

FOLEY & ASSOCIATES, INC.

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HAND DELIVERED

October 10, 2018

RECEIVED

Ms. Courtney Avery, Administrator
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

OCT 10 2018

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

**Re: Transformative Health of McHenry, Project
No. 18-016**

Dear Courtney,

We represent the applicants, McHenry Senior Partners, LLC, TCO, JV, LLC, and Leo Brown Group in connection with Project #18-016, Transformative Care of McHenry. Enclosed with this letter please find supplemental information for our project file. This information does not contain information pertinent to the Board review criteria but instead provides a visual representation of the proposed project and surrounding facilities.

In addition to the enclosed materials and at the request of Board Staff we would like to provide clarification on a handful of issues. As Board Staff is aware, this application proposes the establishment an 84-bed free standing, skilled nursing and rehabilitation facility, the first new long-term care facility to be constructed in the area in the last 27 years. Our application contains all necessary applicants as required by 77 Ill. Admin. Code Section 1330.220.

The current owner of the land is Senior Acquisitions, LLC, a wholly owned subsidiary of the Leo Brown Group, LLC (an applicant). In accordance with 77 Ill. Admin 1125.800(b)(1) the land acquisition cost was not included as part of the project costs. However, the construction costs associated with the proposed facility are included in the project costs. There is no question as to the control of the site for the proposed being firmly with an applicant to this project.

Upon approval of this project and closing of the sale for the project site, Senior Acquisitions, LLC will transfer title of the land to McHenry Senior Partners, LLC (an applicant). McHenry Senior Partners, LLC is owned by McHenry Senior Investors, LLC (51%) and Ignite McHenry Property, LLC (49%). As described in our application, the Leo Brown Group, LLC (an applicant) will at all times have control of the land and the physical building. The entities owned by the Leo Brown Group, LLC (an applicant) and will be financially responsible for guaranteeing debt related to the project costs and is the sole corporate member of McHenry Senior Investors, LLC. Ignite McHenry Property, LLC does not have a controlling interest in the land or the facility building, and as such is not required by 77 Ill. Admin. Code 1130.220 to be an applicant.

Gerald Jenich is the managing member of TCO JV, LLC (an applicant), who will act as the operator and the entity that will hold the license for the facility. As the



Health Care Consulting

133 South Fourth Street, Suite 200 • Springfield, IL 62701

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Office: 217/544-1551

Fax: 217/544-3615

Ms. Courtney Avery, Administrator
October 10, 2018
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entity that will have final control and will hold the license of the facility, TCO JV, LLC is appropriately listed as an applicant as required by 77 Ill. Admin. Code 1130.220.

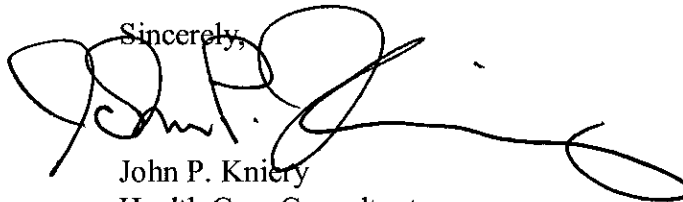
The applicants, McHenry Senior Partners, LLC, TCO JV, LLC, and the Leo Brown Group do not own or operate any other healthcare facilities in the State of Illinois. However, the principals of these entities do maintain an ownership interested in healthcare facilities and that information is listed on page 61, and licenses for those facilities are provided on pages 103-106. This is further evidence of the applicants being fit, willing, and able to construct and operate the proposed facility.

Board Staff also asked for clarity regarding the role of Ignite Medical Resorts, which is listed in referral letters submitted by Centegra Health System ("Centegra"). We value our relationship with surrounding medical providers including Centegra whose physicians provided some of the historical referrals to support this project. In the letters that Centegra drafted and that were submitted with our application, they correctly cite TCO JV, LLC (an applicant) as the entity which is proposing this project. They incorrectly named the joint venture partners of TCO JV, LLC. Ignite Medical Resorts is a well-known and highly regarded management company that works with facility operators to maximize efficiencies in healthcare delivery system, they are not however a necessary party to this application under 77 Ill. Admin Code 1130.220.

