2022			
	2020	2021	2022
Cash	(\$326,451)	\$2,087,460	\$4,351,568
Current Assets	\$27,726,161	\$28,755,835	\$34,877,162
Current Liabilities	\$16,856,741	\$18,907,106	\$19,700,886
Total Revenue	\$8,865,729	\$15,432,787	\$15,479,741
Total Expenses	\$10,179,786	\$13,559,563	\$13,573,198
Increase (Decrease) in Net Assets	\$(1,314,056)	\$1,873,224	\$1,906,544

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1125.800)

B) Criterion 1125.800 – Financial Viability

To address this criterion the Applicants must provide financial ratios that will demonstrate that the entities have the ability achieve its operating objectives over the long term.

The Applicants provided projected financial ratios as required. The State Board Staff compares the projected ratios with the standards for long term care facilities with the Applicants projected year after project completion. The ratio comparisons are shown in the table below. The Applicants do not meet all of the State Board Standards for 2022, the first full year after project completion (see shaded areas).

TABLE SEVEN		
MMG Partners, LP-Owner		
	State Board Standard	2022 (Projected)
Current Ratio	1.5	24.93
Net Margin Percentage	2.50%>	6.18%
Percent Debt to Total Capitalization	<50%	63.44%
Projected Debt Service Coverage	>1.5	2.20
Days Cash on Hand	>45 days	382.39
Cushion Ratio	>3	2.44
Butterfield Health Care III-Operator		
	State Board Standard	2022 (Projected)
Current Ratio	1.5	8.75
Net Margin Percentage	2.50%>	10.07%
Percent Debt to Total Capitalization	<50%	0.00%
Projected Debt Service Coverage	>1.5	0.00%
Days Cash on Hand	>45 days	28.30

TABLE SEVEN		
MMG Partners, LP-Owner		
	State Board Standard	2022 (Projected)
Cushion Ratio	>3	6.00
Owner-Operator Combined		
	State Board Standard	2022 (Projected)
Current Ratio	1.5	12.43
Net Margin Percentage	2.50%	9.57%
Percent Debt to Total Capitalization	<50%	60.88%
Projected Debt Service Coverage	>1.5	3.42
Days Cash on Hand	>45 days	75.27
Cushion Ratio	>3	3.02

The Applicants did not meet the Percent Debt to Total Capitalization ratios on behalf of the owners (MMG Partners LP), and the combined entities, and a negative finding results for this criterion.

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

XII. ECONOMIC FEASIBILITY

- A) Criterion 1125.800 – Reasonableness of Financing Arrangements**
- B) Criterion 1125.800 – Terms of Debt Financing**

The Applicants attested that the financial resources will be available and be equal to or exceed the estimated total project cost and any related cost. The project and related costs will be funded in total or in part by borrowing because a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 1.5 times. The Applicants also attest that the form of debt financing will be at the lowest net cost available, and that the project involves leasing in part, as leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment [Application, pgs. 542-543]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT FINANCING AND TERMS OF DEBT FINANCING (77 ILAC 1125.800)

- C) Criterion 1125.800 - Reasonableness of Project Costs**

The Applicants have met all of the cost standards for long term care facilities as established by the State Board.

**TABLE EIGHT
Reasonableness of Project Costs**

	Project Costs	State Standard		Project	Met Standard?
		Percentage/GSF/Bed	Total		
Pre planning Costs	\$257,156	1.80%	\$286,676	1.75%	Yes
Site Preparation, Site Survey/Soil Investigation	\$423,559	5.00%	\$749,710	3.08%	Yes
New Construction Contracts	\$13,744,676	\$246.95/GSF	\$13,837,102	\$245.30/GSF	Yes
Contingencies	\$1,249,516	10.00%	\$1,249,516	10%	Yes
Architectural/ Engineering Fees	\$1,118,095	8.86%	\$1,217,778	8.13%	Yes
Movable or Other Equipment ⁽¹⁾	\$932,280	\$8,723/bed	\$1,308,450	\$6,215/bed	Yes
Off Site Work	\$300,609				
Consulting and Other Fees	\$468,167				
Net Interest Expense During Construction (project related)	\$310,178		No State Board Standard		
Other Costs to be Capitalized	\$223,529				

1. Moveable Equipment Standard is calculated using the 150 bed proposal

STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 ILAC 1125.800 (c)).

D) Criterion 1120.140 (d) – Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The applicant estimated the direct costs per equivalent patient day as \$139.82. This appears reasonable when compared to previously approved projects.

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

E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

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

The applicant estimated the direct costs per equivalent patient day as \$39.11. This appears reasonable when compared to previously approved projects.

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

Appendix I

Facilities within 30 Minutes of the Proposed Facility							
Facilities	City	Planning Area	Time	Beds	Utilization	Medicare Certified Beds	
Greenfields of Geneva	Geneva	Kane	4.6	43	87.70%	0	0
Covenant Health Care Ctr.	Batavia	Kane	6.9	99	80.80%	99	16
Batavia Healthcare & Rehab Ctr.	Batavia	Kane	8	63	62.70%	0	0
Bria of Geneva	Geneva	Kane	8	107	84.40%	107	11
Presence Pine View Care Ctr.	St. Charles	Kane	11.5	120	74.80%	120	13
Rosewood Care Ctr. St. Charles	St. Charles	Kane	13.8	109	78.00%	49	28
Asbury Gardens Nursing & Rehab	North Aurora	Kane	15	75	42.90%	0	0
Presence McAuley Manor	Aurora	Kane	16.1	87	60.90%	87	10
Countryside Care Ctr.	Aurora	Kane	17.2	203	87.30%	127	9
North Aurora Care Ctr.	North Aurora	Kane	17.2	129	87.40%	0	0
Elmwood Terrace Care Ctr.	Aurora	Kane	18.4	68	89.30%	68	7
South Elgin Rehab & Healthcare Ctr.	South Elgin	Kane	19.5	90	79.60%	14	29
West Chicago Terrace	West Chicago	7-C	19.5	120	92.90%	0	0
Tower Hill Healthcare	South Elgin	Kane	21.8	206	85.40%	206	15
Wood Glen Nursing & Rehab Ctr.	West Chicago	7-C	21.8	213	83.16%	207	1
Arba Care Center	Elgin	Kane	24.1	102	82.90%	52	14
Sherman West Court	Elgin	Kane	24.1	112	62.10%	70	40
The Grove of Fox Valley	Aurora	Kane	24.1	158	94.50%	158	14
Wynscape Health & Rehab	Wheaton	7-C	24.1	209	81.10%	119	19
Rosewood Care Ctr. of Elgin	Elgin	Kane	25.3	139	79%	67	2
Jennings Terrace	Aurora	Kane	26.4	60	88.3%	0	0
Citadel of Elgin	Elgin	Kane	26.4	88	83.50%	88	13
Winfield Woods HealthCare Ctr.	Winfield	7-C	26.4	138	93.90%	0	0
Highland Oaks	Elgin	Kane	27.6	50	96.20%	0	0
Heritage Health-Elgin	Elgin	Kane	27.6	94	87.70%	94	6
River View Rehab Ctr.	Elgin	Kane	27.6	203	89.40%	203	4
Wheaton Care Ctr.	Wheaton	7-C	27.6	123	92.70%	123	6
Assisi Healthcare Ctr. at Clare Oaks	Bartlett	7-A	28.7	120	74.10%	120	28
DuPage Convalescent Home	Wheaton	7-C	28.7	368	87.90%	368	4
The Springs at Monarch Landing	Naperville	7-C	28.7	96	56.10%	96	20
Total Beds/Average Occupancy				3,819	80.89%	2,642	11
Northwestern Medicine Marianjoy Rehab Hospital	Wheaton	7-C	26.4	27	89.30%		
Park Point South Elgin Healthcare ⁽¹⁾	South Elgin	N/A	23	120	0		
Avondale Estates of Elgin ⁽²⁾	Elgin	Kane	26.4	120	0		

Alden Estates of Bartlett ⁽³⁾	Bartlett	7-A	26.4	68	0
Total Beds/Average Occupancy				4,127	74.20%

Source: Information taken from 2016 LTC Profile Information reported by the facilities.

