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October 19, 2018

VIA HAND DELIVERY

RECEIVED

OCT 19 2018

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Courtney Avery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, IL 62761

Re: Response to State Board Staff Report for Transformative Health of McHenry,
Project #18-016

Dear Courtney:

We represent McHenry Senior Partners LLC, TCO JV, LLC, and the Leo Brown Group, LLC in connection with Project #18-016, Transformative Health of McHenry. We would like to thank you and the Board Staff for your efforts in reviewing our application for this project and the overwhelming positive State Board Staff Report ("SBSR"). We would like to take this opportunity to respond to the recently released SBSR.

The SBSR states that the application is not in conformance with the Availability of Funds (77 Ill. Admin. Code. 1125.800) criteria. Specifically, the SBSR states that the bank letter we submitted with our application did not state *"that should this project be approved the mortgage loan will be made."* We respectfully disagree with the finding and would like to direct you to pg. 229 of our application, which contains the very language required by the Board's regulations. It states that the commitment for this loan is conditioned upon "receipt by the Borrower of a Certificate of Need from the appropriate licensing authority for the State of Illinois." Furthermore, we would like to point out that we have in our possession an updated financial commitment letter from Merchants Bank of Indiana. The updated commitment letter contains the exact same financing terms as submitted with our application. The only update is the removal of the October 7, 2018 expiration date. The updated letter does not contain an expiration date. We appreciate that your rules prohibit at this stage of the review process the submission of additional information unless specifically requested by Board Staff. Should you request this letter we would be happy to provide you with a copy. Finally, we would like to thank Board Staff for their review of our 1065 Partnership Returns which under your rules are acceptable in lieu of audited financial statements and provide the requisite documentation of our financial viability to qualify for financing and to fund the cash portion of this project.

Your staff correctly points out that there is an excess of 33 beds in the planning area, and that if Project #15-044 were relinquished there would then be a need for 65 beds in the planning area. Our project for 84 beds was reduced from the original 98 bed proposal for several reasons. We strongly believe in the planning process set forth by the Illinois Health Facilities Planning Act and we look forward to a robust conversation with the Board in which we will detail why

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believe that an 84-bed facility is consistent with the needs of the planning area, consistent with the mission of the board and is in the best interest of patients.

As you will recall when we received the SBSR for Project# 15-044 we had the same findings of nonconformance regarding Service Accessibility and Unnecessary Duplication that this project does. As we explained then and will again when we appear before the Board, there are a number of factors that warrant approval of this project despite these findings. We also strongly believe that we meet the spirit of these criteria if not letter of them. During our presentation we plan to share with the Board why our model of care and facility will be the most innovative the area has seen to date and why we are committed to serving these patients with the first new long term care facility in McHenry County in the last 27 plus years (see enclosed photos of existing facilities previously submitted as part of our application).

There is a strong need for quality care in the planning area, this is what attracted a world-renowned organization like Northwestern Medicine to partner with the Centegra Health System. It's that same need that is driving our application and we look forward to being a resource for the all of the area providers including the physicians from Centegra-Northwestern who wrote referral letters supporting our project. It is through this support that we are confident that there is need in the community and that we will be successful at meeting it. As noted by staff on pg. 10 of the SBSR our application has met the requirements of the projected referrals criterion. and, we have met the assurance requirements as noted on pg. 14 of the SBSR.

As noted in the SBSR, this project is designed to serve a patient population that your annual surveys show receive a disproportionately low amount of care from existing facilities in the planning area. All of the beds at our proposed facility will be dual-certified for Medicare and Medicaid beneficiaries. What make us different is that we intend to actually put both Medicare and Medicaid patients in those beds. Our economic model is designed to regularly utilize 84% of our beds for Medicare and Medicaid patients. Existing facilities simply do not have the financial wherewithal to meet the needs of this community like we can.