Finally, as you are aware we have worked with Board Staff to resolve questions regarding the Leo Brown Group, LLC's financial information. Should you have any additional questions, please let us know.

We appreciate this Board's time, consideration, and guidance regarding our application. As you know we have gone to great lengths to communicate with Board Staff throughout this review process and should you have any other questions at all we would be happy to answer them for you.

Sincerely,



John P. Kniery
Health Care Consultant

JM/JPk

ENCLOSURE

C: Juan Morado, Jr (Attorney at Law)
Gerry Jenich
Bill Morton
Michael Constantino

Transformative Health of McHenry

Project #18-016

Re-Application from #15-044 (Previously Approved)



IDPH 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

June 22, 2016

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Gerry Jenich, Manager
TCO JV, LLC
7257 N. Lincoln Avenue
Lincolnwood, IL 60712

Re: Project Number: #15-044
Facility Name: Transformative Health of McHenry
Facility Address: Corner of Bull Valley Rd & Lawrence Pky, McHenry, Illinois
Applicants: MS McHenry, LLC - TCO JV, LLC - Mainstreet Property Group, LLC
Permit Holder(s): TCO JV, LLC d/b/a Transformative Health Network
Licensee/Operator: TCO JV, LLC d/b/a Transformative Health Network
Owner(s) of Site: MS McHenry, LLC
Project Description: Construct and establish a 98 bed General long term care facility in 68,586 GSF.
Permit Amount: \$ 19,275,829
Permit Conditions: None
Project Obligation Date: April 21, 2018
Project Completion Date: December 31, 2017
Annual Progress Report Due Date: June 21, 2017

Dear Mr. Jenich:

On June 21, 2016, 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.

This permit is valid only for the defined construction or modification, site, amount and the named permit holder and 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 and may result in an invalidation of the permit, sanctions, fines and/or State Board action to revoke the permit.

The permit holder is responsible for complying with the following requirements in order to maintain a valid permit. Failure to comply with the requirements may result in expiration of the permit or in State Board action to revoke the permit.

3. OBLIGATION-PART 1130.720

The project must be obligated by the Project Obligation Date, unless the permit holder obtains an "Extension of the Obligation Period" as provided in 77 Illinois Administrative Code 1130.730.

Permit Letter
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Obligation is to be reported as part of the first annual progress report for permits requiring obligation within 12 months after issuance. For major construction projects which require obligation within 24 months after permit issuance, obligation 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, obligation must be reported as part of the notice of project completion. The reporting of obligation 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 month 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. Effective June 1, 2013, substantive changes to the 77 Ill. Adm. Code 1130 rules went into effect. Please be advised that permit holders should follow the direction in Section 5 of the Act regarding deadlines for submitting post-permit reporting requirements and disregard the deadline language in 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 beds 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 at mike.constantino@illinois.gov or 217-782-3516.

Sincerely,

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

cc: Courtney Avery, Administrator

Information	Sources
The Proposed Project	TCO JV, LLC
Differentiating Characteristics PSA	TVO JV, LLC
5 Star Ratings	www.medicare.gov/NursingHomeCompare/profile
Health Inspection Citations	www.medicare.gov/NursingHomeCompare/profile
Life Safety Inspection Citations	www.medicare.gov/NursingHomeCompare/profile
Federal Penalties	www.medicare.gov/NursingHomeCompare/profile
Licensed Beds, Beds in Use, Utilization	Long-Term Care Facility Questionnaire for 2017, Illinois Department of Public Health, Health Systems Development, (https://www2.illinois.gov/sites/hfsrb/InventoriesData/Documents/LTC4.pdf)
Facility Size and Age	Illinois Department of Healthcare and Family Services Cost Reports (http://www.illinois.gov/hfs/MedicalProviders/CostReports/Pages/default.aspx)
Capital Expenditures (5 Years)	Illinois Department of Healthcare and Family Services Cost Reports (http://www.illinois.gov/hfs/MedicalProvider/CostReports/Pages/default.aspx)
Capital Rate Component / Medicaid	Illinois Department of Healthcare and Family Services – Medicaid Rate List as of 4-01-2016.
Medicare Case Studies	Milliman Group
First Impression Report	LC Brand + Marketing, LLC
Adjusted Travel Times – 30 Minute Contour	Foley & Associates: www.mapquest.com

