



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST, SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> H-02	<b>BOARD MEETING:</b> July 27, 2023	<b>PROJECT NO:</b> 23-024	<b>PROJECT COST:</b> Original: \$8,300,100
<b>FACILITY NAME:</b> DeKalb County Rehab and Nursing Center		<b>CITY:</b> DeKalb	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> I

**PROJECT DESCRIPTION:** The Applicants (DeKalb Healthcare Holdings, LLC., DeKalb Nursing and Rehab, LLC., DeKalb SNF Land Holdings, LLC., County of DeKalb) are proposing the purchase of DeKalb County Rehab and Nursing Center a 190-bed general long-term care facility located at 2600 North Annie Glidden, DeKalb, Illinois. The purchase price is \$8,300,100.

**State Board Staff Note:** As of the date of this report requested information has not been provided.

**Information regarding this Application for Permit can be found at this link:**

<https://hfsrb.illinois.gov/projects/project.23-024.html>

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (DeKalb Healthcare Holdings, LLC., DeKalb Nursing and Rehab, LLC., DeKalb SNF Land Holdings, LLC., County of DeKalb) are proposing the purchase of DeKalb County Rehab and Nursing Center a 190-bed general long-term care facility located at 2600 North Annie Glidden, DeKalb, Illinois. The purchase price is \$8,300,100. The expected completion date is August 31, 2023.
- The DeKalb County Rehab and Nursing Center is **currently owned and operated** by the County of DeKalb d/b/a DeKalb County Rehab and Nursing Center. At the conclusion of the transaction DeKalb Healthcare Holdings, LLC will own and operate the DeKalb County Rehab and Nursing Center under the name DeKalb Nursing and Rehab. The property will be owned by DeKalb SNF Land Holdings, LLC and the licensee will be DeKalb Nursing and Rehab, LLC. The managers of these entities will be Moshe Blonder, Aaron Singer, and Avichai Zuckerman.
- In January of 1998 the State Board approved a 194-bed DeKalb County Nursing Home at a cost of \$11.6 million.
- In June of 2018 the State Board approved an 18-bed addition to the nursing home at a cost of approximately \$16.8 million (Permit #18-005). That project was never completed, and the County informed the Illinois Department of Public Health (Licensure) that due to inflated costs and related financial considerations the remaining work would not be completed.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- A change of ownership of a County owned nursing home is subject to State Board approval (20 ILCS 3960/3).

### **PUBLIC HEARING/COMMENT:**

- A public hearing was held on July 11, 2023. A number of letters of opposition were received by the State Board and are posted on the State Board's website and are included in the information submitted to the State Board. No letters of support have been received.

### **SUMMARY:**

- The Applicants were not in compliance with the following:

77 ILAC 1110.230 (a) - Background of the Applicants	The Statute requires that an Applicant or Applicants have the qualifications, background, character, and financial resources to adequately provide a proper service for the community. A review of the information that has been provided including the Application, public hearing testimony and opposition letters received it does not appear that the Applicants have met the requirements of the Act.
77 ILAC 1110.234 (a) Size of the Project 77 ILAC 1110.234 (b) Projected Utilization	These criteria were not addressed, and no explanation was provided by the Applicants.



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## STATE BOARD STAFF REPORT

#23-024 – DeKalb County Rehab and Nursing Center

### I. The Proposed Project

The Applicants (DeKalb Healthcare Holdings, LLC., DeKalb Nursing and Rehab, LLC., DeKalb SNF Land Holdings, LLC., County of DeKalb) are proposing the purchase of DeKalb County Rehab and Nursing Center a 190-bed general long-term care facility located at 2600 North Annie Glidden, DeKalb, Illinois. The purchase price is \$8,300,100. The expected completion date is August 31, 2023.

### 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 appears to be in conformance with the provisions of Part 1120.

### III. General Information - Background

The DeKalb County government has owned the long term care facility since 1853, though the center later became what is known as the county nursing home in 1945, and was meant to service the county's residents of lower income. The current 190-bed facility was built in 1998 and licensed in March of 2000.

