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February 5, 2018

VIA HAND DELIVERY

Ms. Kathryn Olson
Chairwoman
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62716

Re: Project # 17-044 Smith Crossing

Dear Chair Olson:

I am writing to you regarding the above-referenced project, which is currently on the February 27, 2018 agenda for consideration by the Health Facilities and Services Review Board (HFSRB). I would like to address several allegations recently made in opposition of this project. This project proposes to modernize the skilled nursing portion of an existing continuing care retirement community (CCRC) campus and address the increasingly large need for skilled nursing beds in densely populated northern portion of HSA 9[1] by adding 46 all-private skilled nursing care beds to the facility. The project was reviewed by Board Staff and **meets an overwhelming number** of the HFSRB criterion for this type of project.

Smith Senior Living has been around since 1924 and is no stranger to this community. Smith Senior Living established Smith Crossing in 2003 and has been providing long-term care services at its current location since then. This proposal is a testament to their continued focus on

[1] *See* enclosed map showing population density in Will County

patient care and meeting the needs of the surrounding community for the next 100 years. The Smith Crossing community is a CMS rated 5 Star facility that currently consists of 46 skilled nursing beds, 62 assisted living units, and 173 independent living units. As a CCRC, Smith Crossing is already at the forefront of shift in the way skilled nursing is being provided throughout the country. Senior Housing News, the premier source for news and information on the senior housing, recently released a report focused on the future of skilled nursing design.[2] The report concludes that now, more than ever, there is a greater emphasis on skilled nursing within CCRCs and their ability to integrate services for residents in their community. This allows them to seamlessly transition through the continuum of care.

What makes this project so unique and worthy of approval is that Smith Crossing is not asking the HFSRB to take a leap of faith in approving this project. Smith Crossing's utilization in 2016 was already at 91.3% which is well over the state's utilization rate for long-term care facilities. Smith Crossing has a growing waiting list of individuals who have already paid deposits for the opportunity to join the Smith Crossing community, and Smith Crossing has already demonstrated, through their long standing service to patients and the existence of a waiting list, that they are incredibly good at what they do. There is no risk in allowing the expansion of an a well-established, committed, quality provider that is quite literally in desperate need of further capacity to continue meeting the needs of the community.

Smith Crossing's reputation for providing quality patient care is what is driving the growth of their waiting list and has forced them to turn away 2,494 patient referrals from neighboring providers in the last 18 months.[3] In addition to the quality of care provided at Smith Crossing, it

[2] *See* CCRCs Gain Luster as Standalone SNFs Fade
[3] *See* Project application pg. 62

is important to note that like this Board Smith Crossing is committed to increasing access to those individuals on Medicare and Medicaid. If approved this proposal calls for all 46 proposed skilled nursing beds and 100% of those beds will be available to government beneficiaries on Medicare. The Smith Crossing facility will have a total of 46 skilled nursing beds that are dual-certified for both Medicare and Medicaid patients, which already make up 48% of Smith Crossing's current patient population.[4]

This project meets a substantial number of the criteria that the HFSRB uses to assess these types of projects, and we are confident that we can provide the HFSRB with information during our hearing to address those few criteria where the proposed project was not conformance. The remainder of this letter will address criteria that, according to Board Staff, **meets or exceeds** what is required for projects of this type.

Ill. Admin. Code Section 1125.320- Purpose of Project

Board Staff has found that this project is in conformance with this section for several reasons. First, this facility is located in HSA 9, where according to the Board's inventory there is an existing need for 274 skilled nursing beds. In defining our market area, the HFSRB can either look at our historical patient data or use its own administrative rules regarding a 30-minute travel time from the facility and the result is always the same. There is a need for skilled nursing beds in HSA 9 where this facility is located and Smith Crossing's services are in such demand that patients are traveling up to 30 minutes to receive care there.

The HFSRB administrative rules require applicants to provide data on projected referrals within a 30-minute driving time of the proposed project. The HFSRB asks for this information in

[4] 2016 HFSRB Smith Crossing Profile

an effort to assess where future patient referrals may come from and where existing facilities are located within that area. Smith Crossing has provided that information in accordance with HFSRB administrative rules and Board Staff has determined the applicant to be in conformance with the criterion.

Ill. Admin. Code Section 1125.530

Smith Crossing's project also met the requirements of this section because as previously mentioned, its proposal to add 46 skilled nursing beds is consistent with the calculated need for 274 beds that exist in HSA 9's Will County Planning Area, where the facility is located. Smith Crossing is located on the border of Cook and Will Counties and we agree that this Board should take a holistic approach to reviewing what this application proposes for the community.

