



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-02	BOARD MEETING: January 9, 2018	PROJECT NO: 17-035	PROJECT COST: Original: \$17,646,768 Current:
FACILITY NAME: Manor Court of Rochelle		CITY: Rochelle	
TYPE OF PROJECT: Substantive			HSA: I

DESCRIPTION: The applicants (Frances House, Inc. and Residential Alternatives of Illinois, Inc.) propose to establish a 92-bed skilled nursing facility on the campus of Liberty Village, in Rochelle, Illinois. The total cost of the project is \$17,646,768. The completion date is October 1, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are proposing to establish a 92-bed skilled nursing facility on the campus of Liberty Village of Rochelle, located in tax parcel 24-14-100-015, north of Flagg Road, west of 20th street, in Rochelle. The anticipated cost of the project is \$17,646,768. **The anticipated completion date is October 1, 2019.**
- This application calls for the establishment of a 92-bed skilled nursing facility, containing two components. They are:
 - Manor Court of Rochelle: A 70-bed general skilled nursing facility, consisting of 52,823 GSF of space. Manor Court will comprise the “main building”, a single-story structure with a “main street” commons in the central building core, and resident rooms branching into three or four “neighborhoods connected to the central core.
 - Garden Courts of Rochelle: A 22-bed specialized Memory-Care nursing facility, consisting of 10,770 GSF of space. Garden Courts of Rochelle will offer care to residents suffering from Alzheimer’s Disease and related disorders (ADRD). Garden Courts will be a separate and distinct wing off of the main facility/central core, offering secure outdoor activities and a wandering circuit, all in a home-like environment.
 - The applicants note each of these two components will contain separate and distinct common areas.
- The facility in its totality will consist of 63,593 GSF of space, and contain 92 skilled nursing beds. The proposed facility will be located on a 13.67 acre campus, and utilizes the efficiencies of a shared kitchen, laundry facility, and administrative wing.

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 August 28, 2017. The Public Hearing was held on Thursday, October 12, 2017, at Spring Lake Marina, in Rochelle. The public hearing was attended by Ms. Courtney Avery, Board Administrator, Ms. Jeannie Mitchell, Board Counsel, Ms. Ann Guild, Compliance Manager, and overseen by Sen. Brad Burzynski, Board member. The meeting began at 11:00 am. Eighty-nine (89) individuals were in attendance, sixty-five (65) registered their support or provided supportive testimony for the project and twenty-four (24) registered their opposition or provided opposing testimony. State Board Staff has received six (6) letters of support and one (1) letter of opposition to this project. A sample of comments is at the end of this report. The project file also contains 31 letters of support from residents of Rochelle, or citizens with family connections to Rochelle.

CONCLUSIONS:

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(a) & (b) Planning Area Need	There is no need for additional beds in this Planning Area. The State Board has calculated an excess of seventeen (17) long term care beds in the Ogle County Long Term Care Planning Area. Additionally, the applicants failed to provide patient zip code information, confirming residency in the planning area, in three of their four referral letters.
Criterion 1125. 540 (b)(c)(d) – Service Demand-Establishment of Category of Service	There is no absence of long term care services in the Ogle County Long Term Care Planning Area, or in the 45-minute drive radius surrounding the proposed facility. The Applicants provided four referral letters from four hospitals. However only one of the letters was in compliance with the State Board Requirements. The applicants failed to provide zip code information in three of their referral letters, confirming patient residence in the planning area. The four letters estimated 1,132 residents had been referred to long term care facilities in the area over the past 12 months. From these four referral letters the Applicants are estimating that 354 individuals that reside in the Rochelle Area are available to be referred to the proposed facility. However, only one letter (Northwestern Medicine Kishwaukee Hospital) provided the zip code of residence as required.
Criterion 1125.570(a)(1), (2), (3), (4) & (5) – Service Accessibility	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. All providers within 45 minutes of the proposed facility do not meet or exceed target occupancy (90%).
Criterion 1125.580(a), (b) & (c) – Unnecessary Duplication of Service/Mal-distribution of Service/Impact on Other Facilities	There are thirty two (32) facilities within 45 (forty-five) minutes of the proposed facility (see Table Six). Of thirty two facilities, only five (5) facilities (15.6%) are at State Board target occupancy (90%).