In August 2020 the County sold \$13 million in bonds to pay for an 18-bed expansion of the nursing home (Permit #18-005). The bonds were issued for 30 years at 2.23% interest and all debt to be retired by operating revenues of the nursing home.

In FY 2019 the Nursing Home began to experience cash flow problems with patient service revenue shortfalls of \$2.1 million. FY 2020 the Nursing Home experiences a \$2.8 million shortfall. In April 2021 the County approves a loan for cash flow purposes of \$2 million. In total according to the County the Nursing Home borrowing totaled an estimated \$9.1 million.

In January 2022 County approves an agreement with Marcus and Millichap<sup>1</sup> to provide an understanding of the options of hiring a new management company, leasing the facility or sale of the facility.

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<sup>1</sup> Marcus & Millichap is a firm specializing in commercial real estate sales, financing, research, and advisory services. (Source DeKalb County Website <https://dekalbcounty.org/government/county-boards-commissions/county-board-meetings/>)

)

DeKalb County is located in central northern Illinois and the county seat of Sycamore is approximately 55 miles west of downtown Chicago. The facility is located in Health Service Area I that includes Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago Counties. This is a substantive project subject to a Part 1110 and Part 1120 review. Financial Commitment will occur after permit issuance. There are 7 LTC facilities in the DeKalb County Planning Area. There is a calculated need for 20 LTC beds in this planning area.

<b>TABLE ONE</b>			
Facilities in the DeKalb County Planning Area			
Facility	City	Beds	Star Rating
Aperion Care Dekalb	DeKalb	119	1
Bethany Rehab & Healthcare Center	DeKalb	90	2
DeKalb County Rehab & Nursing	DeKalb	190	3
Oak Crest	DeKalb	73	4
Prairie Crossing Living & Rehab	Shabbonash	91	4
Sandwich Rehab & Healthcare	Sandwich	63	1
Pavilion on Main Street	Sandwich	116	1

**IV. Applicants**

The Applicants are DeKalb Healthcare Holdings, LLC, DeKalb Nursing and Rehab, LLC., DeKalb SNF Land Holdings, LLC, and the County of DeKalb. The licensee will be DeKalb Nursing and Rehab, LLC and the owner of the site will be DeKalb SNF Land Holdings, LLC. According to the Applicants the managers of these entities, will be Moshe Blonder, Aaron Singer, and Avichai Zuckerman. Organizational chart provided at the end of this report.

**V. Facility**

The DeKalb County facility is a 190-bed long term care facility. Over a six-year period the facility averaged 80% utilization with 51% of the patient days Medicaid days.

**TABLE TWO**

## DeKalb County Facility Patient Days by Payor Source

Year	2017	2018	2019	2020	2021	2022	Average
Medicare	15,129	17,466	5,608	5,104	4,429	4,011	8,625
Medicaid	28,896	30,533	31,448	27,383	23,860	25,881	28,000
Other Public	0	0	0	0	0	0	0
Private Insurance	0	0	0	0	0	0	0
Private Pay	21,013	18,518	24,246	19,073	14,439	15,108	18,733
Charity Care	0	0	0	0	0	0	0
Total	65,038	66,517	61,302	51,560	42,728	45,000	55,358
Occ %	93.78%	95.91%	88.40%	74.35%	61.61%	64.89%	79.82%