Smith Crossing underwent an exhaustive planning process and determined that a proposal to add 46 beds skilled nursing beds made sense for a number of reasons. The addition of 46 skilled nursing beds would be financially viable for the community, it would meet the demand for beds that already exists, and it would primarily address the existing need for northern Will County. If approved this project would still allow other providers to submit projects to address the remaining need of 228 beds or 89% of the total existing need in the planning area.

Smith Crossing is already forced to turn patients away from Will County and it is reasonable that, given the need in HSA 9, that 50% of the admissions will come from Will County and 50% of the admissions will come from Cook County. The largest referring hospital for Smith Crossing is Silver Cross which is located well within HSA 9. With referrals continuing to pour in from that facility, there is no doubt that the primary purpose of this project is to fill the need of Will County.

Ill. Admin. Code Section 1125.640

Smith Crossing met this criterion by attesting in their application that they understand they are expected to achieve and maintain the occupancy level specified in Ill. Admin. Section 1125.210 (c) by the second year of operation after project completion. There is no qualification in the statement provided by the applicant. The applicant does state what every member of this Board already knows, and that is that any number of unexpected issues could affect our occupancy rate. With that said, Smith Crossing unequivocally understands what is expected of them, and has every confidence that they will continue to maintain occupancy levels to meet state standards.

Ill. Admin. Code Section 1125.540

Smith Crossing originally submitted 18-months of historical referral data to the Board because at the time of its application, that is what was available. Board Staff found Smith Crossing in conformance with the criterion and we have enclosed with this letter the full 24-months of historical referral data, which gives further weight to the case for approval of this project.

Conclusion

Much has been made about over bedding in the HSA 7-E, despite the facility having always been in HSA 9. The division of the state into individual HSAs provides the HFSRB with a valuable framework to evaluate need in the state. However, we firmly believe, and so do those opposing this project, that the HFSRB should make a comprehensive assessment of an application and the planning area. In an effort to provide the HFSRB with a full snapshot of long-term care services in the area we would ask them to consider the work of their own Long-Term Care Advisory Sub-Committee ("LTC Subcommittee"). During the January 24, 2017 HFSRB meeting, the LTC Subcommittee gave testimony regarding their continued study of a buy/sell program for long-term

care skilled nursing beds. The LTC Subcommittee undertook this task because of a legislative mandate to address the well-known fact that some HSAs in Illinois are over-bedded with long-term care skilled nursing beds. Therefore, when this Board is presented with a figure that there is an excess of over two thousand beds in the neighboring HSA, we would ask that the HFSRB consider what is causing this excess of beds. There are a myriad of issues that could affect facility utilization including, a facility's age, size, neighborhood, star ratings or the excess could be due to existing providers hoarding "ghost beds."[5]

What is clear from the Board's inventory and the actual and documented experience of Smith Crossing, is that there is a need for beds in HSA 9 and more specifically in Will County where this facility is located. This project builds on a strong foundation of success and service to the residents of the Smith Crossing community and those living in HSA 9. This project meets all criterion dealing with need, and this modernization proposal strategically seeks to add 46 beds so that no maldistribution will result from approval of this project. Most importantly, approval of this project will increase access for those who need it most and cannot normally afford this level of care. We look forward to your consideration of this project and are confident that our application and track record will lead to you supporting increased access for those patients in need of skilled care in Will County.

[5] A ghost bed is term used in the long-term care industry to describe a bed that is part of a facility's existing bed inventory but that is not currently in service. Patient preference for private rooms has lead providers to reduce the number of beds in service in their facility, but the facilities are not properly discontinuing the beds and notifying the HFSRB leading to a statistical excess where a need may actually exist.

