



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-04	BOARD MEETING: May 9, 2023	PROJECT NO: 23-014	PROJECT COST: Original: \$27,100,000
FACILITY NAME: Exceptional Care and Training		CITY: Sterling	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The Applicants (Hoosier Care, Inc. d/b/a Exceptional Care & Training Center, New Sterling Facility Company, LLC, and Hoosier Care Properties, Inc.) operate an 85-bed skilled nursing facility for medically complex individuals with developmental disabilities (MC/DD) located in Sterling Illinois. The Applicants are proposing to establish an 85-bed MC/DD facility to be in Sterling, Illinois. The Proposed Facility will be 6 minutes from the Existing Facility. The proposed facility is in a predominantly residential area and close to CGH Medical Center. The new facility will consist of 49,600 GSF with an estimated cost of \$27,100,000. The expected completion date is July 31, 2025.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Hoosier Care, Inc. d/b/a Exceptional Care & Training Center, New Sterling Facility Company, LLC, and Hoosier Care Properties, Inc.) operate an 85-bed skilled nursing facility for medically complex individuals with developmental disabilities (MC/DD) located in Sterling Illinois. The Applicants are proposing to establish an 85-bed MC/DD facility to be in Sterling, Illinois. The Proposed Facility will be 6 minutes from the Existing Facility. The proposed facility is in a predominantly residential area and close to CGH Medical Center. The new facility will consist of 49,600 GSF with an estimated cost of \$27,100,000.
- Should the State Board approve this project the Applicants will discontinue the 85-bed facility located at 2601 Woodlawn Road, Sterling, Illinois (the old facility). The State Board does not have jurisdiction over the discontinuation of long-term care facilities.

PURPOSE OF PROJECT

- The purpose of this project is to discontinue an 85-bed facility that is over 40 years to allow for the continued care of infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. Letters of support were provided in the Application for Permit and include letters from the following: Greater Sterling Development Corporation, Sauk Valley Area Chamber of Commerce, Diocese of Rockford-Catholic Charities Long Term Care Ombudsman, Jane Browning Former Office of State Guardian Guardianship Representative, John Tucker, Van and Leigh Ann Houzenga, and Donna M. Champion. No Opposition Letters were received.

SUMMARY:

- The Applicants addressed a total of 17 criteria and have not met the following:

Criterion	Reasons for Non-Compliance
Criterion 1125.720 - Recommendations from State Departments	At the time of this report the Applicants had not received a recommendation from Illinois Department of Human Services and Illinois Department of Healthcare and Family Services.
77 ILAC 1125.800 – Financial Viability	The Applicants did not meet the percent to debt to total capitalization and projected debt service coverage for years 2020, 2021 and 2022.
77 ILAC 1125.800 - Reasonableness of Project Costs	Construction contracts and contingencies total \$22,631,000. The facility will contain 49,600 GSF, which results in a cost of \$456.72. per GSF. This appears HIGH compared to the adjusted State standard of \$331.68 per GSF.



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STATE BOARD STAFF REPORT

I. The Proposed Project

The Applicants (Hoosier Care, Inc. d/b/a Exceptional Care & Training Center, New Sterling Facility Company, LLC, and Hoosier Care Properties, Inc.) operate an 85-bed skilled nursing facility for medically complex individuals with developmental disabilities (MC/DD) at 2601 Woodlawn Road, Sterling Illinois. The Applicants propose to establish a new 85-bed facility on West 23rd Street between Avenue F and Avenue J in Sterling, Illinois approximately 6 minutes from the current facility. Should the State Board approve this project the Applicants will discontinue the facility at 2601 Woodlawn Road, Sterling, Illinois. The new facility will consist of 49,600 GSF with an estimated cost of \$27,100,000.

II. Summary of Findings

- A. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1110.
- B. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1120.