1. Information taken from State Board Annual Long Term Care Surveys.

**TABLE THREE**

## DeKalb County Facility Patient Days by Payor Source

	2017	2018	2019	2020	2021
Revenue	\$15,990,094	\$16,242,151	\$14,416,012	\$15,102,606	\$13,410,137
General Services	\$2,385,033	\$2,377,373	\$2,552,597	\$2,790,612	\$2,850,288
Health Care	\$6,536,433	\$7,192,715	\$7,874,054	\$8,547,885	\$8,481,760
General Adm	\$3,302,011	\$3,693,897	\$3,237,452	\$3,219,021	\$1,953,745
Ownership	\$655,984	\$647,535	\$683,925	\$918,754	\$1,511,685
Ancillary Exp	\$1,664,722	\$1,701,640	\$1,550,299	\$1,283,028	\$2,171,791
Total Expenses	\$14,544,183	\$15,613,160	\$15,898,327	\$16,759,300	\$16,969,269
Income (Loss)	\$1,445,911	\$628,991	-\$1,482,315	-\$1,656,694	-\$3,559,132

1. Information taken from Medicaid Cost Reports.

<https://hfs.illinois.gov/medicalproviders/costreports.html>

The facility's resident rooms have private bathrooms and a maximum 2-person occupancy. According to the Applicants a limited number of private rooms are available for residents. The Applicants state the facility specializes in both short and long-term nursing and rehabilitative services, offers an alarmed and secured environment for the safety and well-being of all they care for, and even have a secured Dementia Care Unit with a gated courtyard and view of the wetlands. This unit specializes in the care of those with a diagnosis of Alzheimer's disease and Related Dementia. Historically, admissions are made without regard to race, color, national or ethnic origin, age, religion, disability, sex, sexual orientation, gender identity and expression, veteran status or any other characteristic protected under applicable federal or state law. According to the Applicants this will continue, unabated, into the future. According to the Applicants the admission policy will remain unchanged from what is in effect currently at the facility. (Admission Policy can be found at page 124 of the Application for Permit)

## VI. Project Sources and Uses of Funds

The cost of the change of ownership is \$8,300,100 that will be funded with cash in the amount of \$750,000 and a mortgage for the remainder of the purchase.

**VII. Background, Purpose of the Project, and Alternatives**

**A. Criterion 1110.230 - Background of the Applicants**

All applicants shall comply with the requirements of this Section, as follows:

a) An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background, and character, to adequately provide a proper standard of LTC service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background, and character of the applicant, HFSRB shall consider whether adverse actions have been taken against the applicant, or against any LTC facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. An LTC facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by that person or entity.

DeKalb Healthcare Holdings, LLC, DeKalb Nursing and Rehab, LLC., and DeKalb SNF Land Holdings, LLC, are new entities and according to the Applicants do not currently own any other health care facilities. The Applicants provided licensure and certification information as required for DeKalb County Nursing and Rehab. The Applicants provided HFSRB and IDPH authorization to access any documents necessary to verify the information submitted. According to the Applicants the managers of these entities (DeKalb Healthcare Holdings, LLC, DeKalb Nursing and Rehab, LLC., and DeKalb SNF Land Holdings, LLC) will be Moshe Blonder, Aaron Singer, and Avichai Zuckerman. (See pages 50-55)

Messrs. Blonder and Singer each have an ownership interest in the following facilities:

**TABLE FOUR  
Facilities Owned by Mr. Blonder and Mr. Singer**

Facility	Mr. Blonder % Owned (3)	Mr. Singer % Owned (3)	City	Beds	Star Rating (1)	Medicaid Days (2)	Total Days (2)	Medicaid Days as % of Total Days (2)
Arista Healthcare	33.3	33.3	Naperville	153	3	23,601	29,212	80.79%
Briar Place Nursing	33.3	33.3	Indian Head Park	232	1	71,971	77,091	93.33%
California Terrace	27.5	27.5	Chicago	297	1	50,895	86,994	58.50%
Chicago Ridge SNF	27	27	Chicago Ridge	231	1	31,996	35,991	88.90%
Forest City Rehab & Nursing Ctr	22	22	Rockford	213	1	60,078	63,997	93.88%
Morgan Park Healthcare	27.5	27.5	Morgan Park	294	2	63,490	76,006	83.53%
Parc Joliet	33.33	33.33	Joliet	203	1	33,844	43,215	78.32%
Pearl Pavilion	24.38	24.38	Freeport	109	1	14,793	20,411	72.48%
Rock River Health Care	13.25	13.25	Rockford	130	2	20,380	24,960	81.63%
Spring Creek	33.33	33.33	Joliet	168	1	25,630	30,078	85.21%

