

CHARLES H. FOLEY & ASSOCIATES INC.

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HAND DELIVERED

May 1, 2013

RECEIVED

MAY 02 2013

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Mr. Michael Constantino
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: HFSRB Project Number **12-014**, Manor
Court of Freeport Expansion

Dear Mr. Constantino:

This correspondence is to serve as the Applicants' first request for permit alteration of the above referenced project. Specifically, this alteration seeks to increase the square footage and cost by five percent. Along with these changes, it should be noted that under separate cover and as chronologically directed, the Applicant will be seeking a permit renewal to extend the project completion.

As stated, the only item changing through this request is the gross square footage of the project and as a result, the cost is being increased. Therefore, the only criteria that will change are the following items: 77 Illinois Administrative Code, Chapter II of subchapter a, Section 1125.620 Project Size and 77 Illinois Administrative Code, Chapter II of subchapter a, Section 1125.800. Additionally, a revised Appendix A and B are also addressed and provided.

1125.620 – Project Size:

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards as stated in Appendix A of 77 Ill. Adm. Code 1125 (LTC rules), unless the additional GSF can be justified by documenting one of the following:

The Applicant is proposing an additional 2,706 gross square feet of space over that which was approved increasing the total proposed square footage to 57,306 gross square feet from 54,600 gross square feet. This equates to a five (5) percent increase overall and 489.8 gross square feet per bed upon project completion from the 466.7 gross square feet per bed approved. Therefore, this item remains well within the range of 435 gross square feet to 713 gross square feet per bed norm in accordance with the 77 Illinois Administrative Code, Chapter II of Subchapter a, Appendix A – Project Size Standards. Thus, this item remains compliant with the rules. Please refer to **Exhibit I** for the revised Appendix D – Cost/Space Requiriements.



Health Care Consulting

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1125.800 – Estimated Total Project Cost

The application pages of this criterion are appended as **Exhibit II**.

Availability of Funds

As it relates to the Cash and Securities listed as the sources of funds for the project, appended as **Exhibit III** is a letter from Mr. Thomas R. Steil, Partner of McGladrey, LLP stating that the Applicants have sufficient cash and securities to fund the project and three years of operating costs.

Financial Viability

As this project will continue to be funded entirely through the internal sources of cash, the Applicant continues to meet the requirements of the Financial Viability Waiver. Please refer to the updated Applicant letter (**Exhibit IV**) addressing the use of cash for this project.

Economic Feasibility

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1. That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

Appended as **Exhibit IV**, is a letter from Jeffrey W. Shaw, President of Frances House, Inc. parent of the Applicant writing and attesting that the total estimated project cost will be funded in cash and equivalents. This letter also references the letter appended as **Exhibit III** from the Applicant's accountants stating that the funds are in-place.

B. Conditions of Debt Financing

This item is not germane as no debt financing will be used to fund the project.

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D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

Refer to **Exhibit V** for the projected statement of operations for the second full year of operations which calculate an operating cost of \$274.50 per patient day.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

Refer to **Exhibit V** for the projected statement of operations for the second full year of operations which calculate a capital cost of \$16.18 per patient day.

There should not be any other criterion changes as a result of this permit alteration request. If you should have any questions or concerns regarding this request, please do not hesitate to contact me.