Very truly yours,

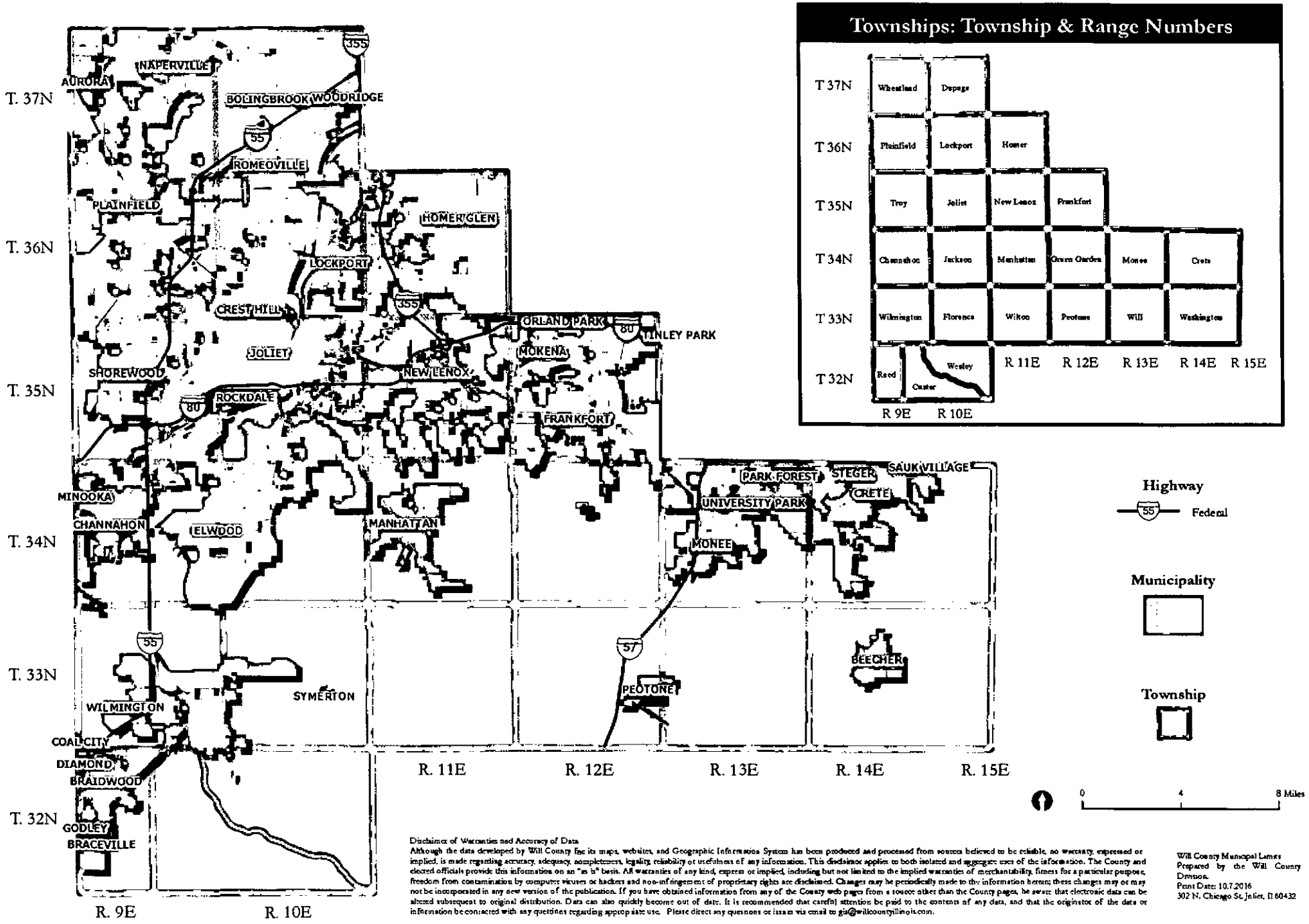
BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

Juan Morado, Jr.

JM:

Will County, Illinois ~ 2017

Municipal Limits



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Will County Municipal Limits
Prepared by the Will County GIS Division.
Print Date: 10.7.2016
302 N. Chicago St. Joliet, Il 60432

CCRCs Gain Luster as Standalone SNFs Fade

January 26, 2018 by Jack Silverstein

Skilled nursing isn't dying, but the standalone skilled nursing facility — or SNF — just might be. And that could be good news for the future of continuing care retirement communities (CCRCs) and similar full-continuum offerings.

While skilled nursing is perhaps more needed than ever, the service offering is evolving toward greater integration along the care continuum due to increased resident frailty and longer resident lifespans, according to experts who spoke with Senior Housing News. The changes are felt in two key ways.

* Increased need for hospital-grade health care resources and services on site, as well as more cohesive partnerships with hospitals

* Increased need for continuing care retirement communities (CCRC), which create a seamless transitional experience as residents move through the care continuum

The statistics suggest such a shift could be underway. About a quarter of skilled nursing beds could disappear by 2022, according to some projections; meanwhile, the CCRC sector is thriving. And though some CCRCs are cutting down on skilled nursing beds, others are taking advantage of the current boom time to update their skilled nursing wings.