STATE BOARD STAFF REPORT
Manor Court of Rochelle
Rochelle, Illinois
#17-035

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants	Frances House, Inc. Residential Alternatives of Illinois, Inc.
Facility Name	Manor Court of Rochelle
Location	Corner of North Flagg Road & 20 th Street
Operating Entity/Licensee	Frances House, Inc.
Owner of the Facility	Residential Alternatives of Illinois, Inc.
GSF	63,593 GSF
Application Received	August 14, 2017
Application Deemed Complete	August 16, 2017
Review Completion Date	December 14, 2017
Financial Commitment Date	After Permit Issuance
Expedited Review?	No
Review Extended	No
Can Applicant Request a Deferral?	Yes

I. The Proposed Project

The applicants (Frances House, Inc. and Residential Alternatives of Illinois, Inc.) propose to establish a 92-bed long-term care (LTC) facility in Rochelle, Illinois. The total cost of the project is \$17,646,768. **The anticipated completion date is October 1, 2019.**

II. Summary of Findings

- A. The State Board Staff finds the proposed project **is not** in conformance with the provisions of 77 ILAC 1125 (Part 1125), Subpart D.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1125, Subpart F.

III. General Information

The applicants are Frances House, Inc. and Residential Alternatives of Illinois, Inc. The proposed facility will be located northwest of Flagg Road, and 20th Street, in Rochelle, and be comprised of 63,593 GSF of space. The 92-bed facility will be divided between a 70-bed general Long Term Care Unit (52,823 GSF), and a 22-bed Memory Care Unit (10,770 GSF). The memory care unit will be known as Garden Courts of Rochelle.

The proposed facility will be located in the Ogle County Long Term Care Planning Area/HSA-01. The State Board is currently projecting an excess of seventeen (17) long term care beds by CY 2018 for this Long Term Care Health Planning Area. Target occupancy for the long term care category of service is ninety percent (90%). Obligation for this project will occur after permit issuance. This is a substantive project subject to an 1125 review.

IV. Kane County Long Term Planning Area

The State Board has calculated an excess of seventeen (17) long term care beds in the Ogle County Long Term Care Planning Area by CY 2018. The Ogle County Long Term Care Planning Area has a total of 565 LTC beds. Utilization projections for the year 2020, estimate the provision of 180,417 patient days of care. Below are the seven (7) facilities within the Ogle 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 Ogle County LTC Planning Area						
Facilities	Medicare Star Rating	City	Patient Days*	HSA	Beds	Utilization
Generations at Neighbors	3	Byron	26,620	1	101	61.4%
Oregon Living & Rehab Center	4	Oregon	24,868	1	104	63.3%
Pinecrest Manor	5	Mount Morris	41,010	1	125	88.1%
Polo Rehab & Healthcare	4	Polo	18,186	1	81	59.6%
Rochelle Gardens Care Center	3	Rochelle	21,967	1	74	77.7%
*Rochelle Hospital (Swing Beds)	N/A	Rochelle	18	1	0	N/A
Rochelle Rehab & Health Care	1	Rochelle	13,700	1	50	70.6%
Total Patient Days/Beds/Average Utilization			146,369		565	
<i>Source: Information taken from 2017 LTC Profile Inventory of Health Care Facilities</i>						
<i>*Swing Beds contained in a Critical Access Hospital. No data or insufficient data reported</i>						

V. The Proposed Project - Details

The applicants propose to establish a 92-bed Long Term Care/Memory Care facility in 65,593 GSF of newly constructed space, in Rochelle. The single-story facility will be located northwest of Flagg Road, and 20th Street, in Rochelle. The facility will be established in a community-like setting, with common areas in the central core of the building, containing a dining, recreation, barber/beauty shop, and ice cream shop. The patient rooms will be located off the “main street commons” in four wings containing “neighborhoods” of rooms. Three wings will house Manor Court of Rochelle, which will contain 72 general long term care beds, and consist of 52,823 GSF of space. A fourth “neighborhood” will be known as Garden Courts of Rochelle. Garden Courts will contain 22 beds, and serve as a specialized Memory Care Unit. This unit will consist of 10,770 GSF of space, and like the general care units, be located off the common core area. The physical layout of Garden Courts will promote secure outdoor activities and a wandering circuit, all in a home-like environment. The entire facility will consist of 60 private rooms, and 16 double-occupancy rooms. All ninety-two (92) beds will be dual certified for Medicare and Medicaid.

VI. Project Costs and Sources of Funds

The proposed project is being funded in its entirety with cash and securities totaling \$17,646,768. The estimated start-up costs and initial operating deficit is \$975,000.

Table Three outlines the project’s uses and sources of funds. The State Board Staff notes the project has both Reviewable (clinical) and Non Reviewable (non-clinical) components.