Sincerely,



John P. Kniery
Health Care Consultant

ENCLOSURES

C: Ron Wilson
Andres Bardelas, Administrator

APPENDIX D**Cost/Space Requirements**

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Department/Area	Cost			Gross Square Feet			
	Tot. Apprvd	Alteration	% Change	Existing	Tot. Apprvd	Alteration	% Change
CLINICAL	-	-	-	-	-	-	-
Nursing	\$1,051,845	\$1,191,285		25,824	30,959	32,738	
Living/Dining/Activity	\$297,016	\$264,309		5,387	6,837	6,921	
Kitchen/Food Service	\$23,556	\$14,646		1,680	1,795	1,765	
P.T./O.T.	\$0	\$0		440	440	440	
Laundry	\$0	\$0		1,471	1,471	1,471	
Janitor Closets	\$21,508	\$13,439		386	491	464	
Baths/Toilets	\$40,968	\$27,568		812	1,012	972	
Beauty/Barber	\$0	\$0		170	170	170	
Total Clinical	\$1,434,893	\$1,511,247		36,170	43,175	44,941	
NON CLINICAL							
Office/Administration	\$0	\$35,927		1,480	1,480	1,730	
Employee Lounge/ Locker/Training	\$0	\$0		180	180	180	
Mechanical/Electrical	\$24,799	\$31,760		700	815	921	
Lobby	\$37,521	\$0		320	494	320	
Storage/Maintenance	\$51,754	\$34,490		1,285	1,525	1,525	
Corridor/Public Toilets	\$250,142	\$275,635		5,771	6,931	7,689	
Total Non-clinical	\$364,216	\$377,812		9,736	11,425	12,365	
TOTAL	\$1,799,109	\$1,889,059	5%	45,906	54,600	57,306	5%

SECTION V – FINANCIAL AND ECONOMIC FEASIBILITY REVIEW

Criterion 1125.800 Estimated Total Project Cost

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Availability of Funds – Review Criteria
- Financial Viability – Review Criteria
- Economic Feasibility – Review Criteria, subsection (a)

Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

\$1,754,950	<p>a. Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	<p>b. Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
_____	<p>c. Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
_____	<p>d. Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1. For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2. For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3. For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4. For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5. For any option to lease, a copy of the option, including all terms and conditions. <p style="text-align: center; margin-top: 10px;"><i>Exhibit II</i></p>

_____	e.	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f.	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
134,109	g.	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$1,889,059	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

1. The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and

COST AND GROSS SQUARE FEET BY SERVICE									
Area (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Mod. Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Nursing	121.92		11,400				\$,1,389,950		\$1,389,950
Contingency	6.57		11,400				75,000		75,000
TOTALS	128.49		11,400				\$1,464,950		\$1,464,950

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT - 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

APPENDIX A**Project Costs and Sources of Funds**

Complete the following table listing all costs associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$12,000	\$3,000	\$15,000
Site Survey and Soil Investigation	8,000	2,000	10,000
Site Preparation	40,000	10,000	50,000
Off Site Work	0	0	0
New Construction Contracts	1,111,960	277,990	1,389,950
Modernization Contracts	0	0	0
Contingencies	60,000	15,000	75,000
Architectural/Engineering Fees	56,000	14,000	70,000
Consulting and Other Fees	32,000	8,000	40,000
Movable or Other Equipment (not in construction contracts)	84,000	21,000	105,000
Bond Issuance Expense (project related)	0	0	0
Net Interest Expense During Construction (project related)	0	0	0
Fair Market Value of Leased Space or Equipment	107,287	26,822	134,109
Other Costs To Be Capitalized	0	0	0
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS	\$1,511,247	\$377,812	\$1,889,059
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$1,403,960	\$350,990	\$1,754,950
Pledges	0	0	0
Gifts and Bequests	0	0	0
Bond Issues (project related)	0	0	0
Mortgages	0	0	0
Leases (fair market value)	107,287	26,822	134,109
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	\$1,511,247	\$377,812	\$1,889,059

APPENDIX C**Project Status and Completion Schedules**

Indicate the stage of the project's architectural drawings:

- | | |
|---|--|
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary |
| <input checked="" type="checkbox"/> Schematics | <input type="checkbox"/> Final Working |

Anticipated project completion date (refer to Part 1130.140): June 2014

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

- Purchase orders, leases or contracts pertaining to the project have been executed.
- Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
- Project obligation will occur after permit issuance.



McGladrey LLP

117 E Main St., Suite 210
Galesburg, IL 61401-4612
O 309.342.1175 F 309.342.7816
www.mcgladrey.com

May 1, 2013

To Whom It May Concern:

We have prepared the financial statements of Frances House, Inc., and for Residential Alternatives of Illinois, Inc. for the past 25 years. They have sufficient cash and securities to fund their \$1,754,950 commitment for the construction of the 27-bed skilled nursing addition at Manor Court of Freeport. They will have sufficient cash and securities to fund three years of operating costs.