1. Star Rating taken from Medicare Compare Website. <https://www.medicare.gov/care-compare>

**TABLE FOUR**  
**Facilities Owned by Mr. Blonder and Mr. Singer**

Facility	Mr. Blonder % Owned (3)	Mr. Singer % Owned (3)	City	Beds	Star Rating (1)	Medicaid Days (2)	Total Days (2)	Medicaid Days as % of Total Days (2)
2. Medicaid Days and Total Days taken from the Illinois Department of Healthcare and Family Services Medicaid Cost Report <a href="https://hfs.illinois.gov/medicalproviders/costreports.html">https://hfs.illinois.gov/medicalproviders/costreports.html</a>								
3. Facilities in which Mr. Blonder and Mr. Singer have an interest provided by the Illinois Department of Public Health.								

For the facilities in which Messrs. Blonder and Singer each have an ownership interest, these facilities have had adverse actions<sup>2</sup> taken against them in the prior three years. The Applicants provided these adverse actions as required by State Board rule. See Application for Permit page 46 for the listing. Table Three identifies these facilities.

<b>TABLE FIVE</b> Facilities with Adverse Action within prior three years <sup>(1)</sup>	
Facility	City
Arista Healthcare	Naperville
Briar Place Nursing	Indian Head Park
Chicago Ridge SNF	Chicago Ridge
Forest City Rehab and Nursing Center	Rockford
Parc Joliet	Joliet
Pearl Pavilion	Freeport
Spring Creek	Joliet
1. Information regarding these adverse actions can be found at <a href="https://ltc.dph.illinois.gov/webapp/LTCApp/ltc.jsp">https://ltc.dph.illinois.gov/webapp/LTCApp/ltc.jsp</a>	

In letters received by the State Board and testimony at the public hearing concern was expressed about these adverse actions stating in part.

*“Saba Healthcare<sup>3</sup> has had numerous violations levied against them at the facilities they own. These violations have been investigated and documented by the State of Illinois. Many of these violations have resulted in serious tags, which resulted in hefty fines. Currently, most of all of Saba Healthcare facilities in Illinois have a 1-star overall rating, and 1 star*

<sup>2</sup> **Adverse Action** means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations. As defined in Section 1-129 of the Nursing Home Care Act [210 ILCS 45], "Type 'A' violation" means a violation of the Nursing Home Care Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility presenting a substantial probability that risk of death or serious mental or physical harm to a resident will result therefrom or has resulted in actual physical or mental harm to a resident. As defined in Section 1-128.5 of the Nursing Home Care Act, a "Type AA violation" means a violation of the Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility that proximately caused a resident's death. [210 ILCS 45/1-129]

<sup>3</sup> Saba Healthcare is considered an affiliated entity by Medicare. The affiliated entity name is a unique name used to identify a group of nursing homes that share at least one individual or organizational owner, officer, or entity with operational/managerial control. <https://www.medicare.gov/care-compare>

*rating for health inspections, quality measures, and staffing (information taken from medicare.gov website) They also have a combined number of 170 citations for various unsatisfactory business operations.”*

The State Board Staff has reviewed the information provided by the Applicants of the facilities owned by Messrs. Blonder and Singer that have incurred adverse actions taken against those facilities in the prior three years (Information regarding these adverse actions can be found at <https://ltc.dph.illinois.gov/webapp/LTCApp/ltc.jsp>) Based upon the review of the information regarding these adverse actions it does not appear that the Applicants have the background to provide a proper standard of care.