Current as of Sept. 30, 2018

PSA Physical Plant Comparisons to the Project:

- **Private Rooms :** The Project will be mostly private rooms (60 total, 71%). All facilities listed in the PSA are under 10% total private rooms and the PSA as a whole represents less than 5% of the total licensed and operating beds as private.
- **GSF/Bed:** The current state minimum standard per bed is 420 GSF/bed. The Project will boast 700GSF/bed while only 2 of the 9 facilities in the PSA meet the current state standard.
- **Building Age :** The average age of existing and opposing facilities are over 40 years old with 2 of them self reporting that the physical plants are 100+ years old. There is only provider in the PSA that is less than 10 years old. (Valley Hi – at 95% Utilization).
- **Bathrooms and Showers:** The Project will provide each room with a private bath and shower. More than 90% of the facilities listed have community shower facilities with limited room showers and mostly shared bathrooms between rooms and in some cases up to 6 potential patients or residents sharing a single bathroom or toilet facility.
- **Minimum State Standards:** The Project will be the only facility in the PSA to exceed minimum state standards for private rooms, GSF/bed, private showers and baths, therapy/dining and common/activity space. The majority of existing PSA providers meet or have waivers to meet the standards.
- **Capital Expenditures and Capital Rate Component:** 90% of the 30-Minute Contour facilities are below the allowable Capital Rate Ceiling (Valley Hi – Exception).

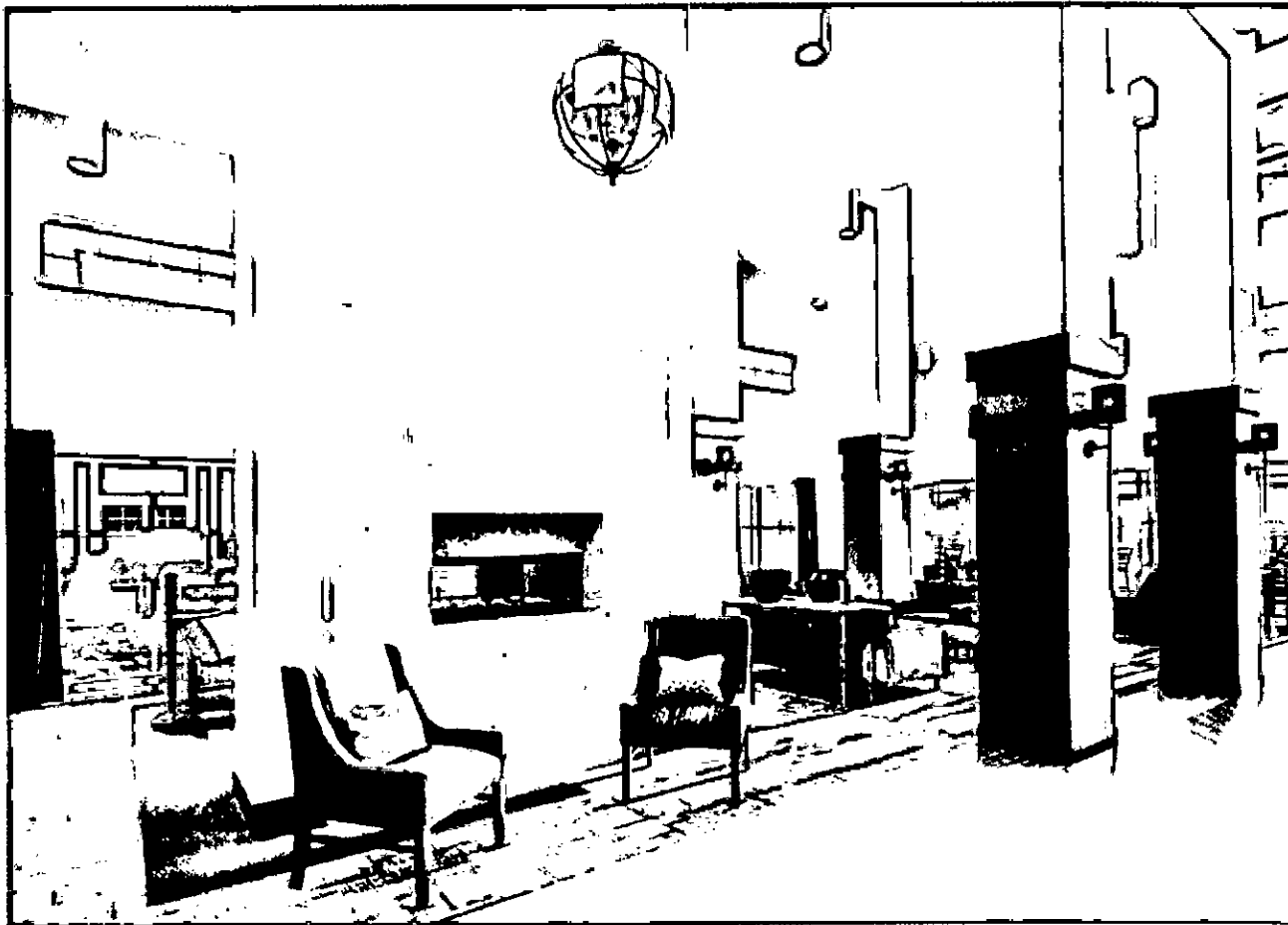
**Transformative Health of McHenry
(Proposed)
Bully Valley Road, McHenry Illinois**