III. General Information

Hoosier Care, Inc., and its affiliates provide long-term care and treatment for the aged and disabled and affordable housing options to elderly and low-income families through their skilled nursing facilities and elderly and low-income housing projects in various states. Hoosier operates 8 skilled nursing facilities and 15 elderly and low-income housing projects in Indiana, Illinois, Colorado, Georgia, and Tennessee, with 358 skilled nursing beds, 413 pediatric beds, 72 independent and assisted living units, 557 independent living senior affordable housing units, and 584 multi-family affordable housing units. Each of the affiliates are either not-for-profit corporations or single member LLCs and operate as separate and distinct business units. Hoosier companies are managed and administered by its Board of Directors, which are comprised of the same persons as the Board of Directors of the affiliated entities. Hoosier has retained professional management companies to manage the operations of the various affiliates. (Source: 2022 Audited Financial Statements)

The facility will be in Sterling Illinois in the HSA **I Long-Term Care for Developmentally Disabled Illinois Children (Skilled Under 22) Category of Service planning area.** There is one other facility in this planning area with a total of 99 beds.

TABLE ONE ⁽¹⁾				
HSA I Long-Term Care for Developmentally Disabled Illinois Children (Skilled Under 22) Category of Service planning area				
Exception Care and Training	Sterling	85	28,078	90.50%
Walter Lawson Memorial Home	Rockford	99	33,270	92.07%
Total		184		
1. Information from 2021 LTC Survey				

The owner of the site is Hoosier Care Properties, Inc and the licensee is Hoosier Care, Inc. d/b/a Exceptional Care & Training Center. This is a substantive project, which is subject to both Parts 1110 and 1120 review. Financial commitment will occur after permit issuance. The estimated project completion date is July 31, 2025.

IV. Project Details

The new facility will be a single-story facility. The Applicants stated rooms with three residents to a room will be replaced with semi-private rooms, and communal bathing and toileting rooms will be replaced with separate bathing/toileting rooms between every two rooms which will include carefully designed sight lines to ensure resident dignity and privacy.

According to the Applicants, Training and Educational areas will be centrally located in the building to minimize unnecessary traffic in the resident living areas. The classrooms will be larger rooms to allow for safe motor exercises and activities such as assisted walking, Meywalker¹ programs, and independent wheelchair mobility. It will also allow space for a resident to simply move away from others if they need time away but still require in-room supervision.

The Facility will be located on 25 acres along West 23rd Street between Avenue F and Avenue J and will include age-appropriate playgrounds and outdoor sensory areas with inclusive equipment, paved walking paths, and wheelchair accessible seating area to accommodate residents and their visitors. The new site is located on the north side of Sterling, in a predominantly residential area, away from the high traffic area and growing retail center. It is also closer to CGH Medical Center, which is the local hospital.

¹ Meywalk is a spring-suspended gait trainer that comes in sizes for children as young as 6 to adult users. Its spring-based design allows it to follow the natural movements of its user and adjust on-the-fly to provide optimum comfort and support while walking and promotes a natural rhythm and pattern of movement.

V. Project Sources and Uses of Funds

The Applicants propose to fund the project with \$2,100,000 in cash and securities and a bond issue of \$25 million. The cost of the land is \$475,000. Table Two displays the projects' cost information.

TABLE TWO		
Project Uses and Sources of Funds		
	Reviewable	Total
Use of Funds		
Preplanning	\$250,000	\$250,000
New Construction	\$20,631,000	\$20,631,000
Contingencies	\$2,000,000	\$2,000,000
Architectural/Engineering Fees	\$1,250,000	\$1,250,000
Consulting and Other Fees	\$10,000	\$10,000
Movable Equipment	\$859,000	\$859,000
Bond Issuance Expense	\$590,000	\$590,000
Net Interest During Construction	\$1,510,000	\$1,510,000
Total	\$27,100,000	\$27,100,000
Source of Funds		
Cash		\$2,100,000
Mortgage		\$25,000,000
Total		\$27,100,000

VI. Background, Purpose of the Project, and Alternatives

A. Criterion 1125.320 - Background of the Applicants

The Applicants own three facilities in Illinois.

Facility	City	Beds
Exceptional Care & Training Center	Sterling	85
Walter Lawson Children's Home	Loves Park	99
Swann Special Care Center	Champaign	123

The Applicants provided licensure and certification information as required for each of the facilities. The Applicants certified they have not had any adverse actions within the past three years. It appears the Applicants are fit, willing and able and has the qualifications, background, and character to adequately provide a proper standard of healthcare service for the community.