**B. Criterion 1110.230 - Purpose of the Project**

According to the Applicants sale of the nursing home is designed to protect the provision of health services to senior citizens in the DeKalb area. The Applicants state this application **is the only option** of continuing to provide nursing home services in DeKalb County.

**C. Criterion 1110.230 – Alternatives to the Proposed Project**

The Applicant considered one alternative to the proposed project and that is to close the facility.

**VIII. Size of the Project and Projected Utilization**

- A) Criterion 1110.234 (a) - Size of the Project
- B) Criterion 1110.234 (b) - Projected Utilization

Information regarding the size of the project and projected utilization has not been provided as required as of the date of this report.



**IX. CHANGE OF OWNERSHIP OF COUNTY-OWNED LONG-TERM CARE FACILITIES**

- A. Criterion 1110.240(b) - Impact Statement**
- B. Criterion 1110.240(c) - Access**
- C. Criterion 1110.240(d) - Health Care System**

**In response to this criterion the Applicants stated that no** extensive changes are envisioned subsequent to the change of ownership and control. The 190-beds will be retained and there are no planned changes to the services currently being offered. The operating entity will be DeKalb Healthcare Holdings, LLC, owned jointly by Moshe Blonder and Aaron Singer. According to the Applicants this transaction is the result of a determination of DeKalb County to exit nursing home operations, and the ultimate selection of DeKalb Healthcare Holdings, LLC as the successor to own and operate the facility. The Applicants state there are no planned or anticipated reductions in employees. The Applicants state assuming census can be maintained and/or increased, the Applicants hope to explore more hiring. According to the Applicants overall this proposed project is a significant benefit to the community because, absent this transaction, the facility will be lost to the community. No cost benefit analysis of the transaction was provided by the Applicants.

**The Applicants provided the current admission policy that states** *“It is the policy of the DeKalb County Rehab & Nursing Center to admit and treat all residents without regard to race, color, national or ethnic origin, age, religion, disability, sex, sexual orientation, gender identity and expression, veteran status or any other characteristic protected under applicable Federal or State law. The same requirements for admission are applied to all, and all of the facilities of the Nursing Home are available, without exception, to all residents and visitors. (See page 124 of the Application for Permit and additional information provided from previously approved project #18-005)*

There are currently seven existing health care facilities in the DeKalb County Long Term Care Planning Area.

Facility	City	Star Rating	Beds	Medicaid Days	Total Patient Days	Medicaid % of Total Patient Days	Occupancy
Aperion Care DeKalb	DeKalb	1	119	16,241	27,215	59.68%	62.66%
Bethany Rehab & Healthcare Center	DeKalb	2	90	9,631	24,993	38.53%	76.08%
DeKalb County Rehab & Nursing	DeKalb	3	190	23,860	42,728	55.84%	61.61%
Oak Crest	DeKalb	4	73	0	29,046	0.00%	109.01%
Prairie Crossing Living & Rehab	Shabbonash	1	91	14,877	21,169	70.28%	63.73%
Sandwich Rehab & Healthcare	Sandwich	1	63	5,757	8,196	70.24%	35.64%

**TABLE SIX**  
**Facilities within the DeKalb County Long Term Care Planning Area**

Facility	City	Star Rating	Beds	Medicaid Days	Total Patient Days	Medicaid % of Total Patient Days	Occupancy
Willow Crest Nursing Pavilion	Sandwich		116	20,796	31,407	66.21%	74.18%
Total Beds			742				

**X. Financial Viability**

- A. Criterion 1120.120 - Availability of Funds**
- B. Criterion 1120.130 - Financial Viability**
- C. Criterion 1120.140 (A) - Reasonableness of Financing Arrangements**
- D. Criterion 1120.140 (B) - Conditions of Debt Financing**
- E. Criterion 1120.140 (C) – Reasonableness of Project and Related Costs**
- F. Criterion 1120.140 (D) – Projected Operating Costs**
- G. Criterion 1120.140 (E) – Total Effect of the Project on Capital Costs**

DeKalb Healthcare Holdings, LLC will own and operate the DeKalb County Rehab and Nursing Center under the name DeKalb Nursing and Rehab. The property will be owned by DeKalb SNF Land Holdings, LLC and the licensee will be DeKalb Nursing and Rehab, LLC. DeKalb Healthcare Holdings, LLC, DeKalb SNF Land Holdings, LLC and DeKalb Nursing and Rehab, LLC are new entities and there is no historic financial information.