We have come before this Board on several occasions to keep you updated on the status of Project #15-044 and have filed all necessary permit renewals and reports to maintain that existing valid permit. We are laser focused on meeting the commitment we made to this Board with Project #15-044. Yes, the financing entities have changed but the operator of this facility, who this Board entrusted to operate this facility has not changed. Gerry Jenich is still a nationally renowned long-term care facility operator and this project is reflective of the vision he proposed to the Board and that this Board approved two years ago.

As you succinctly describe on pg. 2 of your SBSR this project reduces the previously approved footprint of Project# 15-044 by 15% in bed capacity, 20% in gross square footage, and a reduction in costs of nearly two million dollars. In short, this project is the epitome of the planning process that this Board is entrusted to administer. This project comes in at a lower cost, while maintaining the highest quality of care, and will meet the existing needs of the patient population in the planning area. We respectfully seek the Board's approval to improve access to care in the planning area with the approval of this project.

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We thank you and your staff for your review of this project. If you should have any questions, please do not hesitate to contact me at 312-212-4967 or via email at JMorado@beneschlaw.com, you can also contact John Kniery at 217-544-1551.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

A handwritten signature in black ink, appearing to read "Juan Morado, Jr.", with a stylized flourish at the end.

Juan Morado, Jr.

JM:
Enclosures

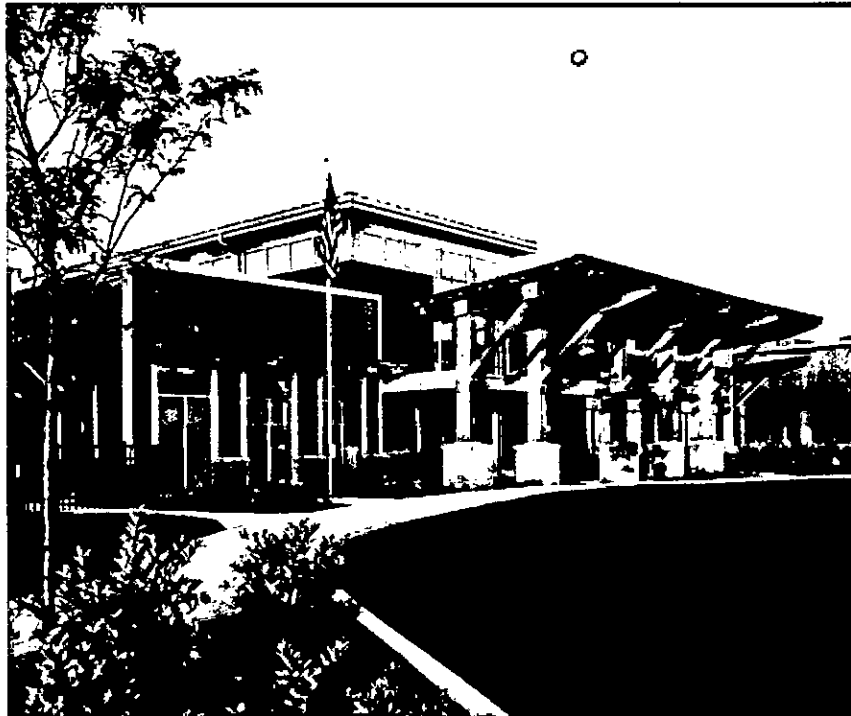
Transformative Health of McHenry

Project #18-016

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



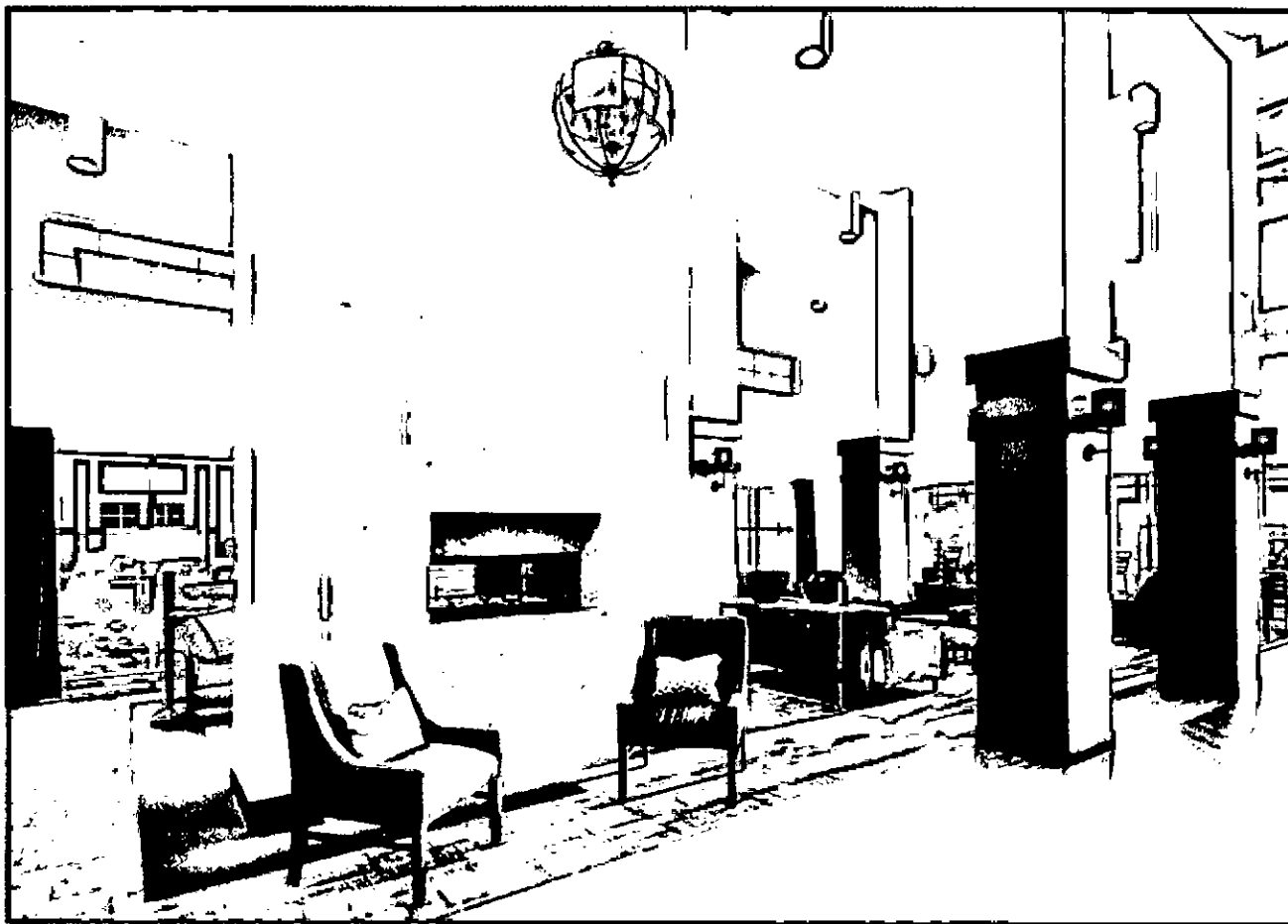
**Transformative Health of McHenry
(Proposed)
Bully Valley Road, McHenry Illinois**



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.