TABLE THREE			
Project Costs and Sources of Funds			
USE OF FUNDS	Reviewable	Non Reviewable	Total
Pre planning Costs	\$46,225	\$18,803	\$65,028
Site Survey/Soil Investigation	\$32,033	\$13,030	\$45,063
Site Preparation	\$470,246	\$191,281	\$661,527
Off Site Work	\$24,578	\$9,998	\$34,576
New Construction Contracts	\$9,186,099	\$3,736,622	\$12,922,721
Contingencies	\$894,590	\$363,892	\$1,258,482
Architectural/ Engineering Fees	\$869,269	\$353,592	\$1,222,861
Consulting and Other Fees	\$233,276	\$94,899	\$328,165
Movable or Other Equipment	\$780,757	\$317,588	\$1,098,345
Net Interest Expense During Construction (project related)	\$7,108	\$2,892	\$10,000
TOTAL USES OF FUNDS	\$12,544,182	\$5,102,597	\$17,646,768
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities	\$12,544,182	\$5,102,597	\$17,646,768
TOTAL SOURCES OF FUNDS	\$12,544,182	\$5,102,597	\$17,646,768
Source: Application for Permit Page 24 Itemization of these costs can be found as Appendix A-1.			

VII. Cost/Space Requirements

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

TABLE FOUR			
Costs Space Requirements			
Department /Area	Cost	Proposed	Construction
	Reviewable		
Nursing/Clinical	\$6,394,883	23,045	23,045
Living/Dining/Activity	\$1,824,533	6,575	6,575
Kitchen/Food Service	\$2,122,840	7,650	7,650
P.T./O.T.	\$1,366,943	4,926	4,926
Laundry	\$452,318	1,630	1,630
Janitor Closets	\$81,861	295	295
Clean/Soiled Utility	\$103,783	374	374
Beauty/Barber	\$197,022	710	710
Total Reviewable	\$12,544,182	45,205	45,205
	Non Reviewable		
Office/Admin	\$868,561	3,130	3,130
Employee Lounge	\$283,045	1,020	1,020
Locker/Training	\$55,499	200	200
Mecahnical/Electrical	\$437,055	1,575	1,575
Lobby	\$684,581	2,467	2,467
Storage/Maintenance	\$462,030	1,665	1,665
Corridor/Public Toilets	\$2,311,815	8,331	8,331
Stair/Elevators	\$0	0	0
Total Non Reviewable	\$5,102,586	18,388	18,388
TOTAL	\$17,646,768	63,593	63,593
Source: Application for Permit Page 34			

VIII. Purpose of the Project, Alternatives

A) Criterion 1125.320 - Purpose of the Project

According to the applicants, the proposed project addresses a need for modernized skilled nursing beds within a 20-mile radius encompassing the community of Rochelle. The applicants identified two existing LTC facilities in Rochelle that do not meet modern health care standards (room size and private living arrangements), and are in need of modernization/replacement. These two facilities are owned/operated by the same entity. In addition, the applicants have identified specialized care needs for Memory Care patients in the planning area. The proposed project will add modernized LTC beds to the service area, for both General Care, and Memory Care patients. The application contains referral letters from four area hospitals, committing to the referral of a sufficient patient base for the facility to maintain a patient population that meets or exceeds the State Board standard (90%).

B) Criterion 1125.330 - Alternatives to the Proposed Project

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

1. Project of Lesser Scope/Status Quo

The applicants rejected this alternative, noting that a project containing less than 70 general Long Term Care, and 22 memory Care beds would in effect be maintaining status quo. The applicants note the project as it stands is with limited economies of scale, and based on market analysis, a smaller project or a project considered status quo would have no impact on patient access and quality of care. The applicants identified no project costs with this alternative.

2. Project of Greater Scope

The applicants acknowledge that an alternative of greater scale would contradict the findings/suggestions contained in the market study performed and presented by Laurel Research Associates (LRA) (Application, pgs. 70-185). The market study found that while the market area could support an additional 165 skilled nursing beds, the project cost would nearly double that of the project costs proposed (\$31,649,145). While patient access and quality of care would benefit through this alternative, the project cost would exponentially increase.

3. Joint Venture/Utilize Existing Providers

The applicants made phone inquiries to Petersen Health Network, LLC to purchase one or both facilities in Rochelle for the sole purpose of building a replacement facility. There has not been a response from Petersen on this inquiry. Therefore, this item as an alternative was considered not viable.

4. Project as Proposed

The applicants selected this alternative, based on the findings of the LRA market survey, which supports the introduction of 70 general LTC beds and 22 specialized Memory Care beds, in a modern, up-to-date setting. The applicants note the project as proposed makes a conservative approach at addressing patient access issues, but greatly improves quality of care, while maintaining suitable boundaries associated with a cost-effective project. Cost associated with this alternative: \$17,646,768.

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 and all information to verify information in the application for permit

The applicants supplied a listing and licensure credentials for six other nursing facilities, eight Continuing Care Retirement Communities (CCRC), and numerous IF/DD homes owned or operated by related entities/co-applicants (application, pgs. 250-310), attestation that no adverse action has been taken against these facilities in the three years preceding the filing of this application (project file), and authorization for IDPH or the State Board to access any documents needed to verify this attestation (project file).