Proforma financial statements for the licensee is provided below.

Proforma Income Statement				
Year		2023	2024	2025
Gross Revenue				
	Private Rev	\$3,653,358	\$3,723,422	\$3,723,422
	Medicaid Rev	\$4,928,692	\$5,050,900	\$5,229,148
	Medicare Part A	\$3,067,800	\$3,124,800	\$3,348,000
	Commercial Ins	\$361,350	\$368,280	\$368,280
	Hospice Revenue	\$385,123	\$385,123	\$382,123
	Medicare Part B	\$240,000	\$240,000	\$240,000
Contractual Adj		-\$61,356	-\$62,496	-\$66,960
Net Patient Revenue		\$12,574,967	\$12,830,029	\$13,224,013
Operating Expenses				
	Nursing	\$5,161,843	\$5,180,730	\$5,190,221
	Ancillary Services	\$792,576	\$792,384	\$815,744
	Activities	\$127,275	\$127,881	\$128,186
	Social Services	\$109,288	\$109,804	\$110,063
	Dietary	\$857,889	\$859,929	\$860,955
	Housekeeping	\$104,052	\$104,399	\$104,574
	Laundry	\$832,699	\$834,014	\$834,675
	Employee Welfare	\$798,836	\$800,650	\$801,561
	General and Adm	\$3,096,038	\$3,124,231	\$3,169,769
	Total Op Exp	\$11,880,496	\$11,934,022	\$12,015,748
Capital Exp				
	Interest	\$622,057	\$613,643	\$604,575
	Depreciation and Amort	\$212,823	\$212,823	\$612,823
Other Income				
	Misc. Income	\$240	\$300	\$360
Net Income		-\$140,169	\$69,840	\$394,223

Proforma Balance Sheet			
	2023	2024	2025
Cash	\$2,001,749	\$2,122,402	\$1,784,547
Receivables	\$823,967	\$993,942	\$1,511,252
Other Current Assets	\$240,000	\$162,000	\$133,000
Total Current Assets	\$3,065,716	\$3,278,344	\$3,428,799
Noncurrent Assets			
Accumulated Depreciation	-\$212,823	-\$424,646	-\$638,469
Building	\$5,727,069	\$5,727,069	\$5,727,069
FFE	\$1,577,019	\$1,577,019	\$1,577,019
Land	\$830,010	\$830,010	\$830,010
Leasehold Improvements	\$166,002	\$166,002	\$166,002
Total Noncurrent Assets	\$8,087,277	\$7,875,454	\$7,661,631
Total Assets	\$11,152,993	\$11,153,798	\$11,090,430
Account Payable	\$861,450	\$986,217	\$1,482,492
Credit Card 1	\$62,500	\$45,000	\$180,000
Accrued Exp	\$127,500	\$67,000	\$105,000
Patient Deposit	\$50,000	\$50,000	\$50,000
Current Liabilities	\$1,101,450	\$1,148,217	\$1,817,492
Total Long-term Liability	\$8,191,712	\$8,074,910	\$7,949,040
Total Liabilities	\$9,293,162	\$9,223,126	\$9,766,532
Shareholders' Equity			
Paid-in-Capital	\$2,000,000	\$2,000,000	\$1,000,000
Retained Earnings	-\$140,169	-\$70,328	\$323,898
Total Equity	\$1,859,831	\$1,929,672	\$1,323,898
Total Liab. and SE	\$11,152,993	\$11,152,798	\$11,090,430