1. Approved as Permit # 10-065 12/14/2010 not yet complete
2. Formerly Addison Nursing and Rehabilitation Center Change of ownership 8/1/2017
3. Approved as Permit #16-006

**Appendix II
Calculation of Bed Excess**

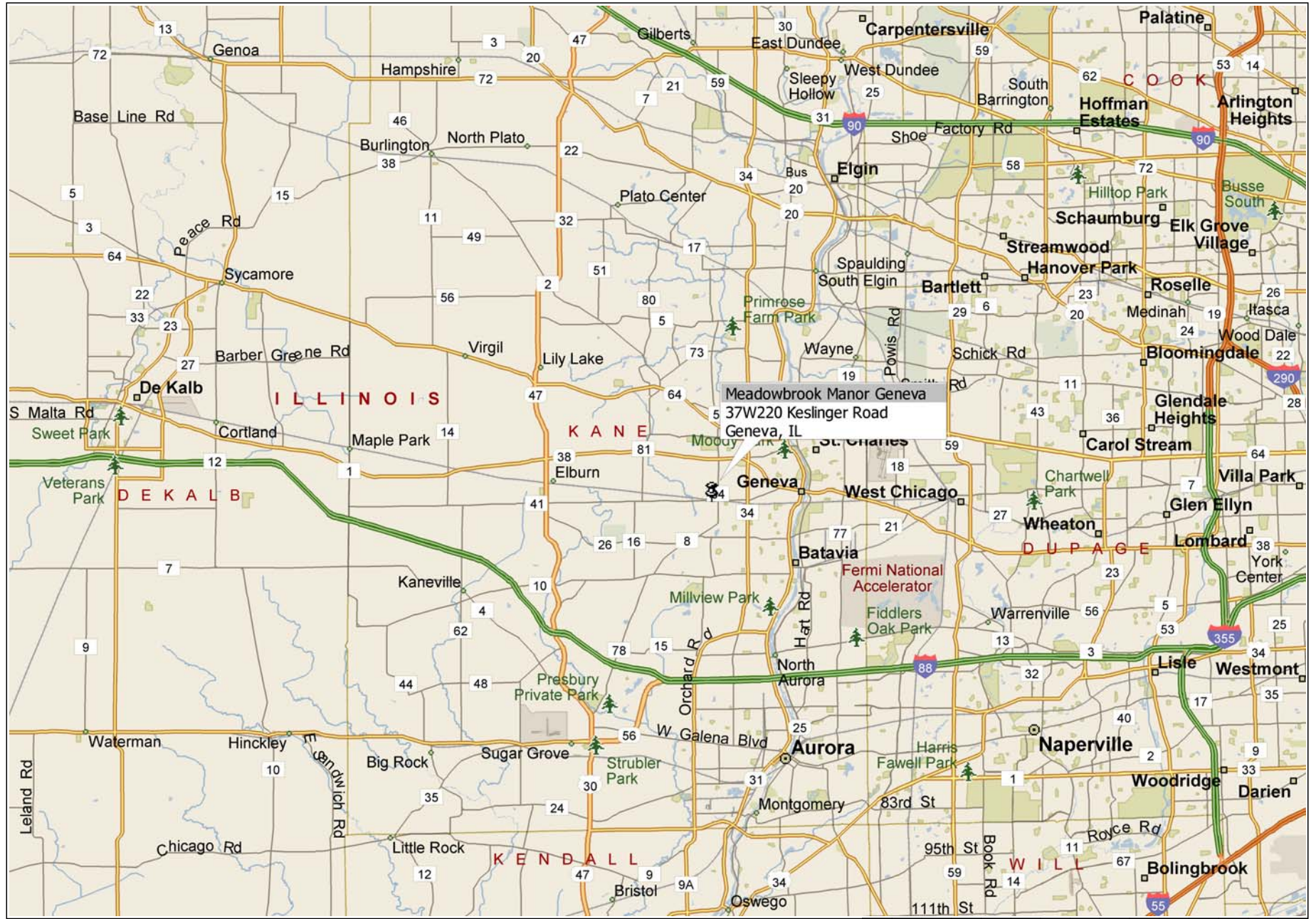
	2015	2015	2015	2020	2020	2020	2020	Sep-17	
Age Groups	Actual Patient Days	Est. Pop.	Kane County Use Rate	Projected Pop	Planned Patient Days	Planned Average Daily Census	Planned Bed Need	Existing Beds	Excess
0-64	175,142	466,500	373.5	502,900	187,602				
65-74	124,153	37,700	3293.2	50,000	164,659				
75+	445,761	23,500	18,968.6	30,200	278,541				
					630,802	2,543.2	2,826	2,934	108

1. Bed need for a planning area is calculated by first determining the minimum and maximum rates of utilization for the entire Health Service Area (HSA) where the planning area is located. These rates are determined for three age groups: 0-64 years, 65-74 years and 75 and over, by dividing the patient days for the age group by the HSA population for that age group. Minimum and maximum rates are set at 60% and 160% of the calculated HSA rate, respectively.
2. Calculations are then made of the planning area rates of utilization for the three age groups. The calculated planning area rates are compared to the minimum and maximum rates for the HSA. If the planning area rate is less than the minimum, the minimum rate is used; if the area rate exceeds the maximum, the maximum is used; otherwise, the area rate is used.
3. In the Kane County Planning Area the actual Kane County usage rate was used.

**Appendix III
Itemization of the Project Costs**

Uses of Funds					
Preplanning Costs			Moveable or Other Equipment		
	Traffic Study	\$1,000		Equipment	\$1,347,578
	Premarketing/Market Study	\$444,152		Minor Moveable	\$140,000
	Total Preplanning Costs	\$445,152		Total Moveable or Other Equipment	\$1,487,578
Site Survey and Soil Investigation			Net Interest Expense During Construction		
	Water IEPA MWRD	\$20,000		Interest Escrow	\$524,875
	Survey	\$30,000	Other Costs to be Capitalized		
	Soil	\$10,000		Taxes	\$70,000
	Phase I ESA	\$5,000		Construction Bond	\$180,000
	Total Site Survey and Soil Investigation	\$60,000		HUD Initial MIP	\$128,250
				Total Other Costs to be Capitalized	\$378,250
	Site Prep	\$651,736			
	Off Site Work	\$508,682			
	Construction Contract	\$21,143,968			
	Contingency	\$2,114,397			
Architectural/Engineering Fees					
	Architectural Engineering/Site Assessment	\$28,500			
	Design and Supervisory Architects	\$1,892,309			
	A&E Coast Reviews	\$20,000			
	Supervisory Architect Fee	\$31,201			
	Total Architectural/Engineering Fees	\$1,972,010			
Consulting and Other					
	Permits	\$90,000			
	State Fire Marshall	\$5,000			
	Impact Fees	\$100,000			
	IDPH Review Inspection Fee	\$20,000			
	Cost Certified Audit Fee	\$9,920			
	Financing Fee	\$114,600			
	Legal	\$50,000			
	Organizational	\$10,000			
	Audit	\$18,400			
	Title and Recording	\$35,000			
	Legal and Organization	\$10,000			
	Title	\$22,500			
	Insurance	\$20,000			
	Appraisal	\$45,000			
	HUD Inspections	\$78,000			
	Interior Design	\$50,000			
	CON Application	\$68,000			
	HUD Application Fee	\$45,800			
	Total Consulting and Other	\$792,220			

17-012 Meadowbrook Manor Geneva - Geneva



1 CHAIRWOMAN OLSON: The next order of
2 business is applications subsequent to initial
3 review.

4 I would call to the table Project 17-012,
5 Meadowbrook Manor of Geneva.

6 May I have a motion to approve
7 Project 17-012, Meadowbrook Manor of Geneva, to
8 establish a 150-bed long-term care facility.

9 A motion, please.

10 VICE CHAIRMAN SEWELL: So moved.

11 CHAIRWOMAN OLSON: And a second.

12 MEMBER MURPHY: Second.

13 CHAIRWOMAN OLSON: The Applicant will sign
14 in and be sworn in.

15 Do you want to swear them in?

16 (An off-the-record discussion was held.)

17 THE COURT REPORTER: Would you raise your
18 right hands, please.

19 (Seven witnesses sworn.)

20 THE COURT REPORTER: Thank you.

21 CHAIRWOMAN OLSON: Mr. Constantino, your
22 report.

23 MR. CONSTANTINO: Thank you, Madam Chair.

24 The Applicants are proposing to establish

1 a 150-bed skilled nursing facility in Geneva,
2 Illinois. The cost of the project is
3 approximately \$30 million. The expected
4 completion date is March 31st, 2021.

5 There was a public hearing on this
6 project; it was included in your packet of
7 information. There was opposition and there were
8 findings on this report.

9 Thank you, Madam Chair.

10 CHAIRWOMAN OLSON: Thank you,
11 Mr. Constantino.

12 Applicants, when you speak, would you
13 introduce yourselves -- when you're speaking,
14 please introduce yourself for the court reporter.

15 MR. FOLEY: Yes, ma'am.

16 Needless to say, I'm very nervous. My
17 name is Charles Foley, F-o-l-e-y.

18 CHAIRWOMAN OLSON: It is not your first
19 rodeo, Mr. Foley.

20 MR. FOLEY: Well, it's been 8 to 10 years
21 since I gave a presentation before the Board, but
22 I have sat before this Board at the table.

23 CHAIRWOMAN OLSON: You'll be fine.

24 MR. FOLEY: But this project, obviously,

1 is very important to me.

2 First of all, I'd like to -- I think I'd
3 like to congratulate our two new Board members,
4 Mrs. Hemme and Mr. McNeil. I hope you find this
5 endeavor that you're undertaking here very
6 rewarding, as I have over the years.

7 I'd like to take this opportunity, if I
8 can, to basically thank Mike and George both for
9 the opportunity of meeting with us a few months
10 back and for the review of this application.

11 As you are aware, this project was
12 originally approved by the Board, but since the
13 time line had lapsed, the permit expired in
14 July of 2016, and with that we had turned around
15 and filed this new application that's before you
16 today.

17 A public hearing that was conducted was
18 overwhelmingly positive with 18 people supporting
19 the project, alluding at some point that this
20 project is, in fact, needed. In addition, in the
21 application you will find several letters of
22 support supporting this project, as well. There
23 were only three oppositions at that public
24 hearing.

1 For the benefit of the new Board members,
2 I'm sure you're aware that the public hearing that
3 was held plus the public comment period that you
4 heard this morning are two different processes, so
5 it does give everybody the opportunity to come
6 forward and to speak and to give their --
7 obviously -- their point of view.