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.

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

X. Need for Project

A) Criterion 1125.530(a) & (b) - 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 projected an excess of seventeen (17) long term care beds in the Ogle County Long Term Planning Area by CY 2018.

b) Service to Planning Area Residents

The applicants provided four (4) referral letters from area hospitals (application, pgs. 314-318), agreeing to the referral of approximately 307 residents to the LTC facility each year after project completion. Table Five identifies the facility, and the number of patients expected to be referred to the facility, upon project completion. No zip codes were supplied with three of the four 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	Historical referrals	Projected annual referrals
Northwestern Medicine/Kishwaukee Hospital, DeKalb*	827	19
OSF St. Anthony Hospital, Rockford	193	193
Rochelle Community Hospital, Rochelle	81.5	65.2
Mercy Rockford Memorial Hospital, Rockford	30	30
Total Referrals:	1131.5	307.2
Source: Application, pgs. 314-318		
*Letter contained zip codes		

The applicants' provided referral letters that projected sufficient referral volume. However, three of the four referral letters did not meet the requirements of the State Board. In addition, there is an excess of seventeen (17) LTC beds in the Ogle County Planning Area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1125.530(a) & (b))

B) Criterion 1125.540(b)(c)(d) - 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 four (4) 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 three of the four 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.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 IAC 1125.540(b)(c)-(d))

C) Criterion 1125.570(a)(1), (2), (3), (4) & (5) - 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 five 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 normal travel time meet or exceed the occupancy standard specified in Section 1125.210(c).

TABLE SIX					
Facilities within 30 Minutes of the Proposed Facility					
Facilities	City	Time	Beds	Utilization	Medicare Star Rating
Rochelle Gardens Care Center	Rochelle	7	74	77.7%	3
Rochelle Rehab & Health Center	Rochelle	7	50	70.6%	1
Franklin Grove Nursing Center	Franklin Grove	22	132	67.7%	1
Oregon Living & Rehab Center	Oregon	27	104	63.3%	4
Prairie Crossing Living & Rehab	Shabbona	28	91	71%	1
DeKalb County Nursing & Rehab	DeKalb	28	190	93%	4
Pine Acres Care Center	DeKalb	28	119	75.3%	3
Bethany Health Care & Rehab	DeKalb	30	90	84%	4
Oak Crest DeKalb	DeKalb	30	73*	94.4%	4
Generations at Neighbors	Byron	30	101	61.4%	3
Dixon Healthcare & Rehab	Dixon	31	80	97.5%	5
Pinecrest Manor	Mount Morris	32	125	88.1%	5
Heritage Square	Dixon	33	27^	99.7%	5
Rosewood Care Center Rockford	Rockford	33	120	67.2%	2
Alden Alma Nelson Manor	Rockford	34	268	66.3%	3
Forest City Rehab & Nursing	Rockford	34	213	87.7%	1
Maple Crossing at Amboy	Amboy	35	97	50.5%	3
Heritage Manor Mendota	Mendota	36	85	80.5%	5
Northwoods Care Center	Belvidere	36	113	85.6%	4
Presence St. Anne Center	Rockford	38	179	73.6%	4
Alden Park-Strathmoor	Rockford	38	189	78.3%	3
Mendota Lutheran Home	Mendota	38	99	41.4%	5
The Villa at PA Peterson	Rockford	38	129	75.9%	2
Park Place of Belvidere	Belvidere	38	80^	66.2%	2
Rock Falls Rehab & Healthcare	Rock Falls	40	57^	58.5%	3
Sauk Valley Senior Living	Rock Falls	41	55	50.6%	3

TABLE SIX Facilities within 30 Minutes of the Proposed Facility					
Facilities	City	Time	Beds	Utilization	Medicare Star Rating
Presence Cor Mariae Center	Rockford	41	73	79.9%	3
Fair Haven Christian Ret. Ctr.	Rockford	41	96*	88.9%	5
Alpine Fireside Health	Rockford	41	66	61.4%	5
Maple Crest Care Center	Belvidere	42	86	94.9%	5
Amberwood Nursing & Rehab	Rockford	42	141	86%	5
Polo Rehab & Healthcare	Polo	42	81	59.6%	4
			3,202	74.89%	
Source: Information taken from 2016 LTC Profile Information reported by the facilities					
*Beds not certified for Medicaid					
^Beds not certified for Medicare					

There are thirty-two (32) facilities within the defined 45-minute service area with an average utilization of approximately seventy five (75%) percent. There are 565 licensed long term care beds in the Ogle County Long Term Planning Area. Of the thirty-two (32) existing facilities, five (5)(15.6%) are at or above the State Board's target occupancy of ninety percent (90%). These data suggest there is no absence of long term care services in the Ogle County Long Term Care Planning Area, or the 45-minute drive radius identified by Board Staff.