Beyond a CCRC, though, is the use of care-continuum campuses. There, residents don't just move through stages of care but benefit in each stage from the resources offered by the others. This is where skilled nursing residents might find maximum care value in the coming years, and where providers could find the best business opportunities.

The rehab route

A patient's road to a SNF often begins with a short rehab stint covered by Medicare following surgery — typically a joint replacement, like a hip or a knee. And a campus approach to rehab helps both patient and provider.

"Rehab is a wonderful way for an owner and operator of a community to ... introduce that resident to life on their campus," said David Dillard, principal of D2 Architecture in Dallas. "There is a hospitality attitude about it. Our clients have very smartly put a lot of money and elegance not only in the physical therapy room ... but the thought is that if [seniors] really like where they stay because the food is so good and the lounge was so nice and the fireplace was so warm and the place was so pretty and the people were so nice, they'll come back there five or 10 years later to live."

D2's most recent standalone SNFs are Carriage House Manor in Sulphur Springs, Texas, and Orchard View in Columbus, Georgia. But D2 is also working on an expansion of the 20-acre C.C. Young Senior Living in Dallas, building a 221-resident, 10-level integrated transitional living center called The Vista, featuring skilled nursing, memory care, assisted living, rehab, and other services.

The key design elements with that construction — which will cost $84 million and open in 2018 — are two-fold. The first is that the rehab and skilled care areas have virtually identical floor plans. Over the years as trends in care and patient needs change, Dillard said, the owner can add or subtract either skilled care or rehab with minimal changes to actual construction.

"That's a big trend: the interchangeability of residents by frailty without changing the architecture, because changing architecture is terribly expensive," Dillard said. "So we are creating stage sets for different players to step onto as the years go by, without spending a great deal of money changing the architecture itself."

The other trend is a neighborhood-driven floor plan: an L shape with 16 units on each side of the L, leading to a household-like feel on either side. These two trends — similar floor plans and the neighborhood feeling — are blended with what Dillard calls the vertical "stack" layout, where a single floor layout is copied from the first floor to the top.

"Going vertical is a major trend, and that more often happens in an urban environment," Dillard said.

In San Francisco, Chief Information Officer Michael Staff believes the Jewish Senior Living Group (JSLG) is getting closer to maximum consumer satisfaction through use of the campus model. JSLG's San Francisco Campus for Jewish Living (SFCJL) offers 120 post-acute beds, 250 long-term care beds, and 12 acute geriatric psychiatric hospital beds. Occupancy for SFCJL "hovers around 95%," Skaff said.

That figure puts JSLG well above the national average. SNF occupancy in the 3rd quarter of 2017 was 81.6%, according to the National Investment Center for Seniors Housing & Care (NIC). The Kaiser Family Foundation puts the 2015 national average of SNF occupancy at 82%, while professional services firm CliftonLarsonAllen LLP's 2016 data shows the national median of SNF occupancy at 85%.

Now, JSLG is expanding the service offerings on its nine-acre campus by adding 190 units of assisted living and memory care, and also building a services facility called Byer Square. Slated to open in 2019, Byer Square which will offer primary care, fitness, and nutrition services for both older adults and community members.

Future design trend: the end of standalone SNFs

"To me, part of the model of the future is trying to co-locate to the greatest degree possible these services so that they are more easily accessible, and so that there is more

of a smooth transition through levels of care," Skaff said. "You'll see more and more health care campuses, not just standalone SNFs."

Though JSLG is not renovating its SNF, Skaff and his colleagues view the construction of the Square and the assisted living units as an addition to the SNF offering, as they represent complementary services that improve the SNF and make the campus more appealing. If Skaff was building a SNF from scratch today, this is the model he would use.

Matt Smith, principal at Eagle, Idaho-based Cascadia Healthcare, sees a move in the next three to five years away from standalones in favor of continuing care retirement communities, or CCRCs, with shared facilities and staff.

"We think the baby boomers are going to expect a newer type of building," Smith said. "A lot of people believe these campuses are the new trend, where you have your spectrum of life on one campus — independent living all the way to skilled and hospice. You can buy a share in them and you move from one all the way through. The nurses then share and the doctors can share. That's definitely a trend."

This article is excerpted from the new Senior Housing News report, "Inside The Future of Skilled Nursing Design."