8 I'd like to take this opportunity, if
9 I may, to introduce the Applicant. This is a
10 family-owned business, as you heard before. It's
11 not only a family-run business but it's also a
12 community project, as well.

13 To my immediate left I have Mr. Chris
14 Vangel, and to his left is his father, Mr. Nick
15 Vangel, and to Nick's left is their partner,
16 Mr. Robert Jafari.

17 In order to give you a summary of the new
18 project as well as an explanation of what happened
19 in the old project, which I think you deserve to
20 hear about a little bit, I'd like to introduce, if
21 I may, Mr. Nick Vangel.

22 MR. NICK VANGEL: Thank you very much,
23 Charles.

24 I might correct Charles. I am not Chris

1 Vangel. I am Chris' dad. Thank you very much.

2 MR. FOLEY: I did that on purpose.

3 MR. NICK VANGEL: I know you did.

4 My name is Nick Vangel, N-i-c-k

5 V-a-n-g-e-l.

6 This project is for the establishment of a
7 150-bed skilled nursing facility in Geneva,
8 Illinois. Meadowbrook -- pardon me. There will
9 be 26 private rooms, 62 semiprivate rooms. The
10 facility will be certified for both Medicaid and
11 Medicare. Meadowbrook has a track record of
12 caring for Medicaid beneficiaries. Our four
13 existing facilities currently have a resident
14 census that is 71 percent Medicaid.

15 The proposed location of our Geneva
16 facility will be part of the health care hub, so
17 to speak, which includes Northwestern Delnor-
18 Community Hospital, Tri-Cities Surgical Center,
19 medical office buildings, as well as the Crossings
20 at Geneva, which is an independent living
21 facility.

22 Our property where this project would be
23 constructed literally shares a property line with
24 Northwestern Delnor-Community Hospital. The

1 project has significant community support,
2 including the Geneva Chamber of Commerce. It will
3 bring 150 new jobs to the community.

4 The history of our project: As you are
5 aware, we had a CON for this project and have
6 already invested in excess of 3 million; however,
7 we had some issues with the local government
8 approvals. The City's zoning department wanted
9 the entrance to our project to be located off of
10 the hospital access road, which required us to
11 negotiate an easement with the hospital. This
12 proved to be very difficult due to the fact that
13 there were three different ownership structures
14 that the hospital has had over the last -- or past
15 eight years.

16 I know we have rehashed this many times in
17 the past, so I will not do it again now, but,
18 should you have any additional questions on this,
19 we have brought with us our construction manager
20 Mr. John Maze.

21 MR. FOLEY: We would now like to turn our
22 attention, if we can, to the findings of the staff
23 report.

24 Planning area need. The Board's

1 calculation does, in fact, show, as you had heard,
2 an excess of 108 beds in the State's current
3 inventory, the latest one being January 2018. The
4 opposition have pointed out that this project is
5 not needed because there has been new project
6 development in Kane County; however, one such
7 development that they are referring to is the
8 Park Point South Elgin project. That permit was
9 approved back in December of 2010 for 120 skilled
10 nursing beds. According to their latest annual
11 progress report, which was received by the State
12 on January 17th of 2017, it was stated that
13 construction has not yet started.

14 As this Board is aware, an annual progress
15 report is required to be filed 30 days before or
16 30 days after the anniversary date of the issuance
17 of the permit, which was received by that facility
18 back in December of 2010.

19 Please note, also, that their last report
20 that was filed just over 13 months ago with no
21 report being filed for the current year and their
22 permit does, in fact, expire this May; as a matter
23 of fact, it's May 31st of 2018.

24 We did, in fact, submit pictures to the

1 State back in October of 2017 that show that no
2 development whatsoever had commenced on this
3 property site. If Park Point Elgin beds should be
4 placed back into the inventory, there will be
5 additional need for beds in the Kane County
6 planning area.

7 Please note that our project's first
8 full year of target utilization is not until 2022.
9 The need for beds went from an excess of 359 beds
10 back in 2015 down to an excess of only 108 beds
11 with the current inventory. Kane County
12 population is projected to show consistent
13 6 percent growth from 2015 through 2025.

14 The real issue is that the 65-plus age
15 cohort is projected to grow an average -- an
16 average -- of 25 percent for each five-year period
17 from 2015 all the way through 2025 according to
18 the State's demographic study. This represents a
19 continued and unprecedented growth rate.

20 As an average, Illinois has one nursing
21 home bed for every 129.7 people. Kane County
22 itself has only one nursing bed for only
23 198.3 persons. This project will only bring that
24 number to one bed for every 185.8 persons, a rate

1 nowhere near the state as a whole.

2 Meadowbrook did turn around and commission
3 Laurel Research Associates to conduct a marketing
4 study for a skilled nursing facility in Geneva.
5 The study showed a projected need for additional
6 beds by 2021. This accurately projects that the
7 project is, in fact, in line with the State
8 Board's 2020 bed need; therefore, the methodology
9 employed by Laurel Research appears to be in
10 line with the State's methodology and shows that
11 the excess of beds dissipates by 2020 and an
12 outstanding need for additional beds will be
13 needed in 2021.

14 Based on the State's demographics, the
15 need will continue to grow through 2025, as I
16 indicated. Presuming that the South Elgin beds
17 are returned from the inventory, there will be
18 a need ranging from -- anywhere from 221 to
19 284 additional beds in 2021.

20 Long-term care providers are in a very
21 precarious position in that their low utilization
22 rates are not due to the lack of available
23 residents but primarily because several providers
24 in the state choose not to upgrade facilities to

1 be more attractive to the consumers. In reviewing
2 the facility data taken from the State's latest
3 Medicare cost reports, it was noted that an
4 average age of the facility within a 20-minute
5 drive time of this project is over 32 years old,
6 and they have approximately 328 gross square feet
7 per bed, which is well, well under the State's
8 standard range, which ranges up to 713 gross
9 square feet per bed. This, within itself, is not
10 acceptable to the public.

11 I put down a pause here because I'm saying
12 today's baby boomers, of which I am one of them --
13 and I think I'm the only one here speaking that is
14 at that age group -- would prefer larger
15 facilities with extra amenities that are most --
16 that we, as baby boomers, are most accustomed to
17 and that most facilities cannot provide because of
18 space limitations within the facility.

19 Occupancy rates. Occupancy rates are
20 affected by the fact that several facilities share
21 bathrooms and showers with very little, if any,
22 private room accommodations. As I'm sure that
23 most of you have heard in the previous
24 presentations today, there is also the issue of

1 ghost beds, which are existing licensed beds but
2 are utilized for other purposes, such as the
3 conversion of multiprivate rooms -- multirooms to
4 private rooms or even to luxury suites. They're
5 converting rooms to meeting rooms, to physical
6 therapy rooms, to offices, but they are not giving
7 up those licensed beds, and this kind of more or
8 less skews the occupancy rate.

9 When you hear occupancy rates are low at
10 70 percent, 80 percent, it's not because the
11 bodies are not there. It's not because -- the
12 beds are there but they're not being -- they're
13 not being properly utilized, and this is -- this,
14 obviously, affects our utilization rate.

15 This facility would be licensed for
16 skilled care and will be dually certified for both
17 Medicare and Medicaid. There are facilities in
18 the area that are not licensed for skilled care
19 but, rather, intermediate care, making these beds
20 not available or accessible to our planning area
21 residents.

22 Under the Department of Public Health
23 regulations, a skilled facility cannot --
24 cannot admit an intermediate care patient -- I'll

1 rephrase that if I may. A skilled facility can
2 admit an intermediate care resident, but a bed
3 licensed for intermediate care cannot accommodate
4 a skilled patient.

5 So for benefit of the new Board members,
6 we have what is called skilled level of care, we
7 have what is called intermediate level of care,
8 and those combine -- according to the Board's
9 inventory, they call those nursing beds.

10 To give you an example, there's a facility
11 called North Aurora Care Center, which is licensed
12 for 129 beds. These beds are all licensed for
13 intermediate care beds, meaning that a skilled
14 patient cannot be admitted to these beds. The
15 population in this facility is primarily mentally
16 ill. They have currently like 111 patients out of
17 112 residents that are mentally ill.

18 Another facility, called the West Chicago
19 Terrace Nursing Home, is licensed for
20 120 intermediate care beds, thereby making these
21 beds not available to our -- or accessible to our
22 planning area skilled population or the Medicare
23 population. And they are also accommodating the
24 mentally ill population, and you can see this on

1 page 105 of the application.

2 With these two facilities there are
3 249 beds that are not available to the general
4 geriatric skilled Medicaid and Medicare
5 population.

6 Now, we're going to talk about service
7 demand, and I'll turn this over to Mr. Chris
8 Vangel.

9 MR. CHRIS VANGEL: Good afternoon. Chris
10 Vangel, C-h-r-i-s V-a-n-g-e-l.

11 We received letters from physicians
12 projecting to admit at least 40 patients per month
13 during the first 24-month -- the 24 months after
14 the project completes. Our referrals came from
15 five area physicians that practice from within
16 20 miles of Northwestern's Delnor Hospital, right
17 in our market area, making 480 to 528 annual
18 referrals.