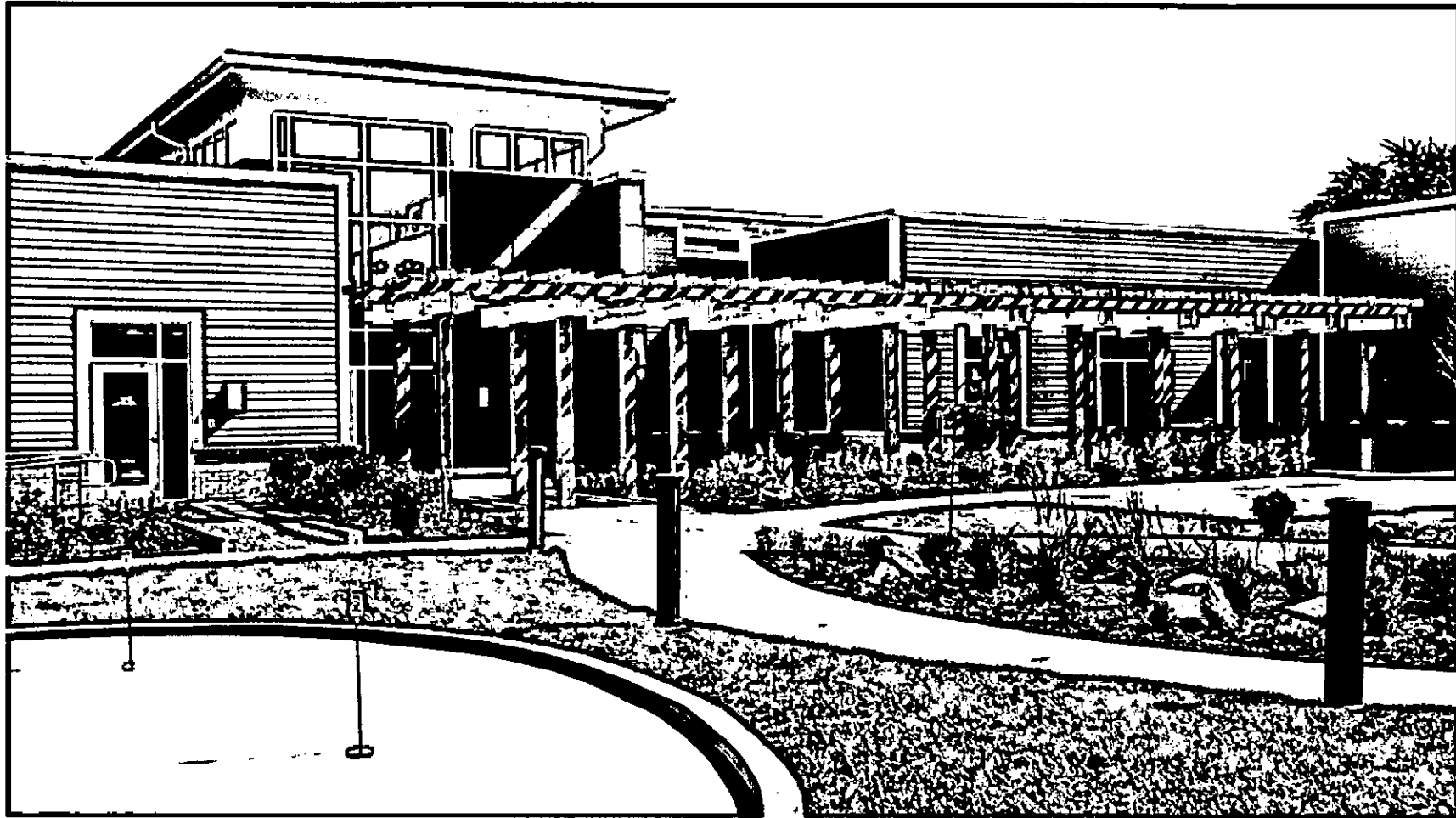
Semi-Private rooms will have separate rooms for privacy. All private and semi private rooms will have large 42 in beds, upgraded mattresses and linens, a state of the art call light system with audio to talk to your nurse, a hospitality tablet to request room service and housekeeping items and continuous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