The applicants did identify accessibility issues at facilities within a 30-minute travel radius, which suggests access limitations due to payor status (Medicaid/Medicare). Board Staff reviewed the certification status of the thirty-two (32) facilities identified in Table Six, using data supplied in the 2016 Long Term Care Profile. It was discovered that three (3) of the thirty-two (32) facilities (9%) did not accept Medicare patients, and two (2) of the thirty-two (32)(6%), did not accept Medicaid patients. In accordance with these findings, it appears that there are underutilized facilities in the market area, and no significant restrictions on patient access. The attached market study from Laurel research Associates suggests a need for additional MI/Memory Care beds in the planning area, and Board Staff supports this claim. However, the under-utilized facilities, and the unencumbered access to LTC services suggests no issues with service accessibility, and a negative finding results.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 IAC 1125.570 (a)(1), (2), (3), (4) & (5))

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 in 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 two (32) facilities within 45 (forty-five) minutes of the proposed facility (see Table Six). Of thirty two facilities, five (5) facilities (15.6%) are at target occupancy.

b) There is one (1) bed for every ninety-six (95.8) residents in the Ogle County market 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 eighteen (18.2) persons, and the state ratio for this population is one (1) bed for every one hundred-thirty (129.7) senior citizens. These data suggests a maldistribution of service does not exist

c) However, given there are underutilized facilities in the 30 to 45 minute service area, and the apparent surplus of beds in this service area it would appear the proposed facility will have an impact on other facilities in the area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/ MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1125.580(a), (b) & (c))

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 needs for the proposed project will be provided that will meet licensure, certification, and accrediting agency standards. The applicants have supplied a staffing matrix (application, pg. 363), and attest that recruitment at other applicant-owned facilities in the area indicate a robust job market, and sufficient applicant interest to fill all staffing positions upon project completion. [See Application pages 360-364]

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 ninety-two (92) bed long term care facility, and are compliant 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 fourteen (14) letters of support from various individuals and entities in the community. The applicants note that the origins of these letters indicate the diverse background of interest in the project, and shows that the project is of importance to the community as a whole. [See Application, pages 366-380]

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 92-bed skilled facility in 65,593 gross square feet of clinical space (or 712.9 GSF per skilled nursing bed). The State Board Standard is 435-713 GSF per bed or 65,596 GSF.

I) Criterion 1125.630 –Zoning

The applicants provided a letter from Kip Countyman, Zoning Officer, City of Rochelle, attesting that the proposed site is a suitably zoned site for the proposed LTC facility. [See Application for Permit page 382-383]

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 384-385]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, BED CAPACITY, COMMUNITY RELATED FUNCTIONS, PROJECT SIZE, ZONING, ASSURANCES (77 IAC 1125.590, 600, 610, 620, 630, and 640)

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 in its entirety with cash and securities totaling \$17,646,768. The cash to fund the construction project and start-up deficit will originate from Frances House Inc. exclusively, and Audited Financial Statements for Frances House are included, (application, pgs 386-473), to prove financial viability.

A statement of financial position for Frances House, Inc. was provided as well, (application, p. 474), that verifies its ability to ensure the financial viability of the proposed project. The applicants appear to possess the financial viability to ensure the project's completion.

TABLE SEVEN		
Francis House Inc.		
Consolidated Balance Sheet		
2016, 2017		
	2016	2017
Cash	\$9,844,696	\$11,066,323
Current Assets	\$87,931,262	\$91,247,670
Current Liabilities	\$15,600,571	\$26,825,138
Total Revenue	\$110,213,282	\$106,308,531
Total Expenses	\$97,566,452	\$97,672,730
Increase (Decrease) in Net Assets	\$11,768,792	\$8,654,428

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 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 to achieve its operating objectives over the long term.

The applicants are funding the project in its entirety with cash and securities totaling \$17,646,768. The applicants provided audited financial statements for Frances House, Inc. (parent company) that ascertains the financial viability to ensure the project's completion. A positive finding results for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 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 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 its entirety with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts, and funded depreciation (internal sources) [Application, pgs. 477-478]

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

C) Criterion 1125.800 - Reasonableness of Project Costs

All costs identified in this criterion are classified as clinical (Reviewable).

Preplanning Costs – These costs total \$46,225 and are .42% of new construction, contingencies and movable equipment. These costs appear reasonable when compared to the State Board Standard of 1.8%.

Site Survey/Site Preparation – These costs total \$502,279, and are 4.9% of construction and contingency costs. This is in compliance when compared to the State standard of 5%.