19 We also received seven additional referral
20 letters from area physicians supporting the
21 project that were not included within the
22 40 monthly patient referrals because the
23 physicians could not identify the specific
24 zip code in which the patient would come from.

1 Regardless, we believe that there is overwhelming
2 support for this project from clinicians.

3 One point of care that we found lacking in
4 this area is dialysis. As you heard this morning
5 from public comments, if approved, our facility
6 would be the only in-house dialysis nursing
7 facility to offer bedside dialysis treatments in
8 our planning area.

9 Presently in the area nursing home
10 residents must leave the facility for
11 several hours to have dialysis. Transferring out
12 for treatment can interfere with daily therapies,
13 clinical programs, and patients' overall quality
14 of life.

15 Two of our current facilities provide the
16 same dialysis treatments and have been successful.
17 Two -- both of them are full -- at full occupancy
18 for our dialysis program.

19 MR. FOLEY: If I may address the --
20 another criterion called service accessibility.
21 And, again, as you heard, there's many reasons why
22 the existing facilities have accessibility
23 limitations.

24 Some of those are, as I had said

1 previously, 40 percent of our existing residents
2 are classified as mentally ill, nearly 300 beds in
3 a 20-mile radius, 772 MI residents or beds in
4 30 minutes. There's -- 388 beds within 20 minutes
5 are classified as intermediary. These beds are
6 typically in smaller facilities caring for a less
7 acuity resident, and these beds, as I said
8 previously, cannot be Medicare certified or -- nor
9 can they be used for skilled care.

10 Then there's the criterion that's called
11 unnecessary duplication of services. There
12 appears to be a wide disparity between the State's
13 data of empty beds in the planning area and what
14 is actually available. The State's data is taken
15 directly from the facility's annual profiles,
16 which is the actual number of licensed beds versus
17 their reported patient days, whereby the actual
18 occupancy rates are kind of skewed by many
19 different factors, alluding that beds might, in
20 fact, be available.

21 However, at the heart of this criterion is
22 the ratio of beds to population. We previously
23 discussed this ratio in terms of beds to total
24 population, but it may be more meaningful looking

1 at the beds compared to the over-age 65 -- the
2 65-age cohort. In this market area there are
3 25.4 people over 65 for every nursing bed, whereas
4 the State has one bed for over 20 people. The
5 service area has 21.3 percent less beds per
6 population.

7 Chris, if you would continue.

8 MR. CHRIS VANGEL: In preparation for the
9 CON with Mr. Foley, we kept running up against the
10 issue of no available empty beds where the State's
11 inventory kept saying there should be.

12 To attempt to get a measure of real data,
13 we conducted an unbiased telephone survey on three
14 different dates. The results were very
15 intriguing. The results are contained on page 139
16 of the application. There were only 9 out of the
17 31 facilities that indicated that they would
18 accept a Medicaid patient. Of those nine, only
19 one indicated that they actually had an available
20 Medicaid bed.

21 We also found in this area there's a high
22 concentration of CCRC providers. These facilities
23 offer preferred admissions to those residents
24 within the campus. This is indicative of an

1 access issue to those facilities that provide a
2 continuum of care environment; that is, either
3 restricting admissions to those residents already
4 residing in the campus or giving priority to --
5 admissions to campus residents before those
6 outside of the campus.

7 There are five facilities that fall under
8 this category with a total of 433 beds that may
9 not be fully available or accessible to planning
10 area Medicaid residents.

11 MR. NICK VANGEL: Thank you, Chris.

12 If I may, I would like to speak in --
13 regarding the availability of funds. Finally, I'd
14 like to address you for the negative finding, the
15 availability of funds.

16 As you have heard, we operate facilities
17 in Bolingbrook, La Grange, Naperville, and
18 Des Plaines. We have successfully obtained
19 financing for all these projects. In fact, we
20 just finished a \$30 million renovation and partial
21 replacement building for Meadowbrook of La Grange.
22 This project is awaiting final IDPH inspection
23 and, God willing, should be fully licensed and
24 operational in a few weeks.

1 And in conclusion, we urge you to approve
2 our project again. We ask that you look at our
3 history. We are a very small, family-owned-and-
4 operated business that has been operating four
5 nursing homes for 40 years.

6 My son is the third generation, I am the
7 second, and my father-in-law was the first. I can
8 also share with you that my partner, Robert
9 Jafari, and his father, who's a surgeon, is very
10 actively involved. Unfortunately, he couldn't be
11 here today, but he is our medical director that
12 oversees our medical directors as a whole.

13 Through the ups and downs of this industry
14 that we have seen, we have continued to be
15 successful with a high utilization at our existing
16 facilities, which you have just heard includes a
17 substantial percentage of Medicaid residents, as
18 I stated earlier, of 71 percent.

19 We have stayed the course of providing
20 traditional nursing care services over the years
21 with a heavy emphasis on all types of
22 rehabilitation, dialysis, and long-term care
23 before it was in fashion to do so.

24 We again urge you to approve our project

1 and would be most happy to answer any questions
2 that you may have.

3 Thank you so much.

4 CHAIRWOMAN OLSON: Thank you.

5 Questions from Board members?

6 Mr. Sewell.

7 VICE CHAIRMAN SEWELL: Yes. I wanted to
8 get a little more of your interpretation of the
9 State agency findings on availability of funds.

10 It sounds like no one is under any
11 obligation or -- or at least you're not ready yet
12 to qualify for financing. That's my
13 interpretation of this, so straighten me out on
14 that.

15 MR. NICK VANGEL: I'd like to refer to my
16 partner, Robert Jafari, who has been -- his focus
17 has been on financing.

18 And we just completed -- we are
19 completed -- of a \$30 million project that we
20 had HUD -- had gotten HUD financing. We are in
21 contact and have made a number of interviews
22 and -- with a company called Greystone. Robert
23 can elaborate on that. They are very much
24 interested in our project.

1 Robert.

2 MR. JAFARI: Robert Jafari, J-a-f-a-r-i.

3 We submitted to the State a letter from
4 Greystone providing that they would give financing
5 under conditional terms. Since that letter we've
6 received a new letter from Greystone that we have
7 with us today that provides the financing as a
8 firm commitment.

9 Chris and I have also flown out to
10 New York City. We met with the owner of
11 Greystone, Steve Rosenberg, who -- in addition to
12 providing HUD financing, he has a billion-dollar
13 side fund that he offers financing in the event
14 that HUD does not give financing. And Steve said
15 that he would provide that money if there was any
16 issue, but we have no issues.

17 All four of the buildings that we have
18 right now we built ourselves. All four of the
19 buildings that we built we got HUD financing.
20 This Geneva project, we did have HUD financing
21 before the permit was not renewed. There's
22 absolutely no issue with financing.

23 VICE CHAIRMAN SEWELL: I wanted to ask,
24 then, Mr. Constantino, if you've seen the more

1 recent Greystone letter.

2 MR. CONSTANTINO: No.

3 VICE CHAIRMAN SEWELL: Okay. The other
4 thing I wanted to ask you about is this financial
5 ratio that you don't meet, which is the percent of
6 debt to total capitalization.

7 Answer, from your perspective, the "So
8 what?" question about that.

9 MR. FOLEY: Robert, you're the financial
10 guy.

11 We have to refer to Mr. Kniery.

12 MR. KNIERY: Sorry.

13 I was sworn in with the group. John
14 Kniery, K-n-i-e-r-y.

15 The ratio that you see that you were
16 asking about that's coming in at -- what? --
17 58 percent, 60 percent debt to equity?

18 VICE CHAIRMAN SEWELL: 60.88 percent.

19 MR. KNIERY: Traditionally long-term care
20 projects have come in at 80 percent or less, is
21 what the industry has looked at.

22 So just as a -- I understand that for --
23 in the rules not-for-profits can -- are shown up
24 against the 80 percent debt-to-equity ratio.

1 Not -- for-profits come in at 50 percent according
2 to your rules.

3 So respecting the rules, what I'm trying
4 to explain is, industrywide, lending -- lenders
5 look at an 80 percent debt-to-equity, and we are
6 well beneath that.

7 VICE CHAIRMAN SEWELL: But our standard is
8 less than 50 percent.

9 MR. CONSTANTINO: That's correct, for this
10 for-profit.

11 VICE CHAIRMAN SEWELL: It relates to
12 for-profit.

13 MR. CONSTANTINO: That's right.
14 80 percent is not-for-profit.

15 VICE CHAIRMAN SEWELL: Okay.

16 MR. KNIERY: And just one additional
17 point: This Applicant did receive financing on
18 the first project, full HUD financing, not just
19 the originator but full HUD financing. I really
20 don't think Nick and Chris and Robert, that -- you
21 know, that they have -- they have not felt any
22 issue with -- that this particular issue is going
23 to be a problem moving forward.

24 CHAIRWOMAN OLSON: Other questions?

1 MEMBER MC GLASSON: Yes.

2 CHAIRWOMAN OLSON: Marianne and then
3 Mr. McGlasson.

4 MEMBER MURPHY: Thank you.

5 I have a question about this zip code
6 information under the service demand finding.

7 According to the State Board staff report,
8 it sounds like there were no zip codes provided.
9 Is that correct?

10 MR. CONSTANTINO: That's correct.

11 MEMBER MURPHY: But then your testimony
12 today makes it sound like there were some
13 zip codes provided. Could you elaborate?