B. Criterion 1125.330 - Purpose of the Project

The purpose of this project is to construct an 85-bed facility approximately six minutes from the current long-term care facility. The Applicants are proposing a new 85-bed facility because the existing facility is over 58-years old and constructed when according to the Applicants current care practices resulted in care in an institutional setting.

According to the Applicants the building was originally built for a geriatric community, not necessarily for Exceptional Care population and needs. The resident rooms are predominantly triples with communal bathing/toileting rooms in the hall. This creates issues with cohorting patients by gender and diagnosis, creates less individual privacy, especially for bathing, and impedes infection control measures, due to the inevitable close contact with roommates.

The Applicants state the following reasons the physical plant is inadequate for operations:

- (1) the resident rooms are inadequate to accommodate the necessary equipment to treat residents, e.g., larger, customized wheelchairs and other adaptive devices, oxygen therapy equipment, gastrostomy feeding poles, positioning equipment, bed safety mats on floor, alternative seating instead of their wheelchair
- (2) the kitchen is in the basement, no elevator, and the dumb waiter lacks sufficient capacity to transport food, so staff must travel up and down a rather narrow staircase to deliver and clear residents' meals.
- (3) there are insufficient storage areas for wheelchairs and other adaptive equipment, which hinders operational efficiency for the clinical staff.
- (4) hallways are narrow, with low ceilings, which causes physical space challenges as well as creating an atmosphere which seems crowded and stifling.
- (5) limited space exists for day training and education.
- (6) the existing campus is landlocked, which limits the amount of outdoor recreation space, and thus the building and outdoor recreation areas cannot be expanded.

TABLE THREE		
10 Facilities in The State of Illinois		
Facilities	City	Beds
Exceptional Care and Training	Sterling	85
Walter J Lawson Memorial Home	Rockford	99
Renaissance Care Center	Canton	74
Swann Special Care Center	Champaign	123
Alden Village North	Rogers Park	150
Mcauley Residence	Brighton Park	125
Alden Village Health Facility	Bloomington	126
Children's Habilitation Center	Harvey	67
Marklund Philips Children's Home	Bloomington	30
Marklund Wasmond Center	Elgin	61

C. Criterion 1125.330 – Alternatives to the Proposed Project

The Applicants considered three alternatives to the proposed project.

1. Do Nothing
2. Expand the existing facility
3. Utilize other facilities
4. The project as proposed.

As stated in the Application, the Applicants have demonstrated an ability to fill the requested beds. Also stated in the Application the existing facility is 58-years old with an antiquated institutional design and doing nothing will not address the physical plant issues and expanding the existing facility is not possible because the existing facility is landlocked. Utilizing existing facilities in the geographic service area is not an option as Exceptional Care and Training is one of 10 MC/DD facilities in the State, and the only MC/DD facility in the 21-mile geographic service area that provides skilled nursing care to residents under 22 years of age. It does appear the Alternative chosen of constructing a new facility appears to be the best option.

VII. Size of the Project

The Applicants are proposing 49,600 GSF for 85 beds which is 584 per GSF per bed. This appears reasonable when compared to the State Board Standard of 435-713 per GSF.

Projected Utilization

The Applicants have averaged 90% utilization over the past six years and the existing facility is currently at 90%. The Applicants have met the requirements of this criterion.

VIII. Specialized Long-Term Care – Review Criteria

A) Criterion 1125.720 - Facility Size

The maximum unit size is 100 beds unless the project is for a State-operated facility or for the long-term medical care for children category of service.

The Applicants propose to construct an 85-bed MC/DD facility approximately 6 minutes from the current 85-bed MC/DD facility. The Applicants are in in conformance with the requirements of this criterion.

B) Criterion 1125.720 - Community Related Functions

The applicant shall document the written endorsement of community groups and shall include the following:

- 1) *a detailed description of the steps taken to inform and receive input from the public, including those community members who live near the proposed facility's location.*
- 2) *endorsements from social service, social and economic organizations; and*
- 3) *support from municipal officials and other elected officials representing the area in which the proposed facility is located.*

The Applicant submitted letters of community support in the Application for Permit (pages 58-65) for the project.