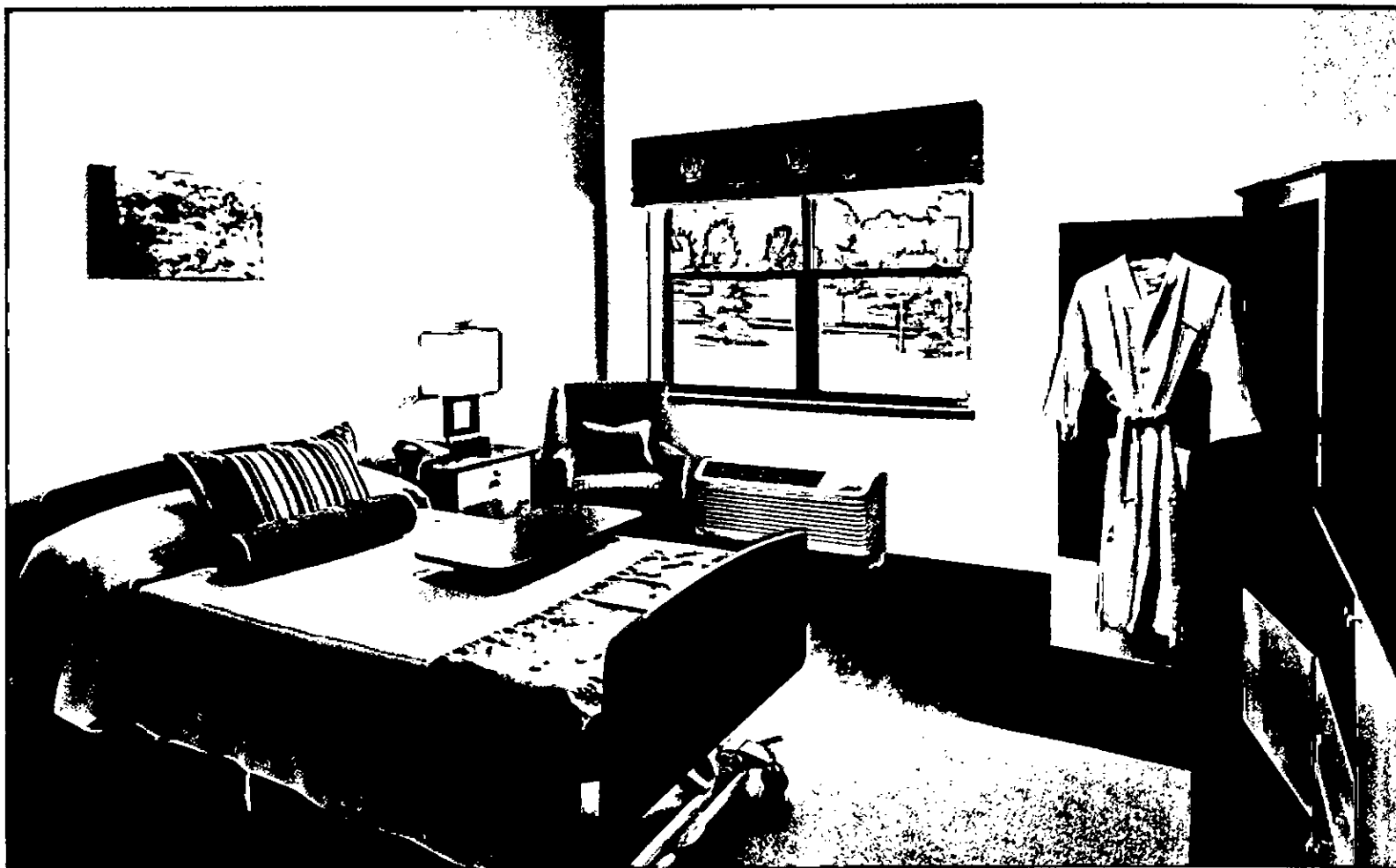
Age of Building:	NEW
Estimated CMS Rating:	5
Licensed Beds:	84
Estimated Beds in Use:	84
Estimated Utilization Year 2:	90%
Private Rooms/Showers:	60
GSF / Bed:	650
Capital Expenditure:	\$17.9M