14 MR. KNIERY: Yes.

15 Initially the letters that were submitted
16 with the application as it was filed, the -- there
17 were no zip codes. We provided subsequent letters
18 that -- the doctors asked the referral sources to
19 go back and provide us a little bit better
20 information, and what they were able to provide us
21 was a percentage of their patients that are
22 within -- I don't have it in front of me -- within
23 the market area.

24 So they were able to qualify the number of

1 patients that were -- are within the Delnor-
2 Community Hospital service area, within --
3 I believe it was 20 minutes.

4 And they were able to say that 90 --
5 I believe one was 80 but most of them were
6 90-plus percent of their patients are coming from
7 within the zip code area of the Delnor community,
8 which is -- you know, we're on that site, market
9 area.

10 MEMBER MURPHY: But they didn't provide
11 the zip codes? They just said they're there?

12 MR. KNIERY: Correct.

13 MEMBER MURPHY: Okay. Thank you.

14 MR. KNIERY: They provided zip codes and
15 said that, you know, "These are the zip codes that
16 90 percent of our patients come from."

17 MEMBER MURPHY: Thank you.

18 MR. KNIERY: Yes.

19 CHAIRWOMAN OLSON: Mr. McGlasson.

20 MEMBER MC GLASSON: Yeah. I have
21 two questions and -- excuse me.

22 I have two questions and then, I think,
23 one for staff and counsel.

24 Isn't the ratio of semiprivate rooms to

1 private rooms a little bit higher than what we've
2 been presented with recently?

3 MR. KNIERY: I'll keep going.

4 MR. FOLEY: He's doing good.

5 MR. KNIERY: Yes, it is. The State -- the
6 minimum standards put forth by IDPH only require
7 3 percent of the beds to meet -- to be private.
8 And private bath. This does far exceed that.

9 MEMBER MC GLASSON: Do you have a
10 timetable in mind for how this is going to
11 progress?

12 MR. NICK VANGEL: I'm not sure
13 I understand the question. But if I could go back
14 to --

15 MEMBER MC GLASSON: I mean financing,
16 breaking ground --

17 MR. NICK VANGEL: I would think it would
18 take -- for the application to -- for HUD and
19 breaking ground, it would take a year.

20 MEMBER MC GLASSON: Well, I have great
21 sympathy for your competition in that this has
22 been held in abeyance for so long. If I were, you
23 know, a competing home, I would be loathe to do
24 improvements and plans with this hanging in

1 abeyance.

2 My question for staff and counsel is, do
3 we have the ability to put a timetable along with
4 our approval?

5 MS. MITCHELL: A timetable for project
6 completion?

7 MEMBER MC GLASSON: Uh-huh.

8 MS. MITCHELL: You can put a condition,
9 but they have a completion date already that
10 they're providing.

11 MEMBER MC GLASSON: I understand. But
12 we're giving them in excess of three years further
13 abeyance if we don't have some assurance --

14 MS. MITCHELL: There could be a condition
15 placed on the application should it not be
16 completed within a certain amount of time that
17 maybe --

18 THE COURT REPORTER: I'm sorry.

19 MS. MITCHELL: I said, "perhaps they come
20 back before the Board."

21 THE COURT REPORTER: Thank you.

22 MR. KNIERY: There are -- if I can add a
23 little bit of response to that -- I know it's for
24 staff.

1 There are a couple things in place already
2 in terms of the obligation. It has to commence
3 within 18 months. But I think that I speak for
4 Nick. I think a condition to break ground would
5 be amenable to the Applicant.

6 MR. NICK VANGEL: Absolutely.

7 Absolutely. We are -- certainly understand
8 the delay that has occurred, and we are very
9 much -- would agree with any -- with any
10 requirements that you wish for -- within reason --
11 to break ground in a reasonable amount of time.

12 We do have, once again, our construction
13 manager, John Maze, here, who could answer that
14 for you.

15 And I'd like to go back to one question
16 you asked. You know, we're becoming more
17 sophisticated, and I think all of us that are in
18 the baby boomer age are -- as -- thank you for
19 including me -- I think I'm a little older but --
20 the private rooms are not necessarily going to be
21 earmarked for private residents or Medicare or --
22 it's -- the availability will be open, as well, to
23 the Medicaid population.

24 But we need the mix because the success of

1 all the facilities nowadays are a blend of
2 insurance, private, Medicare, and Medicaid. So
3 many of the facilities that we are experiencing --
4 with our facility, say, in Des Plaines -- is we're
5 finding that, when the availability for the
6 admission is to be under Medicare or private
7 insurance, et cetera, they're -- they pick some
8 other facilities that are more accepting of that.

9 But these other facilities are not all
10 licensed, as Charles made reference to, and they
11 have a limited amount of beds that are Medicaid.
12 Once they exhaust their eligibility for Medicare
13 or exhaust their funds for private, they discharge
14 them. Then they -- we cannot discharge because
15 all our beds are Medicare and Medicaid licensed,
16 but they can do so because they limit the number
17 of Medicaid beds they have so they're asked to
18 leave.

19 It's a sad situation but many families are
20 finding themselves facing "In two weeks you must
21 be discharged because you've run out of money and
22 we don't have the availability of the Medicaid,"
23 and we take them. We have taken them.

24 CHAIRWOMAN OLSON: Mr. Burzynski and

1 then --

2 MEMBER BURZYNSKI: Thank you.

3 These are just questions for points of
4 clarification.

5 First of all, for those of you at the
6 table, so then you have cleared up your access to
7 the property situation with the City of Geneva and
8 Delnor or Northwestern?

9 MR. NICK VANGEL: We have. We have.

10 MEMBER BURZYNSKI: Okay.

11 MR. NICK VANGEL: But we have now an
12 immediate -- it's hard to describe but -- behind
13 the facility, which would be facing the hospital
14 itself -- prior to that, they were requiring us to
15 leave -- go out to Keslinger, exit that way, which
16 really was an endangerment to many of the family
17 members that would be visiting our facility, as
18 well as the ambulances, et cetera, and then have
19 to enter the main entrance, as far as the drive,
20 and come in to the hospital.

21 Now we have access. You could literally
22 walk also -- you know, not that that's what we
23 would do, but you could literally do that.

24 MEMBER BURZYNSKI: Okay. Thank you.

1 Mike, I'm just curious. If they have a
2 new letter from Greystone indicating that they
3 have the financing, you have not seen that yet?

4 MR. CONSTANTINO: No, not yet.

5 MEMBER BURZYNSKI: Okay. Do you have that
6 with you today?

7 MR. KNIERY: Yes.

8 MEMBER BURZYNSKI: It would seem to me
9 that would be very important if I were the
10 Applicant.

11 MR. KNIERY: Well, we do have it. We were
12 hesitant about bringing it up because of the rule
13 that Mike hasn't reviewed it, State staff hasn't
14 reviewed it. We can definitely have as -- we did
15 that before on another project -- a condition of
16 the permit to get that to Mike.

17 MEMBER BURZYNSKI: And then, also, the zip
18 code information which you, obviously, haven't had
19 access to either.

20 MR. CONSTANTINO: No. What we usually see
21 is individual zip codes -- number of patient by
22 individual zip code.

23 CHAIRWOMAN OLSON: Other questions?

24 VICE CHAIRMAN SEWELL: This is for Mike,

1 also.

2 So the fact that you said the criteria on
3 planning area need was not met means that you
4 don't -- we don't project completion and then
5 project either use rates or broke and elderly
6 population to see what the bed need would be after
7 the project was completed?

8 MR. CONSTANTINO: We use --

9 VICE CHAIRMAN SEWELL: We do it for right
10 now?

11 MR. CONSTANTINO: That's correct, yes.
12 We're using a calculated need or excess published
13 in 2017 for five years, from 2015 to 2020, using
14 the historical utilization of 2015. And we use
15 the State demographer to estimate the population
16 for those five years.

17 VICE CHAIRMAN SEWELL: And --

18 MR. CONSTANTINO: When this project was
19 originally approved, we were using a 10-year
20 forecast and not a 5-year. We got that changed to
21 a five-year forecast.

22 VICE CHAIRMAN SEWELL: So this Applicant
23 has stated that they would meet the bed need by
24 2022; they would be in compliance.

1 MR. CONSTANTINO: Yeah. What --

2 VICE CHAIRMAN SEWELL: Now, even though we
3 don't -- that's not our practice to do it that
4 way, do we verify their projections?

5 MR. CONSTANTINO: No. We relied upon what
6 we had done and what we're required by rule to do.

7 And what we're saying to the Board is
8 we're estimating -- the State Board is estimating
9 there will be 108 beds in excess. If -- by 2020.
10 We did not verify the numbers that they gave us.

11 VICE CHAIRMAN SEWELL: These 120 beds that
12 they mentioned that are not yet under construction
13 by one of the competitors, even if they were, that
14 would just be a need for -- for 12 beds; right?

15 MR. CONSTANTINO: That's correct.

16 VICE CHAIRMAN SEWELL: Okay. Not 150?

17 MR. CONSTANTINO: Not 150, that's correct.

18 VICE CHAIRMAN SEWELL: All right.

19 MR. CONSTANTINO: I would like to make one
20 other point.

21 Courtney and Jeannie and Nelson at the
22 time -- we did try to do some work with active --
23 looking for active long-term care beds. The
24 Long-Term Care Subcommittee tried to put together

1 a process where we could determine that, and we
2 couldn't get it done. It's still in the statute;
3 it still sits there. We're required to get it
4 done, but we couldn't get any cooperation from the
5 associations, how they wanted that done.