Sincerely yours,

A handwritten signature in black ink that reads "Thomas R. Steil". The signature is written in a cursive style.

Thomas R. Steil
Partner

TRS:cmz

*Frances House, Inc.
285 South Farnham Street
Galesburg, IL 61401*

April 30, 2013

Ms Courtney Avery
Administrator
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

RE: Manor Court of Freeport – Project #12-014
Certificate of Need Application

Dear Ms. Avery:

We are writing to attest that the total estimated project costs and related costs will be funded in total with cash and equivalents or investment securities. Please see attached letter from Tom Steil of McGladrey.

Sincerely yours,

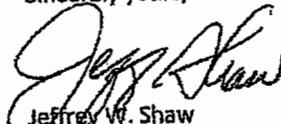

Jeffrey W. Shaw
President

Exhibit IV

Residential Alternatives of Illinois, Inc.
 Manor Court of Freeport
 Projected Statement of Operations
 For the Twelve Months Ending March 31, 2015

	2015 PPD	2015
Revenue		
Rent - Skilled Nursing	160.00	2920000
Rent - Medicare Part A	383.00	4193850
Rent - Medicaid	124.00	1267280
Rent - Shelter Care	100.00	401500
Medicare Part B		48000
Total Income		8830630
Program Expenses		
Labor - Activity Aides	2.00	95069
Labor - Social Service	0.58	27308
Activity Supplies	0.07	3092
Subscriptions/Fees/Training	0.01	400
Total Program	2.65	125869
Nursing Expenses		
Labor - D.O.N.	1.88	79716
Labor - ADON	1.47	69752
Labor - R.S.D.	1.16	54897
Labor - MDS	2.24	106288
Labor - Medical Records	1.08	51246
Labor - RN	9.03	428474
Labor - LPN	8.18	388141
Labor - CNA	20.54	974623
Labor - SCU Coordinator	0.73	34404
Labor - RA	10.77	511057
Medical Supplies - Billable	0.18	8588
Medical Supplies - Non Billable	1.07	50598
Self Care Supplies	0.12	5503
Pharmacy Charges - Private	0.00	102
Pharmacy Charges - Medicaid	0.06	2831
Medicare Pt. A - Pharmacy Supply (1)	26.12	305044
Medicare Pt. A - Lab (1)	5.02	58686
Medicare Pt. A - X-Ray (1)	0.40	4647
Medicare Pt. A - Ambulance (1)	0.63	7358
Incontinence Supplies	0.74	35024
Oxygen	0.45	21268
Medical Equipment	0.32	15049
Medical Equipment Rental	0.02	903
Travel Expense	0.01	556
Subscriptions/Fees/Training	0.01	250
Pharmacy Consultant	0.12	6709
Medical Records Consultant	0.05	2277
Medical Director	0.16	7423
PT Rehab	0.15	7158
PT Rehab - Medicare Pt. A (1)	39.61	461522
PT Rehab - Medicare Pt. B (1)	2.68	127198
OT Rehab	0.11	5266
OT Rehab - Medicare Pt. A (1)	34.40	57787
OT Rehab - Medicare Pt. B (1)	1.73	82257
Speech Therapy - Rehab	0.03	1187
Speech Therapy - Medicare Pt. A (1)	8.19	95601
Speech Therapy - Medicare Pt. B (1)	1.38	65564
Total Nursing	.180.51	4133753

Exhibit V

Food Service Expenses		
Labor - Food Service	7.49	355493
Food Supplies	8.64	410084
Purchased Meals	0.00	27
Miscellaneous Food	0.69	32886
Dietary Supplies	0.31	14684
Miscellaneous Supplies	0.02	1013
Equipment & Utensils	0.22	10656
Travel Expense	0.00	74
Subscriptions/Fees/Training	0.00	117
Consultant - Dietary	0.17	7848