Off-Site Work – These costs total \$24,578. The State Board does not have a standard for these costs.

New Construction and Contingencies – These costs total \$10,080,689 or \$222.99 GSF. (\$10,080,689/45,205=\$222.99). This appears reasonable when compared to the State Board Standard of \$235.90/GSF [2018 mid-point of construction].

Contingencies – These costs total \$894,590 and are 9.7% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$869,269 and are 8.62% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 5.76% - 8.66%.

Consulting and Other Fees – These costs are \$233,276. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$780,757 and are \$8,468 per bed. This appears reasonable when compared to the State Board Standard of \$8,723 (2018 mid-point).

Net Interest Expense During Construction – These costs total \$7,108. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 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 \$135.23. This appears reasonable when compared to previously approved projects.

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

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

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

The applicant estimated the direct costs per equivalent patient day as \$29.95. This appears reasonable when compared to previously approved projects.

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

Support and Opposition Comments

Dana Hughes stated in support:

As a long-time resident of Rochelle, I write to express my full support of the Liberty Village facility proposal. Rochelle is in dire need of a new skilled nursing facility that offers multiple services to local residents, especially memory care services. There are no local facilities that have the means to properly care for dementia and Alzheimer's patients. My father, a long-time resident of Rochelle, suffers from dementia. Unfortunately, my family had no viable options here in Rochelle and had no choice but to move our father into a facility that is out-of-town and further away from us. Most of the facilities in the DeKalb-Sycamore and Rockford areas that specialize in memory care had at least a 1-2 year waiting list. We ended up moving our father to a wonderful facility in LaSalle. Unfortunately, it's 45 minutes away from Rochelle. However, our priority was to find a facility that could best care for our father and his special needs as a dementia patient, and we needed to find one fast. If only we had had the option of Liberty Village in Rochelle! We would have loved having our father in town where we could visit him daily as opposed to weekends. I have no doubt our father would have loved that, too! Although it may be too late for my father, my hope is that Liberty Village is an option for other family members, friends, and myself down the road. Knowing that these special services would be available to us in our own community would bring great peace of mind to us and, I believe, to most local residents. I hope Rochelle takes advantage of this wonderful opportunity. I only wish someone had proposed this sooner!

My name is **Mic Brooks** and I am speaking in favor of the proposed nursing home facility. 4 years ago my parents needed to move from San Gabriel assisted living as my mother's Alzheimers progressed to a point in needing a higher level of care. Meanwhile my father who has Parkinson's strong desire was to reside where my mother did. We did not have a Rochelle choice at that time neither do we now. We needed a facility that offered specific memory care areas, staffing, and programs for her care along with a skilled nursing home wing for my father. We were forced to go out of town 30 minutes away in Mt Morris. Rochelle residents and their families deserve choice and more options for those who need long term care and updated facilities for the residents and their families. The burdens on our family to be forced to drive at least one hour for each visit is challenging. We have a great hospital in Rochelle and would prefer to have more services locally for the continuum of care necessary as we all age. My father's Parkinson's could possibly progress and memory care services may become necessary for him down the road. We would welcome the ability to move him to Rochelle when the proposed facility becomes a reality. I know of a number of families who now choose to care for their loved one with Alzheimer's in their home. My father tried to do this for years and it takes an enormous strain for the care giver. If we had a memory care unit in Rochelle, it might be easier for the family to choose this option earlier before caregivers health and welfare deteriorates to where they feel they have no choice. Thank you for the opportunity to speak before you today and please approve this application so Rochelle residents and their families have more choice in long term care and rehab services.

Connie Dougherty, Executive Director

Please consider this a letter of support for Liberty Village to construct a 92 bed nursing facility. The senior citizens of the city of Rochelle have a great need for this facility and the services it will offer including Rehabilitation, Skilled Nursing, as well as an Alzheimer's/Dementia unit. As director of the **Hub City Senior Center** for the past 16 years, it's my observation that the needs of Rochelle's older adults are not currently being met within our city. Many of the senior citizens that I have had the privilege to serve have had to travel outside of Rochelle in order to obtain the level of care that they require. It is heartbreaking for them to have to leave the community that they know and love in order to do so. It is oftentimes also very difficult for family members and friends to travel outside

Support and Opposition Comments

our community to visit their loved ones. I can speak firsthand to this hardship, not only because of the people we serve at the senior center, but also because my mother required rehabilitation after back surgery and had no choice but to travel outside of Rochelle to obtain the type of therapy she required. I am hopefully optimistic that the Illinois Health Facilities Review Board will give their stamp of approval to make Liberty Village a viable option to Rochelle's senior citizens and their families.

