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May 26, 2016

RECEIVED
MAY 27 2016
HEALTH FACILITIES &
SERVICES REVIEW BOARD

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' continued opposition to Project 15-044, Transformative Health of McHenry (the "TH Project"). The ManorCare Parties oppose the TH Project because of the current pending litigation between the Illinois Health Facilities and Services Review Board ("State Board") and the ManorCare Parties related to the State Board's denial of 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").

On November 13, 2015, the Circuit Court of McHenry County reversed the State Board decision denying the ManorCare Project and issued an order instructing the State Board to issue a CON permit for the ManorCare Project. The State Board has appealed this decision, which appeal is currently pending.

If the State Board believes that there is no additional need in McHenry County, then it must deny the TH Project.

Conversely, if the State Board believes that the voluminous information supplied by Transformative Health regarding the existing providers, including without limitation age of facility, square footage, operating costs, inspection citations, and capital expenditures constitutes a good reason to overlook Transformative Health's inability to comply with the three criteria described below, then the State Board should deny the TH Project, follow the direction of the Circuit Court to approve the ManorCare Project, and withdraw its appeal of the ManorCare Project.

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, nothing in the additional information submitted by Transformative Health mitigates the negative findings of the State Board Staff set forth in the Staff Report for the February 16, 2016 State Board meeting (the "Staff Report"). The Staff Report reflects that the TH Project did not satisfy three (3) criteria: 1125.570 Service Accessibility, 1125.580(b) Maldistribution and 1125.580(c) Impact of Project on Area Providers.

Inability to Satisfy Service Accessibility Criterion

With respect to Service Accessibility, Transformative Health alleges that they have satisfied such criterion because a portion of McHenry County is classified as a Medically Underserved Area. However, the requirement of 1125.570 states that the applicant is required to document that the area population and existing care system exhibit indicators of medical care problems. The proposed location of the TH Project is not in a Medically Underserved Area. Further, Transformative Health does not provide any documentation to support that the existence of a Medically Underserved Area in McHenry County indicates that there are medical care problems in the area to be served by the TH Project.

Additionally, the proposed location of the TH Project is on the campus of Centegra Hospital-McHenry and, in its comments to the State Board at the February 16, 2016 State Board meeting, Transformative Health confirmed that the target patient population to be served by the TH Project is short-term stay patients being discharged from Centegra Hospital-McHenry with an average length of stay of 28 days. Accordingly, the TH Project is not helping to address any medical care problem that might exist in a Medically Underserved Area. Its proposed patient base will already be receiving care at Centegra Hospital-McHenry and absent the TH Project; such patients would be discharged to another facility in the area.

Inability to Satisfy Impact of Project on Area Providers Criterion

The only purported evidence that Transformative Health provides in response to this criterion is to point to the State Board's Inventory and state that because there is a projected bed need, the TH Project will not lower the utilization of other providers in the planning area. In reality, there is no bed need in the planning area since the State Board has been directed to approve the ManorCare project it denied in 2012.

Conclusion

For the reasons set forth herein, the State Board must deny the TH Project.

Very truly yours,

Andrew P. Tecson

APT:ktb