Total Food Service	17.55	832881
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Hskp/Laundry Expenses		
Labor - Housekeeping/Custodial	3.57	169229
Labor - Laundry	1.41	60905
Housekeeping Supplies	0.93	44068
Laundry Supplies	0.25	12092
Carpet Cleaning Service	0.00	0
Equipment	0.03	1420
Linen & Bedding	0.15	6889
Travel Expense	0.00	178

Total Hskp/Laundry	6.34	300780
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Maintenance Expenses		
Labor - Maintenance	1.82	86463
Maintenance Supplies	0.57	27252
Decorating Supplies	0.03	1507
Facility Equipment	0.11	5070
Equipment	0.05	2361
Repairs - H.V. & A.C.	0.08	3948
Repairs - Vehicles	0.04	1738
Repairs - Food Service	0.04	1927
Repairs - Housekeeping/Laundry	0.01	587
Maint. Contracts - Fire Alarm	0.11	5128
Maint. Contracts - Sprkler	0.00	0
Maintenance Contracts/Special	0.29	13048
Other Service Contracts	0.47	22266

Total Maintenance	3.63	172191
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Exhibit V

Administrative Expenses		
Labor - Manager	2.93	139240
Labor - Clerical	2.07	98222
Labor - Marketing/Villa	0.94	44614
Office Supplies	0.90	42885
Office Equipment	0.40	18757
Postage & Shipping	0.08	3734
Background Checks	0.02	1151
Equipment	0.19	8993
Equipment Contracts	0.00	0
Travel Expense	0.08	3895
Travel Exp. - Training/Seminar	0.03	1516
In-House Training & Meetings	0.08	2888
Subscriptions/Fees/Training	0.11	5237
Total Administrative	7.82	371129
General Expenses		
FICA	5.46	259274
Group Insurance	3.71	176040
Unemployment Insurance	0.57	27101
Workers Comp Insurance Premium	3.22	153016
401K Expense	0.46	21740
Other Employment Expense	0.16	7568
Vending	0.13	8134
Printing	0.02	713
Telephone	0.18	8639
Cable T.V.	0.17	8294
Electricity/Natural Gas	2.96	140659
Water	0.57	27002
Soft Water	0.00	123
Advertising - Employment	0.08	3779
Advertising - Promotion	2.24	106317
Legal Fees	0.01	340
Professional Services	6.89	317548
Property Tax	3.45	163703
Vehicle Expense	0.25	11863
Vehicle Insurance	0.07	3302
Property Insurance	0.24	11475
Liability Insurance	1.70	80454
License/Fees/Etc.	0.08	3855
Interest (2)	9.61	455995
Depreciation Expense (2)	6.97	330727
Medicaid Assess Tax	4.93	233929
Miscellaneous	0.03	1329
Charity Care	0.40	18980
Bad Debt Expense	1.72	81845
Total General	58.10	2661737
Total Expenses	274.60	8598339
Net Income or (Loss)		232281
1120.140d		
Operating Cost per Patient Day	274.60	
Operating Cost per Patient Day excluding Medicare (1)	154.54	
1120.140e		
Capital Cost per Patient Day (2)	16.18	

Exhibit V

5921

CHARLES H. FOLEY & ASSOCIATES, INC.

1638 SOUTH MACARTHUR BOULEVARD
SPRINGFIELD, IL 62704
217-544-1551

EShieldSM Check Fraud
Protection for Business

70-7345-2711

DATE 5/1/13

PAY
TO THE
ORDER OF

Illinois Department of Public Health

\$ 500.⁰⁰

Five hundred and 00/100

DOLLARS Security Features
Included
Details on Back.



SECURITY BANK

510 E. Monroe
Springfield, IL 62701

FOR Project #12-014 Manor Court of Freeport
Permit Alteration Fee

Anna M. Kenney MP

⑈00592⑈ ⑆271173452⑆ 0300001070⑈