Transformative Health of McHenry will provide a post-acute care delivery model that bridges the gap between illness and recovery using state-of-the-art technology and advanced medical practice protocols within a caring and supportive homelike environment that promotes health and healing. The unique physical plant and care model will differentiate THM from all other service providers in the PSA.

Footnote: Photos provided are for like projects completed by the Applicant and are provided here as a point of reference to Project 18-016.



Transformative Health of McHenry will be purpose-built to treat high acuity patients in a short-term and transitional healthcare environment designed with the express purpose of promoting healing and wellness and to get patients or residents functional so they are able to return back to work or home, as quickly as possible.



Private rooms include attached bathrooms fully equipped with toilet, sink, and shower to further aid in the prevention of disease, and enhance patient comfort. Private rooms and baths help to protect a patient or resident's statutory privacy rights.



Semi-Private rooms will have separate rooms for privacy. All private and semi private rooms will have large 42 in beds, upgraded mattresses and linens, a state of the art call light system with audio to talk to your nurse, a hospitality tablet to request room service and housekeeping items and continuous contact free monitoring of vital signs.



Generously sized indoor and outdoor therapy areas will allow patients to receive the full-range of mobility therapy during rehab to aid in their recovery. Occupational therapy has kitchens and bathrooms built into the therapy gyms to provide patients with practical, hands-on training, thus easing the transition from hospital to home. This enables patients to continue their healing at home and significantly reduce the risk of hospital readmission from an accident.