John Kniery, President Residential Alternatives of Illinois

When this company looks at a project it assesses the entire market for each level of service within the LTC continuum. In Rochelle the market contained 2 parts of the continuum of care. The first was a new modern Assisted Living facility. It was attractive enough that the proposed project is to be located adjacent to it as to compliment services creating an informal campus situation. Let me come back to this campus issue. The second component within the LTC spectrum of services found in Rochelle are two aging Nursing Homes.

- Rochelle Gardens 74beds
- Rochelle Rehab 50beds
NO VENT CARE
- 2016 Profile: 64 residents/ 59 MI
- 2016 Profile: 36residents/ 4 MI

These two homes are the only Nursing Homes within 16 miles/ 20 minutes of the proposed site. These two homes have 18,813 GFS and 19,800 GFS respectively, equating to an average size of 271.5 GFS/bed. This is total that is inclusive of kitchen, laundry, living, dining, bedrooms & bathrooms. Our current State Norm range provides for between 435 and 713GSF/bed. These smaller facilities are more indicative of higher number of double rooms and even 3 and 4 bed ward rooms that are just not marketable today. I would like to make one correction while on this issue. The Neighbors facility 22.6 miles and approximately 28 minutes away from the proposed project was erroneously listed with their original gross square footage. This facility also went through a CON at a time when there was not a need fully documenting the need for 30 additional private beds. That increase improves their gross square feet per bed by about 100 gross square feet or just over the lower range as set forth by the State. This is all that there is within a 20 minute drive time. Residents of Rochelle deserve a more modern facility. A facility with amenities that residents not only expect but deserve. Amenities such as more private rooms, all private full bathrooms in each resident room, multiple small dining venues, state-of-the-art PT/OT department. With this proposed project, families do not have to leave the communities to visit their loved ones. To us, that is not a choice. State wide, small, rural communities are dying. These communities are dying because they cannot keep their young people in the community, leaving parents and grandparents to care for themselves as they age. The proposed development not only addresses the community's elderly remaining independent for as long as possible but it offers young people a modern environment to work. It is not just our youth who are more and better educated, our elderly today are more educated than their parents. Today's consumers of LTC are looking for quality, not just quantity. As described this project is unique in many ways. Typically, need is derived from an entire service area. While the market study shows that the entire market more than supports the need for additional nursing beds, what is most important from the market study is the difference in the need between 10 and 20 miles. With 10 miles the projected need, including existing inventory, is for an additional 70 beds. This assumes all beds, existing and new, are equal. This is important and unique as it shows specifically that there is a demand for additional services in Rochelle when the proposed project is expected to be complete. The project is also only proposing 70 general Long-Term Care nursing beds with the balance being for memory care/ Alzheimer's beds & services.

Support and Opposition Comments

I am writing to express **Petersen Health Care's opposition** to Frances House, Inc., and Residential Alternatives of Illinois, Inc's application to establish a new 92-bed skilled long-term care facility to be located on Flagg Road and west of 20th Street, in Rochelle, Illinois. Ogle County HSA1. Petersen Health Care owns and operates Rochelle Rehab & Health Care Center and Rochelle Gardens Care Center, both located within 1 mile of the proposed project. Petersen Health Care also owns several other nursing homes located within the immediate HSA1 planning area. Petersen Health Care and other area providers believe the CON application does not comply with the historic basis of this program and it is inappropriate for the Board to review this project. "The CON is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities". Clearly, based on the law; The Health Facilities Planning Act (Act) (20ILCS3960), there is no "need" for this project. This project is not "innovative"; there is no unmet "need" in HSA1, Ogle County, or Rochelle; they are not proposing an innovative service; this is clearly an unnecessary duplication of services; and there is not sufficient staff available to support the project. Those are the facts. The clear objective of this project is to cannibalize existing long term care providers in the planning area... EXACTLY THE THING THIS ACT IS DESIGNED TO PREVENT! Make no mistake, if this project is approved our 2 facilities will cease to exist in Rochelle.

Momentum Healthcare and its facilities oppose the construction of the 92 skilled bed facility in Rochelle, IL proposed to be called Manor Court of Rochelle. We believe that the construction of this facility will cannibalize the nursing homes in Ogle County and its surrounding areas and will have a major negative impact on the current nursing home landscape and would negatively affect our businesses and our residents. Here are a few highlights of why we believe this facility should not be constructed:

According to the Inventory of Health Care Facilities and Services and Need Determinations, there *already* is an excess of 17 beds in Ogle County and 72 excess beds in Lee County. Without going into the entire calculation of how those numbers are calculated, suffice it say, we believe the "excess" number of beds to actually be much higher. The excess number of beds is based on projected population growth estimates, with a correlation to a higher number of "Planned Patient Days". In fact, the population of Ogle and Lee has DECREASED 4% and 5% respectively between 2010 and 2016. Between 2013 and 2016, Ogle County saw an 8% DECREASE in census among its skilled nursing homes, and Lee County saw a 9% DECREASE.