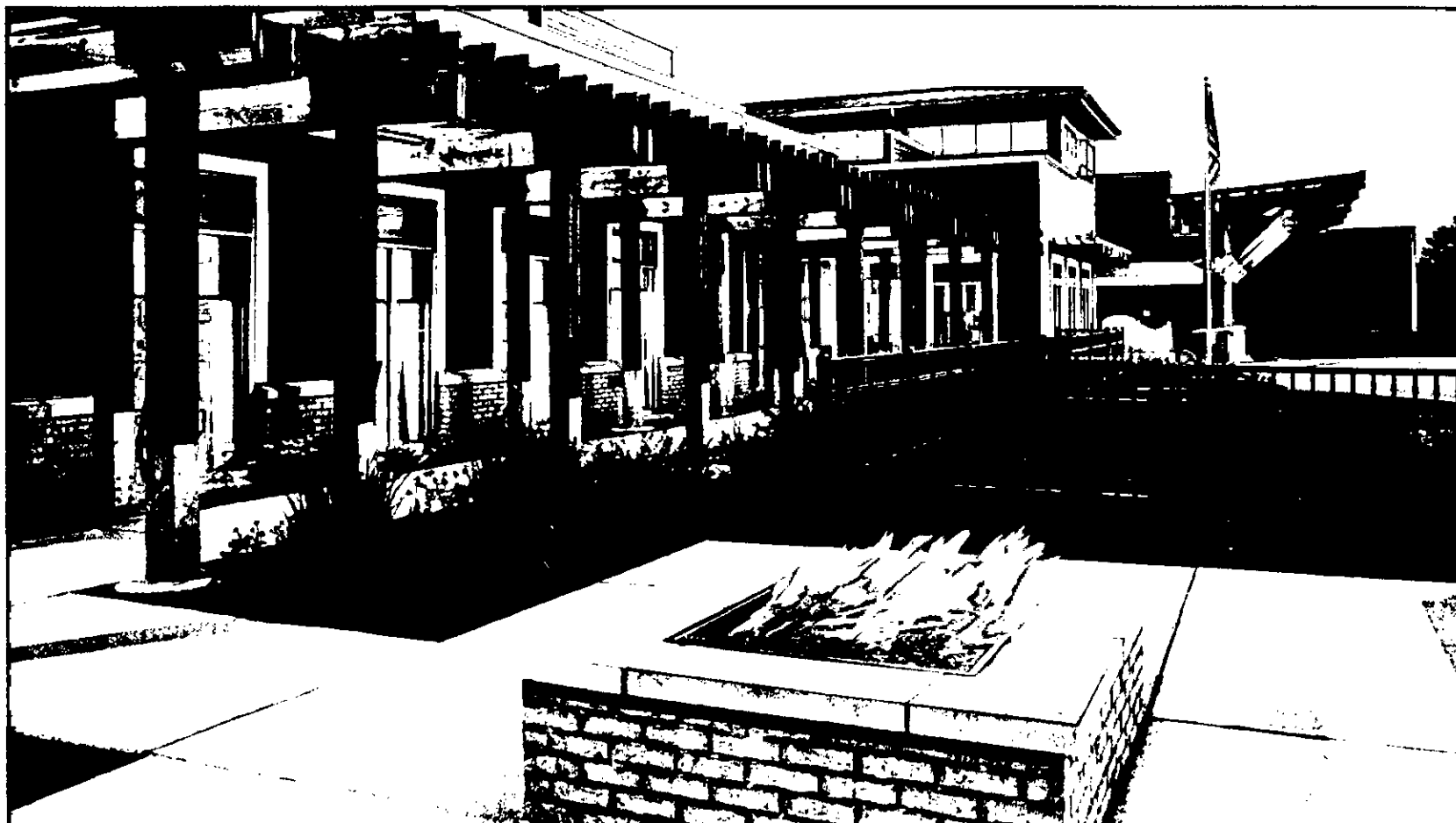
On site restaurant with an onsite chef gives patients access to high-quality, made-to-order meals to provide the proper nutrition to facilitate healing. The dining experience also allows family and friends the ability to comfortably eat with the patient, reducing the overall stress level for patient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

12

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)

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