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HEALTH FACILITIES &
SERVICES REVIEW BOARD

January 22, 2016

VIA FEDERAL EXPRESS
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761
Attention: Chairperson Olson

Re: Opposition to Project 15-044
Transformative Health of McHenry

Dear Chairperson Olson:

On behalf of ManorCare Health Services, LLC, HCR Healthcare, LLC, HCR ManorCare, Inc. (collectively "ManorCare") and ManorCare Health Services – Libertyville LLC, (collectively with ManorCare, the "ManorCare Parties"), please accept this letter as a statement of the ManorCare Parties' opposition to Project 15-044, Transformative Health of McHenry (the "TH Project"). The ManorCare Parties oppose the Project because there is no calculated bed need in McHenry County.

On November 13, 2015, the Circuit Court of McHenry County reversed the Illinois Health Facilities and Services Review Board ("State Board") decision denying ManorCare's application (Project #12-039) for a certificate of need ("CON") permit to establish and operate a 130-bed skilled nursing facility in McHenry County (the "ManorCare Project") and issued an order instructing the State Board to issue a CON permit for the ManorCare Project.

The December 16, 2015 State Board Bed Inventory (the "Inventory") incorrectly reflects a calculated bed need of 127 beds in McHenry County, as the Inventory has not been adjusted to reflect that the State Board has been directed to issue a CON for 130 beds for the ManorCare Project by the Circuit Court of McHenry County.

Due to the decision of the Circuit Court of McHenry County, there is no need for any additional beds in McHenry County. If the State Board approves the TH Project, it is creating unnecessary duplication of services and approving duplicative beds, as the ManorCare Project will satisfy the calculated bed need in McHenry County.

In addition to the lack of a calculated bed need in McHenry County, the new "referral" letters submitted by Transformative Health of McHenry continue to be defective. Illinois Administrative Code Section 1125.540(d) states in part as follows:

> "d) Projected Referrals
>
> An applicant proposing to establish a category of service or establish a new LTC facility shall submit the following:
>
> 1) Letters from referral sources (hospitals, physicians, social services and others) that attest to total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used;
>
> 2) An estimated number of prospective residents <u>whom the referral sources will refer annually</u> to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the referral sources' documented historical LTC caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share, within a 24-month period after project completion;" (emphasis added)

The letter from Centegra Health System states that "...hospitals do not make referrals but only offer recommendations and choices to patients. Physician orders are required to make the referrals." In the 9 form letters from physicians within the Centegra system, each letter states that "often the admissions are facilitated by the hospitals and it is my understanding that Centegra Health System has estimated up to 30% of the total referrals will be directed to the facility". As evidenced by the foregoing, neither Centegra Health System nor any of the physicians commit to make any referrals to the TH Project. Instead, Centegra Health System states that physicians are responsible for referrals, and the physicians say that Centegra Health System is responsible for referrals. Accordingly, while the letters may constitute statements of support, they do not meet the State Board's requirement that the letters from referral sources state that the referral sources "will refer" residents to the applicant's facility.

Based on the foregoing, the Manor Care Parties request that the State Board deny the TH Project.

Very truly yours,

Andrew P. Tecson

APT:ktb