The notion that adding another nursing home would "create" jobs is preposterous. All it would do is redistribute the already shortage of nurses and CNAs that we currently all are fighting for. Lastly, the nursing homes in Ogle County (and the other counties for that matter) all pay Real Estate taxes. The two Petersen homes in Rochelle alone between 2011 and 2015 paid close to \$314,000 in taxes. Manor Court of Rochelle would be a non-profit and would be exempt from Real Estate taxes.

Oregon Living and Rehabilitation Center opposes the construction of the proposed new facility on the grounds that it would not only add additional unneeded beds, but would impose unwarranted financial harm to the existing healthcare facilities in the county. Data provided by both the United States Census Bureau and the Illinois Department of Health simply do not support the need for adding additional skilled nursing beds in Ogle County. Between the years of 2010 to 2015, Ogle County has experienced a population decline of 2.5% (Towncharts Think Tank, 2017); between the years of 2010 to 2016, that population decline actually grew to 4.2% (United States Census Bureau, 2017). Only 18.0% of the total population of 51,273 for Ogle County is 65 years of age or older (United States Census Bureau, 2017); for 2016 to 2017, only 7495 households had at least one family member over the age of 60 (Suburban Stats, 2017). Based on the Illinois Department of Health report titled "Inventory of Health Care Facilities and Services and Need Determinations" dated 13 August 2015, there were 6074 existing skilled nursing beds for Ogle County at the time, with a projected need of 5523 for 2018, resulting in an over-bedding of

Support and Opposition Comments

680 licensed beds (Illinois Department of Health, 2015). There are almost as many licensed skilled beds as there are households with family members over the age of 60. In fact, based on the Illinois Department of Health's own statistics, Ogle County is currently overbedded by 17 beds; the construction of this new facility would result in an excess of almost 110 beds for the county. Given the current census challenges being experienced by all the facilities in Ogle County, not to mention the ongoing challenge of finding qualified professionals to staff those facilities, the approval to allow the creation of 124 long-term care beds for the county would have an unwanted and unnecessary negative effect on all the existing long-term care providers. Oregon Living and Rehabilitation Center respectfully requests that approval to move forward with constructing Manor Court of Rochelle be denied at this time.

As the **Administrator of Pine Acres Rehab and Living Center** in DeKalb, IL, I would like to state our facilities opposition to Project# 17-035-Manor Court of Rochelle. This application proposes to establish a 92-bed long term care facility in Rochelle, IL. Although Pine Acres is not in the city of Rochelle, we are in part of the Planning Area that the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health uses to determine if there is a need for additional general nursing care beds in a given county. The proposal for Project# 17-035-Manor Court of Rochelle is in our Health Service Area. According to Inventory of Health Care Facilities and Services and Need Determinations Report of September 1, 2017, there is a net bed excess in Health Service Area 1 of 543 General Nursing Care Beds. Specifically in Ogle County, the report shows a bed excess of 16. These are projections of bed need through 2020. There are already 6 skilled nursing facilities in Ogle County- 2 are in Rochelle 1 is in Oregon, 1 is in Mt. Morris, 1 in Polo and 1 in Bryon. They have a total of 565 beds. Adding another 92 beds to this service area would constitute a 16% increase to the total bed count. If there already is an excess of general nursing care beds in Ogle County as determined by the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health why is there a need to add 16% more? Rochelle Illinois is a town with an estimated population of 9227 as of July 1, 2016 according to the United States Census Bureau. Ogle County has an estimated population of 51, 273 as of July 1, 2016. Actual census reports from 2010 show a population of 9574 for Rochelle, IL and a population of 53,497 for Ogle County. There is an estimated decrease in population for Rochelle, IL of .04% between 2010 and 2016 based on this US Census Bureau and a population decrease for Ogle County of .04%. It is evident that neither Ogle County nor the city of Rochelle, IL is experiencing any population growth that would indicate need for this proposed facility. Although I realize that the population is aging, the question is how are operators expected to recruit staff without population growth? Every skilled nursing facility in Ogle County currently has on-line ads for RN, LPN or CNA positions. Most have multiple ads for openings in various departments and positions. There are multiple ads for sign-on bonuses which are normally used to attract workers in a tight employment climate. Currently our facility has openings for 3 professional nurses and 14 certified nursing assistants. We also have openings in the housekeeping and dietary departments. It takes a great deal of manpower to staff skilled nursing facilities 24 hours a day, 365 days a year. It is hard to find qualified workers now with current level of competition.

17-035 Manor Court of Rochelle - Rochelle