Click here to access the complete report, which takes a deep dive into SNF design, and reveals how industry leaders are using design to improve care, increase resident and staff satisfaction and build their brand awareness — all while remaining on budget.

Written by Jack Silverstein

10 88

You Should Also Read:

- Will ACOs Help Assisted Living Overthrow the CCRC Model?
- Growing Senior Living Operator Sees Benefits in Skilled Care
- How 'Life Care' Pricing Jeopardizes CCRCs

Jack Silverstein

Associate Editor of Branded Content at **Aging Media Network**
When not covering senior news, Jack Silverstein is a sports historian and staff writer for SB Nation's Windy City Gridiron, making regular guest spots on WGN and 670-AM, The Score. His work has appeared in Chicago Tribune, RedEye Chicago, ChicagoNow, Chicago Daily Law Bulletin, Chicago Magazine, and others.

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SECTION II – PURPOSE OF THE PROJECT, AND ALTERNATIVES-INFORMATION REQUIREMENTS Continued i

Criterion 1125.320 – Purpose of the Project

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

There is an existing need for 42 additional nursing care beds in the Will County Planning Area, Health Service Area (HSA) 9. As the Applicant currently provides services to residents, the proposed project will allow for the expansion of those existing services. Addressing the outstanding need for beds and services under the continuum of an existing health care provider with an existing track record and community footprint provides more certainty that the project will provide health services that improve the healthcare or well-being of the market area population.

1. Define the planning area or market area, or other, per the applicant's definition.

The market area per the applicant's definition is its existing catchment area. The patient origin of the most recent 18-months admissions to the nursing unit (ending June 30, 2017) illustrate that a 30-minute travel time area is the most inclusive with 94.5 percent of the admissions coming from within the 30-minute travel time contour.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.

Smith Crossing, an existing continuing care retirement community, had 346 admissions to the nursing unit in the 18-months ending June 30, 2017. The issue is that during that same time it had to turn away 2,494 referrals out of 2,878 total referrals. Please note that the difference between admissions and referrals is the number of readmits. Only 13 percent (13.3%) of all admissions are able to be accepted due to beds not being available. Moreover, due to internal needs, the facility on average keeps three beds on hold to accommodate existing campus residents. It should be known that this is only on an as needed basis, but over the past 18-months

ATTACHMENT-10

SMITH CROSSING
10501 EMILIE LANE
ORLAND PARK, IL. 60467

Reference Numbers

Facility ID	6016059	
Health Service Area	009	
Planning Service Area	197	Will
County	197	Will County

Administrator
Frank Guajardo

Contact Person and Telephone
Frank Guajardo
7083262326

Registered Agent Information
CT Corporetion System
208 South LaSalle Street, Ste. 814

Date Questionnaire Completed 3/27/2017

Continuing Care Retirement Community
Life Care Facility

ADMISSION RESTRICTIONS

Aggressive/Anti-Social	1
Chronic Alcoholism	1
Developmentally Disabled	1
Drug Addiction	1
Medicaid Recipient	0
Medicare Recipient	0
Mental Illness	0
Non-Ambulatory	0
Non-Mobile	0
Public Aid Recipient	0
Under 65 Years Old	0
Unable to Self-Medicate	0
Ventilator Dependent	1
Infectious Disease w/ Isolation	0
Other Restrictions	0
No Restrictions	0

Note: Reported restictions denoted by 'I'

ADMISSIONS AND DISCHARGES - 2016

Residents on 1/1/2016	40
Total Admissions 2016	300
Total Discharges 2016	302
Residents on 12/31/2016	38

RESIDENTS BY PRIMARY DIAGNOSIS

DIAGNOSIS	
Neoplasms	0
Endocrine/Metabolic	2
Blood Disorders	1
*Nervous System Non Alzheimer	2
Alzheimer Disease	2
Mental Illness	7
Developmental Disability	0
Circulatory System	10
Respiratory System	3
Digestive System	2
Genitourinary System Disorders	3
Skin Disorders	0
Musculo-skeletel Disorders	3
Injuries and Poisonings	3
Other Medical Conditions	0
Non-Medical Conditions	0
TOTALS	38