C) Criterion 1125.720 - Recommendations from State Departments

An applicant proposing a facility for the developmentally disabled must document contact with the Department of Human Services and the Department of Healthcare and Family Services. Documentation must include proof that a request has been submitted to each Department requesting

that they determine the project's consistency with the long-range goals and objectives of those Departments and requesting the identification of individuals in need of the service. The Departments' responses should address, on both a statewide and a planning area basis, whether the proposed project meets the Department's planning objectives regarding the size, type and number of beds proposed, whether the project conforms or does not conform to each Department's plan, and how the project assists or hinders each Department in achieving its planning objectives. Such a request must be made by certified mail, return receipt requested, and must occur within a 60-day period prior to the submission of the application.

The Application contains copies of letters sent by the Applicants to the Illinois Department of Health Care and Family Services and the Department of Human Services asking if the project meets their planning goals. No response was received by the State Board at the time of this report.

D) Criterion 1125.530 – Planning Area Need
Criterion 1125.540 – Service Demand
Criterion 1125.570 – Service Accessibility
Criterion 1125.580 – Unnecessary Duplication of Service
Criterion 1125.720 - Long-Term Medical Care

The applicant must document the following:

- 1) *the planning area served by the facility and the size of the specialized population (age 0-18 years) to be served within that geographic area. Documentation must include, but is not limited to, any reports or studies showing the points of origin of patients/residents admitted to the facility, preferably for the latest 12-month period for which data is available.*
- 2) *identification of the special programs and/or services to be provided or currently offered by the applicant and the relationship of the programs to the needs of the specialized population.*
- 3) *insufficient service capability currently exists to meet this need; and*
- 4) *the number of beds in the proposed project is needed. Provide documentation that the proposed project will achieve, within the first year of operation, an occupancy of at least 90%.*

The State Board does not have a need methodology for this service. The Geographical Service Area for a project located in Whiteside County is 21-miles. The population in this 21-mile service area is approximately 92,000 residents. According to the Applicants the primary purpose of the proposed project is to improve access to MC/DD services to residents with profound developmental disabilities. Currently the existing facility is treating 76 residents and according to the Applicants all residents are expected to transfer to the new facility. As shown in the table below Exceptional Care and Training has averaged over 90% utilization for the years 2016-2021.

TABLE FOUR						
Service Days						
Year	2016	2017	2018	2019	2020	2021
Beds	85	85	85	85	85	85
Medicare	0	0	0	0	0	0
Medicaid	29,558	80	29,018	29,811	14,216	28,079
Other Public	0	0	982	0	14,216	0
Private Insurance	0	0	0	0	0	0
Self-Pay	0	0	0	0	0	0

TABLE FOUR						
Service Days						
Year	2016	2017	2018	2019	2020	2021
Charity	0	0	0	0	0	0
Total	29,558	80	30,000	29,811	28,432	28,079
Occ %	95.27%	0.26%	96.70%	96.09%	91.64%	90.50%
1. Information from Long-term care survey. Information for the year 2017 was not correct.						

This project is for the relocation of an existing 85-bed MC/DD facility approximately 2.6 miles from its current location at 2601 Woodlawn Road, Sterling, Illinois to West 23rd Street between Avenue F and Avenue J in Sterling, Illinois. This project will not result in a maldistribution of services nor an unnecessary duplication of service and will not impact any other area providers as the current facility has been operating above the State Board's occupancy target of 90% and the facility cares for a special population that is not provided care in the 21-mile service area.

E) Criterion 1125.590-Staffing

The Applicants stated Exceptional Care & Training Center is staffed in accordance with State and Medicaid staffing requirements. The Applicants state that all clinical and professional staff are anticipated to the transfer to the new facility.

D. Criterion 1125.720-Zoning

The applicant must document that:

- 1) *the property to be utilized has been zoned for the type of facility to be developed; or*
- 2) *zoning approval has been received; or*
- 3) *a certificate of need is required by the local zoning authority before zoning can be approved. This documentation shall include a letter from the appropriate zoning official indicating that such a requirement exists.*

The Applicants provided minutes from July 25, 2022, Sterling City Council meeting amending the zoning map to reclassify the site for the Replacement Facility from Single Family Residential (SR-4) to Multi-Family (MR- 6) with special use is attached at pages 75-78 of the Application for Permit.