6 CHAIRWOMAN OLSON: Which sort of brings up
7 my point. And I know I probably have said this
8 way too many times.

9 I believe the nursing home industry has
10 created their own dilemma here. I mean, if you've
11 got -- we're talking about ghost beds, we're
12 talking about intermediate beds that are being
13 used as MI beds instead of skilled beds, licensed
14 in different ways.

15 I mean, I guess, in my mind, the onus is
16 on the industry to clean this up so that we can
17 move on projects that -- because it seems to me
18 that what you're saying makes sense, that there
19 really is a bed need there. But we're tied to
20 our criteria and, according to our criteria,
21 there's not.

22 And I do think -- when you talk about the
23 facility that hasn't started to break ground yet,
24 I think it's important to note that, because of

1 your dilemma -- which I understand was out of your
2 control -- you had beds tied up for a number
3 of years, as well, so -- I mean it's hard to --

4 MR. KNIERY: And to your suggestion, you
5 know, we had to go back and -- and I think it was
6 a good exercise -- and reapply, readdress all the
7 criteria.

8 I think it's very important to note
9 your -- to add to your point, the four facilities
10 that this Applicant owns have been traditionally
11 and remain highly utilized. They're on the larger
12 side of facilities, and that allows them to
13 provide that patient mix that Mr. Vangel was
14 talking about. But that's unheard of in this
15 state, to have larger facilities that are able to
16 remain very positively utilized.

17 CHAIRWOMAN OLSON: So what you're saying
18 is that every one of your beds will be dually
19 Medicare and Medicaid certified so that, if I'm
20 in that --

21 MR. NICK VANGEL: Yes, that is correct.

22 CHAIRWOMAN OLSON: -- Medicare bed and my
23 Medicare is no longer -- I can no longer use my
24 Medicare, I have to go to Medicaid, you're not

1 going to throw me in the street and tell me to
2 find someplace else?

3 MR. NICK VANGEL: I can't think of the
4 right word, but they would be -- I would be
5 Medicaid or Medicare. They're licensed both ways,
6 dual licensure. So the availability of those beds
7 for Medicaid or Medicare, insurance, whatever,
8 they would certainly be available to that.

9 CHAIRWOMAN OLSON: Okay.

10 MR. NICK VANGEL: We have done that; we'll
11 continue to do that. And if we took a survey
12 today, you would find that we have a number of
13 beds that are occupied that -- even that are
14 private -- that are occupied by residents that are
15 Medicaid or dialysis Medicaid.

16 CHAIRWOMAN OLSON: And that's unusual in
17 the industry?

18 MR. NICK VANGEL: Pardon me?

19 CHAIRWOMAN OLSON: That's unusual in the
20 industry --

21 MR. CHRIS VANGEL: Yes.

22 CHAIRWOMAN OLSON: -- that high of a
23 percentage of beds that are both Medicare and
24 Medicaid?

1 MR. NICK VANGEL: It's -- I think it's
2 unusual, yes in the industry.

3 You know, I have a -- I don't know if it's
4 applicable here but -- a number in my head that we
5 have 43 million people or 50 million people that
6 are over the age of 65.

7 In the year 2040, which it seems like a
8 long way away but -- we're going to have
9 80-some million, 84 million. So those numbers --
10 every year will change, I believe. We can take
11 surveys and look at what's going to happen in
12 five years, but you can't get away from the fact
13 that we have an aging population, as you see --
14 witness all the assisted living. There are niche
15 facilities for memory care, short-term memory
16 care, MI. I mean, they're just becoming more and
17 more specialized.

18 And the growth in that industry in
19 long-term care is far behind some of the other
20 increases that you've seen in structures like the
21 assisted living. I think anyone that's on the
22 Board or as well as is here this evening -- or
23 this afternoon -- is a witness to all the new
24 buildings that are going up that are accommodating

1 memory care, and they don't take -- they're all
2 private. 90 percent of them are private.

3 CHAIRWOMAN OLSON: And while that niche
4 market is a good thing, I think -- from a patient
5 perspective -- it makes our job more difficult
6 because now you're not comparing apples to apples
7 anymore because you talked about facilities that
8 are basically MI, but we still have the same set
9 of rules.

10 Other questions from Board members? Oh,
11 I'm sorry. I forgot the doctor. He was -- and
12 then I'll go to you, Barbara.

13 Dr. Goyal, please go ahead.

14 MEMBER GOYAL: Thank you, Madam Chair.

15 MR. FOLEY: Technical difficulties.

16 MEMBER GOYAL: The mic is coming from the
17 Senator; it better work.

18 My name is Arvind Goyal. I represent
19 Medicaid on this Board as an ex officio, so
20 I don't vote.

21 I have a question for you and it digs a
22 little bit deeper into your dedication to
23 Medicare and Medicaid.

24 The question has to do with everybody

1 around you -- and we hear it every day -- that
2 "Medicaid rates are too low; we cannot survive on
3 Medicaid rates." Here, we have a proposal from
4 you with 71 percent projected Medicaid occupancy.

5 Did I hear you correctly?

6 MR. NICK VANGEL: That's correct.

7 MEMBER GOYAL: Right. So what do you
8 think it solves? How are you planning to survive?

9 MR. NICK VANGEL: Well, as was shared
10 by -- or earlier, because of the size of our
11 facilities -- you know, a number of facilities are
12 being constructed more recently -- 90-bed, 80-bed,
13 70-bed -- that are niche facilities that are only
14 going to accommodate Medicare or insurance.

15 We believe, with the mix that we can
16 accommodate -- it may not always be 70 percent;
17 there may be months that it changes. But,
18 overall, at the end of the year, we expect that we
19 could -- and I pray that the State will not be the
20 48th or 47th in the future with Medicaid
21 reimbursement.

22 MEMBER GOYAL: If you can find a secret
23 sauce for growing a money tree, we'll make sure
24 that you get paid more.

1 MR. NICK VANGEL: We can discuss that in
2 private.

3 CHAIRWOMAN OLSON: Barbara.

4 MEMBER HEMME: My question relates to
5 your days' cash on hand and your comment that you
6 want to have 70 percent Medicaid.

7 75 days does not seem like a long enough
8 period of time when, often, Medicare and Medicaid
9 are -- can be up to six, seven, eight months.

10 How do you propose -- with your percent-
11 to-debt and total capitalization ratio on top of
12 that, how do you propose to pay your bills?

13 MR. NICK VANGEL: Well, first of all, if
14 I heard you correctly -- and I, unfortunately, am
15 sitting next to Charles. I have a hearing aid,
16 and he's like put it out of commission.

17 I'll defer to Robert.

18 MR. JAFARI: I can address that.

19 So we have an accounts receivable line of
20 credit with the banks, and they provide us with
21 the money until we get paid by Medicaid.

22 MEMBER HEMME: And how large is that line
23 of credit?

24 MR. JAFARI: For every facility it's

1 different, but they would provide us for --
2 80 percent of whatever the receivables are up
3 until -- as long as the State goes.

4 In my experience, the State has gone as
5 long as 13 months back in the early '90s.
6 Currently, you know, 90 to 120 days. The banks
7 are flexible. When the State changes the payment,
8 they change the lines.

9 MR. NICK VANGEL: And you may have
10 mentioned Medicare, as well. Or just Medicaid?

11 MEMBER HEMME: Well, both Medicare and
12 Medicaid.

13 MR. NICK VANGEL: Medicare pays in
14 45 days. They're 45 days. So there's a balance.

15 To say there wouldn't need to be a blend
16 would not be honest. There has to be a blend.
17 Private insurance and private pay, also, those are
18 certainly much more current.

19 And now I know the State has the MCOs that
20 provide a better -- and working on that
21 continually -- to provide better responses as far
22 as payment, and it's shortening that gap. As
23 Robert alluded to or said before, in the '90s it
24 was a long period of time, but we haven't

1 experienced that and it's gotten to be better.
2 I think there's some pressure on whomever in
3 Springfield, and we're seeing a little better
4 response for that.

5 It's not regular but intermittently we get
6 bumps, which has helped. And, again, the
7 financing and the relationship with banks is also
8 what carries us. Otherwise, we wouldn't have
9 enough money to continue in this industry, not
10 only us but everybody else.

11 CHAIRWOMAN OLSON: Yes.

12 MEMBER MC NEIL: From an organizational
13 standpoint, is each unit independently
14 incorporated and financially by itself? Or is it
15 a corporate overlay where monies transfer back and
16 forth?

17 MR. JAFARI: Each facility stands on its
18 own as a separate LLC, separate legal entity, with
19 separate financing.

20 MEMBER MC NEIL: So if payments don't come
21 to one but to another, it's still independent?

22 MR. JAFARI: Yes.

23 CHAIRWOMAN OLSON: Other questions from
24 the Board?

1 MEMBER MC GLASSON: It's not a question.

2 I -- I would like to offer an amendment to
3 the motion to accept that financing be secured --
4 not promised, secured -- by March 31st of 2019.

5 CHAIRWOMAN OLSON: So is there a second to
6 the amendment to the motion on the table?

7 MEMBER HEMME: I'll second.

8 CHAIRWOMAN OLSON: All those in favor
9 say aye.

10 (Ayes heard.)

