

Constantino, Mike

From: John Kniery [JKniery@foleyandassociates.com]
Sent: Friday, December 22, 2017 4:16 PM
To: Constantino, Mike; Roate, George
Cc: Martina Sze; James Cha; Mark J. Silberman
Subject: [External] State Board Staff Report Lake Behavioral Hospital
Attachments: image002.png; ATT00001..htm; USHV Ratios.pdf; ATT00002..htm

Thanks for the feed back Mike!

1-4. See the applicants response to the ratios below.

5. Agree that we are expanding a hospital but at the same time we have changed ownership, totally renovating existing hospital (essentially an on-site replacement) and expanding services all to a deteriorating hospital. The issue that we have is that the existing hospital is not representative of the need. With all the other ALOS's proving ability to fill the facility without questioning the acceptable admissions, will you still have a negative finding?

6. We do not question your position here and will address at the Meeting.

7 -8. Thank you for making the change on the assurances.

9. There was one other typo, the performance requirements in which an AMI beds within an MSA must be at least 20-beds in size. There was a negative finding on that item.

John P. Kniery

Health Care Consultant
Foley & Associates, Inc.
[133 So. Fourth Street, Suite 200](#)
[Springfield, Illinois 62701](#)
[217.544.1551](#) - Office
[217.544.3615](#) - Facsimile
jkniery@foleyandassociates.com

This electronic mail message contains CONFIDENTIAL information which is (a) CLIENT PRIVILEGED COMMUNICATION, WORK PRODUCT, PROPRIETARY IN NATURE, OR OTHERWISE PROTECTED FROM DISCLOSURE, and (b) intended only for the use of the Addressee(s) named herein. If you are not an Addressee, or the person responsible for delivering this to an Addressee, you are hereby notified that reading, copying, or distributing this message is prohibited. If you have received this electronic mail message in error, please reply to the sender and take the steps necessary to delete the message completely from your computer system.

John P Kniery

Please excuse typos sent from my phone

John P Kniery

Please excuse typos sent from my phone

Begin forwarded message:

From: James Cha <jcha@ushealthvest.com>
Date: December 21, 2017 at 5:18:16 PM CST
To: John Kniery <JKniery@foleyandassociates.com>
Cc: Martina Sze <msze@ushealthvest.com>, "Mark J. Silberman (msilberman@beneschlaw.com)" <msilberman@beneschlaw.com>, Juan Morado Jr. <jmorado@beneschlaw.com>

John, as requested, we have attached the financial ratios for the three historical audited years and the target year.

As discussed in prior HFSRB meetings, at our hearings on the Northbrook and Silver Oaks CON projects, US HealthVest, LLC is not compliant with the state financial ratios in historical years, primarily due to a

lack of profitability. As a relatively young privately-held company investing heavily in the development of facilities across the country, and in particular in Illinois, we do not yet have a record of profitability. Nonetheless, we enjoy strong financial support from our investors and lenders, who continue to provide funds as needed for additional development opportunities.

In the target year, 2021, US HealthVest, LLC will be fully compliant with all of the state standards for financial ratios.

In addition, we would note the following in the Staff Report:

Page 3 Criterion 1120.130 – Financial Viability

We have now submitted all ratios. It is our understanding that subsidiaries are not required to meet the projected net margin ratio for 2018-2020. The first fiscal year at target utilization is 2021, and the subsidiaries and consolidated ratios for all applicants are compliant with the ratios.

Page 19 Criterion 1110.730(g) and (h)

We believe that the conclusions were accidentally written in error narrative and that the proposed project is in conformance with each criterion.

Page 21-22 Criterion 1120.130

As above, we have now provided the ratios for US HealthVest, LLC. As above, we do not believe that the net margin ratios for the years 2018 through 2020 are the measurement years for financial viability. We would also like to advise of certain corrections that we believe to be valid. On Page 22, the V Covington Realty, LLC income statement is incorrect. As rent is paid by V Covington, LLC to V Covington Realty, LLC, rental income was shown as a “negative” expense in the rent expense line item, so that it is eliminated upon consolidation with the V Covington, LLC income statement. Such a presentation may have been confusing. Utilizing a more conventional format, the summary income statement for V Covington Realty, LLC is as follows and complies with the net margin ratio (and all other ratios) in the target year (2021):