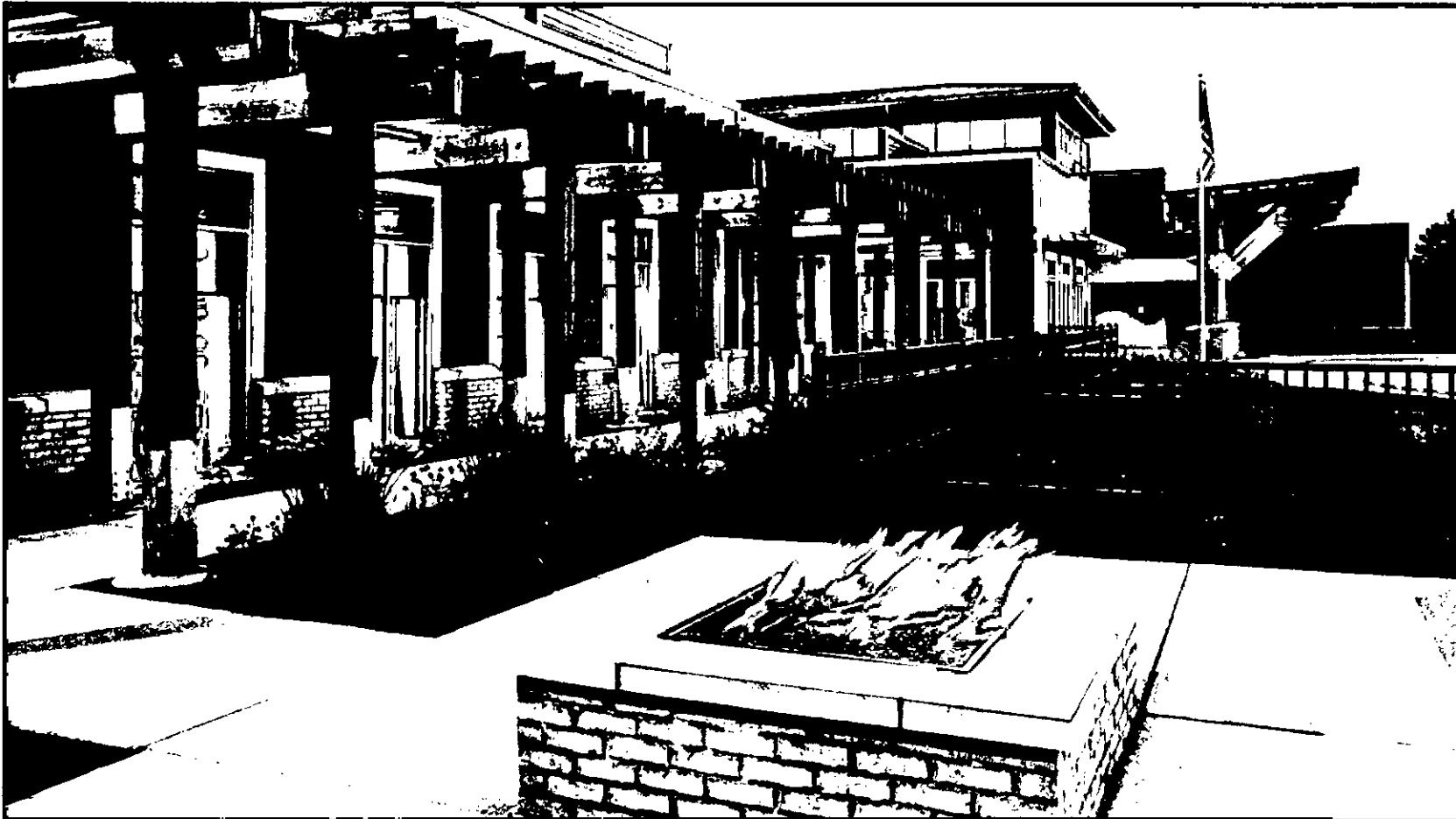
On site restaurant with an onsite chef gives patients access to high-quality, made-to-order meals to provide the proper nutrition to facilitate healing. The dining experience also allows family and friends the ability to comfortably eat with the patient, reducing the overall stress level for patient and loved ones.



Transformative Health of McHenry will provide access to outdoor resident and guest areas including a putting green, an outdoor fireplace, and outdoor therapy space.



Signature spa-like amenities include whirlpool baths and massage services all with a dedicated focus on serving the transitional and post-acute care patient.



Transformative Health of McHenry (THM) will provide a post-acute care delivery model that bridges the gap between illness and recovery by using state-of-the-art technology and advanced medical practice protocols within a caring and supportive homelike environment that promotes health and healing.