IX. Financial Viability

A. Criterion 1120.800 - Availability of Funds

The project will be funded by cash in the amount of \$2.1 million and a \$25 million loan. A letter from Ziegler Capital Investments has been provided by the Applicants at pages 81-86 of the Application for Permit. The letter states in part: *“Based upon Ziegler's experience with the financing of various types of health care projects, nationally and in the State of Illinois, we feel that this is a project that a commercial bank would be very interested in pursuing with you. This letter does not set forth all the terms and conditions of a future credit facility but rather is only an outline, in summary format, of the major points of understanding which will begin to form the basis of a credit facility. The detailed elements of the financing will be established through a request for proposal sent to commercial banks who understand this type of project and/or a presence in the Sterling, IL local market area.”*

B. Criterion 1120.800 - Financial Viability

The Applicants do not have an “A” or better bond rating therefore financial ratios were provided. The Applicants did not meet the percent to debt to total capitalization and projected debt service coverage for years 2020, 2021 and 2022.

TABLE FIVE					
Financial Ratios					
Ratio	Standard	2020	2021	2022	2026
Current Ratio	≥ 1.5	2.59	3.55	5.70	4.93
Net Margin Percentage	$\geq 2.5\%$	24%	32%	31%	28%
Percent Debt to Total Capitalization	$\leq 80\%$	118%	117%	86%	70%
Projected Debt Service Coverage	≥ 1.5	1.07	1.42	1.43	1.72
Days Cash on Hand	≥ 45 Days	91.60	86.82	169.20	240.85
Cushion Ratio	≥ 3	.85	.75	1.47	3.25

X. Economic Feasibility

A. Criterion 1120.800 - Reasonableness of Financing Arrangements

B. Criterion 1120.800 - Conditions of Debt Financing

Douglass B. Smith, President, Hoosier Care, Inc. provided a letter attesting that the total estimated project costs will be funded project costs and related costs will be funded in part by borrowing because a portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 1.5 times.

TABLE SIX Zeigler Capital Investments Financing Estimate	
Term Of Loan	60 months
Amortization Period	25 years
Structure	24 months draw down facility, 24-month interest only period, interest due monthly
Interest Rate	Fixed Rate facility to be determined based upon the then current spreads above the 30-year Municipal Market Data Index
	Floating rate - 79% of the Secured Overnight Financing Rate (SOFR) + 225 bps
Commitment Fee	1% Of total loan amount
Equity Funds	20%
Collateral	Security Interest in all personal property owned or acquired for the Project, a security interest in all gross revenues of the Project, and a lien on the mortgaged property.

C. Criterion 1120.800 - Reasonableness of Project and Related Costs

Preplanning Costs - This cost is \$250,000, which equals 1.66% of construction, contingencies, and equipment costs. This appears reasonable compared to the State standard of 1.8%.

New Construction and contingency costs - Construction contracts and contingencies total \$22,631,000. The facility will contain 49,600 GSF, which results in a cost of \$456.72. per GSF. This appears HIGH compared to the adjusted State standard of \$331.68 per GSF.

Contingencies - This cost totals \$2,000,000 or 9.69% of construction costs. This appears reasonable compared to the State standard of 10%.

Architectural/Engineering Fees - These costs total \$1,250,000 or 5.5% of construction and contingencies. This appears reasonable compared to the Capital Development Board's fee schedule, which identifies that the cost should range between 5.94-8.92%.

Moveable or Other Equipment - These costs total \$859,000 or \$10,013 per bed. This appears reasonable when compared to the adjusted State standard of \$10,113 per bed.

The State Board does not have a standard for these costs.

Consulting and Other Fees	\$10,000
Bond Issuance Expense	\$590,000
Net Interest During Construction	\$1,510,000

D. Criterion 1120.800 - Projected Operating Costs

The Applicants project \$281.81 of operating costs per treatment. The State Board does not have a standard to compare to the Applicants costs.

E. Criterion 1120.800 - Total Effect of the Project on Capital Costs

The Applicants project \$79.60 in capital costs per treatment. The State Board does not have a standard to compare to the Applicants costs.

23-014 Exceptional Care and Training Center - Sterling