Total Residents Diagnosed as Mentally Ill 7

Total Residents Reported as Identified Offenders 0

LICENSED BEDS, BEDS IN USE, MEDICARE/MEDICAID CERTIFIED BEDS

LEVEL OF CARE	LICENSED BEDS	PEAK BEDS SET-UP	PEAK BEDS USED	BEDS SET-UP	BEDS IN USE	AVAILABLE BEDS	MEDICARE CERTIFIED BEDS	MEDICAID CERTIFIED BEDS
Nursing Care	46	46	46	46	38	8	46	30
Skilled Under 22	0	0	0	0	0	0		0
Intermediate DD	0	0	0	0	0	0		0
Sheltered Care	0	0	0	0	0	0		
TOTAL BEDS	46	46	46	46	38	8	46	30

FACILITY UTILIZATION - 2016

PATIENT DAYS AND OCCUPANCY RATES BY LEVEL OF CARE PROVIDED AND PATIENT PAYMENT SOURCE

	Medicare		Medicaid		Other Public	Private Insurance	Private Pay	Charity Care	TOTAL	Licensed Beds	Peak Beds Set Up
LEVEL OF CARE	Pat. days	Occ. Pct.	Pat. days	Occ. Pct.	Pat. days	Pat. days	Pat. days	Pat. days	Pat. days	Occ. Pct.	Occ. Pct.
Nursing Cere	4845	28.8%	1530	13.9%	0	496	8492	0	15365	91.3%	91.3%
Skilled Under 22			0	0.0%	0	0	0	0	0	0.0%	0.0%
Intermediate DD			0	0.0%	0	0	0	0	0	0.0%	0.0%
Sheltered Care					0	0	0	0	0	0.0%	0.0%
TOTALS	4845	28.8%	1530	13.9%	0	498	8492	0	15365	91.3%	91.3%

RESIDENTS BY AGE GROUP, SEX AND LEVEL OF CARE - DECEMBER 31, 2016

	NURSING CARE		SKL UNDER 22		INTERMED. DD		SHELTERED		TOTAL		GRAND
AGE GROUPS	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	TOTAL
Under 18	0	0	0	0	0	0	0	0	0	0	0
18 to 44	0	0	0	0	0	0	0	0	0	0	0
45 to 59	0	0	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0	0
65 to 74	0	0	0	0	0	0	0	0	0	0	0
75 to 84	1	5	0	0	0	0	0	0	1	5	6
85+	7	25	0	0	0	0	0	0	7	25	32
TOTALS	8	30	0	0	0	0	0	0	8	30	38

SMITH CROSSING
10501 EMILIE LANE
ORLAND PARK, IL. 60467

Classification Numbers

Facility ID	6016059	
Health Service Area	009	
Planning Service Area	197	Will
County	197	Will County

RESIDENTS BY PAYMENT SOURCE AND LEVEL OF CARE

LEVEL OF CARE	Medicere	Medicaid	Other Public	Insurance	Private Pay	Charity Care	TOTALS
Nursing Care	9	4	0	0	25	0	36
Skilled Under 22	0	0	0	0	0	0	0
Intermediate D		0	0	0	0	0	0
Sheltered Care			0	0	0	0	0
TOTALS	9	4	0	0	25	0	36

AVERAGE DAILY PAYMENT RATES

LEVEL OF CARE	SINGLE	DOUBLE
Nursing Care	366	289
Skilled Under 22	0	0
Intermediate DD	0	0
Sheltered Care	0	0

RESIDENTS BY RACIAL/ETHNICITY GROUPING

RACE	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Asian	0	0	0	0	0
Americen Indian	0	0	0	0	0
Black	0	0	0	0	0
Hawaiian/Pacific Isl.	0	0	0	0	0
White	38	0	0	0	38
Race Unknown	0	0	0	0	0
Total	38	0	0	0	38

ETHNICITY	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Hispanic	0	0	0	0	0
Non-Hispanic	38	0	0	0	38
Ethnicity Unknown	0	0	0	0	0
Total	38	0	0	0	38

FACILITY STAFFING

Employment Category	Full-Time Equivalent
Administrators	1.00
Physicians	0.00
Director of Nursing	1.00
Registered Nurses	10.50
LPN's	2.00
Certified Aides	20.00
Other Health Staff	0.00
Non-Health Staff	92.00
Totals	126.50

NET REVENUE BY PAYOR SOURCE (Fiscal Year Data)

Medicare	Mediceid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense*	Charity Care Expense as % of Total Net Revenua
37.6%	10.4%	0.0%	0.7%	51.2%	100.0%		
2,065,538	569,652	0	40,832	2,811,799	5,487,821	170,000	3.1%

*Charity Care Expense does not include expenses which may be considered a community benefit.