First Impression Reports

Presented by

LC Brand + Marketing, LLC

LC Brand + Marketing, LLC is a privately held LLC composed of long term care professionals and consultants who have multiple, combined years of specialized experience in long term care marketing, promotion, positioning and entertainment services.

LC Brand + Marketing, LLC conducted “Mystery Shopper Tours” of the subject properties listed within this report and within a 30-minute drive time of the Project.

LC Brand + Marketing, LLC conducted a minimum of two separate and unannounced visits and/or phone inquiries for each subject location in order to provide the reader with a realistic and unbiased, albeit educated *First Impression Report* similar to what a visitor or consumer shopping the subject properties might observe and experience.

All sources of information for the subject properties have been obtained from sources that are free and accessible to the public. Sources are cited on the previous page.

(Disclaimer: The views and opinions expressed herein are those of the LC Brand + Marketing, LLC. LC Brand + Marketing, LLC views and opinions do not necessarily reflect the views and opinions of TCO JV, LLC, or any of TCO JV, LLC's respective subsidiaries, parents or affiliates, and their respective directors, officers, employees, agents, consultants, legal counsel, accountants and other representatives.)

Alden Terrace of McHenry Rehab
803 Royal Drive, McHenry Illinois 60050
www.thealdennetwork.com



Adjusted Travel Time:	5.8
Age of Building:	39 Years
Shared Bedrooms:	Yes
Shared Bathrooms:	Yes
3 Bed Wards:	Yes
Common Shower Rooms:	Yes
Private Rooms Reported:	2 (reserved for iso)

Crossroads Care Center

309 McHenry Ave., Woodstock Illinois 60096

www.crossroadscarecenter.com



Adjusted Travel Time: 17.3

Age of Building: 49 Years

Shared Bedrooms: Yes

Shared Bathrooms: Yes

Common Shower
Rooms: Yes

Private Rooms
Reported: None
available
(reserved for
iso)

Crystal Pines Rehab & Health Center
335 N. Illinois St., Crystal Lake Illinois 60014
www.crystalpinesrehabandhealth.com



Adjusted Travel Time: 12.7

Age of Building: 46 Years

Shared Bedrooms: Yes

Shared Bathrooms: Yes

Common Shower
Rooms: Yes

Private Rooms
Reported: 6

Fair Oaks Rehab & Skilled Nursing Facility
471 W. Terra Cotta Ave. Crystal Lake Illinois 60014
www.fairoakshealthcare.org



Adjusted Travel 15.0
Time:

Age of 28
Building: Years

Shared Yes
Bedrooms:

Shared Yes
Bathrooms:

Private Rooms 16
Reported:

Florence Nursing Home
546 East Grant Highway Marengo Illinois 60152
www.fairoakshealthcare.org



Adjusted Travel Time:	39.1
Age of Building:	100 Years *
Shared Bedrooms:	Yes
Shared Bathrooms:	Yes
Common Shower Rooms:	Yes
Private Rooms Reported:	NA

* Oldest Date on State Inventory 1990

Current as of Sept 30, 2018

Hearthstone Manor

920 N. Seminary Ave., Woodstock Illinois 60098

www.wclsil.org



Adjusted Travel Time:	18.4
Age of Building:	68 Years
Shared Bedrooms:	Yes
Shared Bathrooms:	Yes
Common Shower Rooms:	Yes
Private Rooms Reported:	4 (reserved for iso)

* Oldest Date on State Inventory 1990

Current as of Sept 30, 2018

The Springs at Crystal Lake
1000 Brighton Lane, Crystal Lake Illinois 60012
www.thespringsrehab.com



Adjusted Travel Time: 8.1

Age of Building: 29 Years

Shared Bedrooms: Yes

Shared Bathrooms: Yes

Common Shower
Rooms: Yes

Private Rooms
Reported: 6

Wauconda Healthcare & Rehab

176 Thomas Court, Wauconda Illinois 60084

www.waucondacare.com



Adjusted Travel Time:	19.6
Age of Building:	28 Years
Shared Bedrooms:	Yes
Shared Bathrooms:	Yes
Common Shower Rooms:	Yes
Private Rooms Reported:	15