11 CHAIRWOMAN OLSON: Opposed, like sign.

12 (No response.)

13 CHAIRWOMAN OLSON: Okay. The motion is
14 amended.

15 Is that -- are you guys okay with that?

16 MR. JAFARI: Yeah, that's acceptable.

17 MR. NICK VANGEL: That is acceptable.

18 CHAIRWOMAN OLSON: All right. Thank you.

19 All right. Seeing no other further
20 questions or comments, I would ask for a roll call
21 vote.

22 MR. ROATE: Thank you, Madam Chair.

23 Motion made by Mr. Sewell; seconded by
24 Ms. Murphy.

1 Senator Burzynski.

2 MEMBER BURZYNSKI: I have to be honest.
3 I'm really struggling with this.

4 But I think this is one of the better
5 discussions that we've had relative to any of the
6 applicants that have appeared in front of us in
7 quite some time.

8 I think, based on the amended motion, the
9 information that we've received, I'm going to
10 support the Applicant at this point in time so
11 I vote yes.

12 MR. ROATE: Thank you.

13 Ms. Hemme.

14 MEMBER HEMME: I'm voting yes, as well,
15 due to the amendment.

16 MR. ROATE: Thank you.

17 Mr. McGlasson.

18 MEMBER MC GLASSON: Yes, based on the
19 amendment and reasons stated by the Senator.

20 MR. ROATE: Thank you.

21 Mr. McNeil.

22 MEMBER MC NEIL: I vote yes because you
23 met the criteria. Coming in, I would have said
24 something different, but you did explain it and

1 address the issues and that's extremely important.

2 MR. ROATE: Thank you.

3 Ms. Murphy.

4 MEMBER MURPHY: I'm going to vote yes
5 based on the answers to our questions today, the
6 assurances we've been given, and the amendment.

7 MR. ROATE: Thank you.

8 Mr. Sewell.

9 VICE CHAIRMAN SEWELL: I vote no.

10 The project still fails to meet pretty
11 critical criteria.

12 MR. ROATE: Thank you.

13 Madam Chair.

14 CHAIRWOMAN OLSON: I'm going to vote no,
15 as well, with the encouragement of the long-term
16 care industry to clean up this bed situation so
17 that we can approve these kinds of projects.

18 I do think it's a good project and I'm
19 glad that it passed, but I'm going to vote no.

20 MR. ROATE: Thank you, Madam Chair.

21 That's 5 votes in the affirmative, 2 votes
22 in the negative.

23 May I clarify the motion? The motion for
24 financing being secured by March 2019?

Transcript of Full Meeting
Conducted on February 27, 2018

159

1 CHAIRWOMAN OLSON: That's correct -- no,
2 no --

3 MS. AVERY: March 31st.

4 CHAIRWOMAN OLSON: -- '18.

5 MS. MITCHELL: '19.

6 MEMBER MC GLASSON: '19.

7 CHAIRWOMAN OLSON: Oh, '19? Okay.

8 MR. ROATE: March 31st, 2019?

9 MEMBER MC NEIL: Yes.

10 MR. ROATE: Very good.

11 Thank you.

12 CHAIRWOMAN OLSON: Okay. The motion
13 passes.

14 Congratulations.

15 MR. KNIERY: Thank you.

16 MR. FOLEY: Thank you very much.

17 MR. NICK VANGEL: Thank you very much.

18 CHAIRWOMAN OLSON: It is almost 12:15.

19 We'll break for lunch for one hour -- oh, until
20 one o'clock. I'm sorry.

21 We'll break for lunch until one o'clock.

22 (A recess was taken from 12:13 p.m. to
23 1:02 p.m.)

24 - - -



150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606-1599 • 312.819.1900

RECEIVED

MAR 28 2019

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Anne M. Cooper
(312) 873-3606
(312) 819-1910
acooper@polsinelli.com

March 28, 2019

Via FedEx

Michael Constantino
Illinois Department of Public Health
Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Annual Progress Report – Meadowbrook Manor Geneva (Proj. No. 17-012)

Dear Mr. Constantino:

This office represents MMG Partners, L.P. and Butterfield Healthcare III, LLC (collectively, "Permit Holders"). As you are aware, on February 27, 2018, the Illinois Health Facilities and Services Review Board (the "State Board") approved the Permit Holders' application to establish a 150-bed general long-term care facility to be located at 37W220 Keslinger Road, Geneva, Illinois (the "Project"). Pursuant to Section 1130.760, the Permit Holders submit the following information regarding the progress of Project Permit #08-099.

1. Status of the Project

Although construction has not commenced, the Permit Holders are diligently working to ensure the Project is completed in a timely manner. Working drawings are complete and will be submitted to Illinois Department of Public Health ("IDPH") for plan review. Further, the Kane County Development Department approved the zoning for the Project site. Upon IDPH approval of the architectural plans, the Permit Holders will pull the permits to begin construction.

Finally, attached as Attachment – 1 is the financial commitment from Greystone Funding Corporation to fund the Project.

polsinelli.com

Atlanta Boston Chicago Dallas Denver Houston Kansas City Los Angeles Nashville New York Phoenix
St. Louis San Francisco Silicon Valley Washington, D.C. Wilmington

Polsinelli LLP in California
0194651



Michael Constantino
March 28, 2019
Page 2

2. **Costs Incurred to Date**

To date, the Permit Holders have expended \$306,782.46 on the Project.

Meadowbrook Manor – Geneva (Proj. No. 17-012) Project Costs		
	Approved	Expended
Preplanning Costs	\$435,152	
Site Survey and Soil Investigation	\$65,000	
Site Preparation	\$651,736	\$7,333.75
Off Site Work	\$508,682	
New Construction Contracts	\$21,143,968	
Contingencies	\$2,114,397	
A & E Fees	\$1,892,010	\$176,817.87
Consulting and Other Fees	\$792,220	\$122,630.84
Moveable or Other Equipment	\$1,577,578	
Net Interest Expenses During Construction	\$524,875	
Other Costs to be Capitalized	\$378,250	
Estimated Total Project Cost	\$30,083,868	306,782.46

3. **Sources of Funds**

The project will be financed through a \$22,500,000 mortgage and \$6,021,169 in cash and securities.

4. **Anticipated Completion Date**

The anticipated completion date for the Project is May 30, 2020.

If you need any additional information or have any questions regarding the status of the project, please feel free to contact me at 312-873-3606 or acooper@polsinelli.com.

Sincerely

Anne M. Cooper

Attachment



GREYSTONE
419 Belle Air Lane
Warrenton, VA 20186
Phone: 540.341.2100
Fax: 540.341.7359

March 26, 2019

Mr. Robert Jafari
MMG Partners L.P.
c/o The Butterfield Health Care Group
648 N. River Road, Suite 100
Naperville, IL 60563

RE: *Meadowbrook Manor of Geneva
Geneva, IL
232 New Construction*

Dear Mr. Jafari:

Greystone Funding Corporation is pleased to provide MMG Partners L.P. (the "borrower") with this commitment for the above referenced project (the "Project") for a mortgage loan (the "loan") to be insured by the Department of Housing and Urban Development ("HUD") acting through the Federal Housing Administration ("PHA") under its Section 232 program.

Please carefully review each of the following exhibits, incorporated herein by reference:

EXHIBIT A – PROPOSED LOAN TERMS

EXHIBIT B – NOTICE & DISCLOSURE OF TRANSACTION FEES AND COSTS

This commitment is subject to the terms, conditions and approvals set forth by Exhibits A & B. The terms and conditions discussed herein are subject to change based on information provided to satisfy the conditions of the commitment. This commitment will expire on December 31, 2020, unless duly extended in writing by Greystone.

Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrower(s)) and us (Greystone) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.

Meadowbrook Manor of Geneva
March 26, 2019

Page 2

If you have any questions regarding this letter, please do not hesitate to call.

Sincerely,

A handwritten signature in blue ink that reads "R. Scott Thurman". The signature is written in a cursive style with a large, stylized "R" and a circular flourish at the end.

R. Scott Thurman
Senior Managing Director

EXHIBIT A - PROPOSED BASIC LOAN TERMS

The proposed loan terms, as detailed below, are based on preliminary information and are subject to change by Greystone and HUD.

BORROWER:	MMG Partners L.P. c/o The Butterfield Health Care Group 648 N. River Road, Suite 100 Naperville, IL 60563
PROJECT:	Meadowbrook Manor of Geneva 37W220 Keslinger Road Geneva, IL 60134
TYPE OF PROJECT:	150-bed Skilled Nursing Facility
YEAR BUILT:	To be Built
PROPOSED LOAN AMOUNT:	\$28,640,000 (subject to underwriting review and issuance of the HUD Commitment; the loan will be no greater than the lower of: a) 80% of the appraised value of the Project or b) 90% of eligible replacement costs.)
INDICATED INTEREST RATE:	4.850% (<i>Refer to Exhibit B of this Engagement Letter, Rate Lock</i>)
LOAN TERM:	21-month construction loan term plus 2 months (Initial Endorsement to Final Endorsement) and 480-month permanent loan term (commencing from Final Endorsement to maturity) ¹
SECURITY:	The Loan shall be secured by a first mortgage lien encumbering all land, improvements, and furniture, fixtures, and equipment.
RECOURSE:	Non-Recourse
PREPAYMENT:	Negotiable, but best pricing available from Greystone for 10 years of call protection, typically structured with a lockout for 0-2 years followed by prepayment penalties equal to a fixed percentage declining 1% each year.
REPAYMENT:	Monthly Interest only payments on disbursed funds during the construction loan term. Monthly principal and interest payments amortized over the permanent loan term.

¹ All HUD loans are fully amortizing, without balloons.

HUD REGULATORY AGREEMENT:	The Borrower and Operator both agree to be bound by the applicable HUD required regulatory agreements and other HUD programmatic requirements.
TITLE & RECORDING:	Title Insurance, Recording Fees, Escrow Services, mortgage taxes, transfer taxes, and other associated title services and fees are required as part of the processing, underwriting and closing of the Loan. An insurer approved by Greystone shall provide title and escrow services and must meet HUD Requirements.
ALTA SURVEY:	The Borrower will provide ALTA Surveys meeting Lender's and FHA's requirements are required at various stages, including but not limited to: (a) a land survey for the firm application and the initial closing; (b) "as built" surveys during construction as required by the inspecting architect; (c) an "as built" survey at the completion of construction; and, (d) an "as built" survey at final endorsement.
ZONING:	The Borrower will provide acceptable evidence that the Project is appropriately zoned for the intended use.
PLANS & SPECIFICATIONS:	The Borrower will provide acceptable architectural plans and specifications meeting HUD requirements for the project's intended use.
LICENSING:	The Borrower will provide acceptable evidence that all required document/permits have been obtained to operate a skilled nursing facility upon construction completion.
CONSTRUCTION START:	Construction may not start before initial endorsement, except with the prior approval of FHA. Any work performed after receipt by FHA of the initial application, including clearing, grading or other preliminary work, constitutes the early start of construction.
PROFESSIONAL LIABILITY INSURANCE	Minimum coverage \$1,000,000 per occurrence and \$3,000,000 aggregate with a maximum deductible of \$100,000 (for operators with 50 or fewer facilities) provided by an insurer rated "A-" or better by AM Best.

EXHIBIT B - NOTICE AND DISCLOSURE OF TRANSACTION FEES AND COSTS

The following describes the fees that will be incurred in this transaction. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth elsewhere in this Engagement Letter.

DUE AND PAYABLE UPON REQUEST FROM GREYSTONE, STARTING WITH THE MARKET STUDY, ONCE A MARKET STUDY IS RECEIVED THAT SUPPORTS THE PROPOSED LOAN AMOUNT IN EXHIBIT A, THE FUNDS FOR THE ADDITIONAL FEES ARE DUE:

PROCESSING FEE:	\$5,000
THIRD PARTY FEES:	\$4,500 – Phase I Environmental Site Assessment \$15,000 – Appraisal \$0.00 – Market Study will be included with the Appraisal \$1,970 - Radon Testing. Radon Testing is required in Radon Zones 1 or 2. It appears that the Project is located in Radon Zone 1. \$6,000 – Greystone preliminary legal (assumes no A/R financing)

The above Third Party Fees are estimates only. Any additional costs are the responsibility of Borrower and will be due and payable upon receipt of an invoice from Greystone. Some or all of these fees may be reimbursable from Loan proceeds.

PAYABLE PRIOR TO APPLICATION SUBMISSION:

HUD APPLICATION FEE:	0.30% of Loan amount. Payable by Borrower a minimum of one week prior to the estimated Application submission to HUD. \$17,500 – Independent A&E Cost Review
----------------------	---

PAYABLE PRIOR TO RATE LOCK:

GOOD FAITH DEPOSIT:	0.50% of the Loan amount. Payable prior to rate lock as detailed in the Information about Rate Lock.
EXTENSION FEES:	Not to exceed 0.25% of the Loan amount for each one-month extension of the closing date, all as will be more particularly set forth in the Greystone Commitment.

PAYABLE AT CLOSING (GENERALLY PAYABLE FROM LOAN PROCEEDS):

HUD INSPECTION FEE:	0.50% of Loan amount, rounded up to the nearest \$100. Fee is due and payable to HUD at closing.
MORTGAGE INSURANCE PREMIUM ("MIP"):	1.48% of the Loan amount; due and payable to HUD at closing. Thereafter, 0.77% will be due annually based on the then outstanding principal balance.
² FINANCING FEE:	2.00% of the Loan amount; due and payable to Greystone at closing.
CLOSING COSTS:	Paid at closing, and include, but are not limited to, recording fees, title insurance expenses, survey costs, Borrower's legal fees, Borrower's organizational expenses and Greystone's legal fees.

INFORMATION ABOUT RATE LOCK: Once the Borrower has accepted the Greystone Commitment, paid the Greystone Good Faith Deposit, and a creditworthy party acceptable to Greystone has guaranteed the Borrower's liability to Greystone (the "Responsible Party") for the period from rate lock through Loan closing, the Borrower may lock the Loan's interest rate and prepayment terms, in accordance with the procedures set forth in the Greystone Commitment. The Responsible Party must be a creditworthy party acceptable to Greystone who will guarantee Borrower's liability to Greystone (i) for the period from rate lock through closing of the Loan (which includes potential extension fees and losses incurred by investor due to non-delivery of the mortgage backed security) and/or (ii) resulting from Borrower's failure to close the Loan, all as more specifically outlined in the Greystone Commitment. It is important to note that rate lock should only occur once the Borrower and its counsel are confident that the Borrower is prepared to close the Loan by the required delivery date, since locking the interest rate commits Greystone, and therefore the Borrower, to liability for damages should the Loan fail to close by delivery date.

² Financing and Placement Fees deemed earned upon issuance of a HUD Commitment.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

March 5, 2018

Christopher Vangel, Executive Director
Meadowbrook Manor of Geneva
648 N. River Road, Ste 100
Naperville, IL 60563

Re: Project Number: #17-012
Facility Name: Meadowbrook Manor of Geneva
Facility Address: 37W220 Keslinger Road, Geneva, Illinois
Applicants: Butterfield HealthCare III, LLC and MMG Partners, L.P.
Permit Holder(s): Butterfield HealthCare III, LLC and MMG Partners, L.P.
Licensee/Operating: Butterfield HealthCare III, LLC
Owner(s) of Site: MMG Partners, L.P.
Project Description: Construct and Establish a 150-bed General Long Term Care Facility in 94,816 GSF.
Permit Amount: \$30,083,868
Permit Conditions: Financing for this project must be secured by March 31, 2019.
Project Required Commitment Date: February 27, 2020
Project Completion Date: May 31, 2020
Annual Progress Report Due Date: March 29, 2019

Dear Mr. Vangel:

On February 27, 2018, the Illinois Health Facilities and Services Review Board approved the application for permit for the above-referenced project. This approval was based upon the substantial conformance with the applicable standards and criteria in the Illinois Health Facilities Planning Act (20 ILCS 3960) and 77 Illinois Administrative Codes 1110 and 1120.

In arriving at a decision, the State Board adopted the State Board staff's report and findings, and when applicable, considered the application materials, public hearing testimony, public comments and documents, testimony presented before the Board and any additional materials requested by State Board staff.

The permit is valid only for the approved construction or modification, site, amount and the named permit holder. Please note that the permit **is not transferable or assignable**. In accordance with the Planning Act, the permit is valid until such time as the project has been completed, provided that all post-permit requirements have been fulfilled, pursuant to the requirements of 77 Illinois Administrative Code 1130. Failure to comply with post-permit requirements may result in an invalidation of the permit, sanctions, fines or State Board action to revoke the permit.

To maintain a valid permit, the permit holder is responsible for complying with the following requirements.

1. FINANCIAL COMMITMENT 1130.720

The project must be obligated **by the Financial Commitment Date**, unless the permit holder obtains an "Extension of the Commitment Period" as provided in 77 Illinois Administrative Code 1130.730. Financial Commitment is to be reported as part of the first annual progress report for permits requiring Commitment within 12 months after issuance. For major construction projects which require Commitment within 24 months after permit issuance, Commitment must be reported as part of the

second annual progress report. If project completion is required prior to the respective annual progress report referenced above, Commitment must be reported as part of the notice of project completion. The reporting of Financial Commitment must reference a date certain when at least 33% of total funds assigned to project cost were expended or committed to be expended by signed contracts or other legal means.

2. ANNUAL PROGRESS REPORT-PART 1130.760

An annual progress report must be submitted to HFSRB every 12th months from the permit issuance date until such time as the project is completed.

3. PROJECT COMPLETION REQUIREMENTS-PART 1130.770

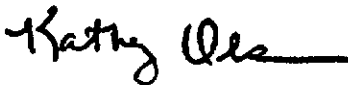
The requirements for a compliant Final Realized Costs Report are defined in the State Board's regulations under 77 Ill. Adm. Code 1130.770.

This permit does not exempt the project or permit holder from licensing and certification requirements, including approval of applicable architectural plans and specifications prior to construction.

Please note that the Illinois Department of Public Health will not license the proposed facility until such time as all of the permit requirements have been satisfied

Should you have any questions regarding the permit requirements, please contact **Mike Constantino** or **George Roate** at 217-782-3516.

Sincerely,



Kathy J. Olson, Chairwoman
Illinois Health Facilities and Services Review Board

cc: Courtney Avery, Administrator