



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-06	BOARD MEETING: June 21, 2016	PROJECT NO: 16-014	PROJECT COST: Original: \$20,631,082 Current:
FACILITY NAME: St. Clara's Manor		CITY: Lincoln	
TYPE OF PROJECT: Substantive			HSA: III

DESCRIPTION: The applicants (St Clara's Manor and St. Clara's Senior Services) propose to establish a 106-bed skilled nursing facility in Lincoln, Illinois. The total cost of the project is \$20,631,082. The completion date is January 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are proposing to establish a 106-bed long term care facility, at 1450 Castle Manor Drive, in Lincoln. The anticipated cost of the project is \$20,631,082. **The anticipated completion date is January 31, 2018.**
- This application was deemed complete on April 8, 2016, and was approved for expedited review and presentation at the June 21, 2016 IHFSRB meeting. The applicant stated the following regarding the request for expedited hearing. *“The Applicant filed the project in good faith in accordance with the published dates for which a project must be deemed complete in order to be tentatively heard by the Board. In doing so, it has scheduled the project around being considered in June and delay from that date could throw off the time line and consequently the project budget.”* We note that this project was deemed complete on April 8, 2016 and the Board Staff by Statute and by rule has 120 days from the date of completeness to review a substantive project. [Source: 20 ILCS 3960/6.2] There is nothing in Statute or rule that allows for an expedited review for any project. The only exception is for an emergency project and this project is not considered an emergency. Emergency Projects means projects that are *emergent in nature and must be undertaken immediately to prevent or correct structural deficiencies or hazardous conditions that may harm or injure persons using the facility, as defined at 77 Ill. Adm. Code 1110.40(a).* [20 ILCS 3960/12(9)]
- The applicants’ application for permit is presented as a discontinuation and relocation of a long term care facility. The State Board does not have jurisdiction over the discontinuation of a long term care facility. [Source: 20 ILCS 3960/3] Current State Board rules do not address a relocation of a long term care facility. The proposed project is being reviewed as the establishment of a long term care facility in the Logan County Long Term Care Planning Area.
- The proposed project was modified on May 20, 2016 to reflect changes in the Project Cost Line Item amounts. The total project cost did not change. This is considered a Type B Modification and not subject to a Notice of an Opportunity for a Public Hearing.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because they are proposing to establish a healthcare facility as defined by 20 ILCS 3960.

PUBLIC COMMENT:

- A public hearing was offered in regard to this project, but was not requested. State Board Staff has received no letters of support or opposition to this project.

CONCLUSIONS:

- The State Board is projecting a compounded annual growth in the population in the Logan County Long Term Care (LTC) Planning Area for the period 2013-2018 of .40%. Because of the estimated growth in the population the State Board has calculated an excess of ninety seven (97) long term care beds in this planning area by CY 2018.
- From the documentation that we have reviewed it appears the proposed project will serve the residents of the Logan County Planning Area. However service demand can be accommodated by existing service providers in the planning area. There are five (5) long term care facilities in this long term care planning area that are operating at 71% and seven (7) facilities within 30 minutes that are operating at 78%. Within forty five (45) minutes there are thirty one (31) facilities operating at approximately 79%.
- The 106 bed facility will be dual certified for Medicare and Medicaid. Admission and charity care policy was provided as requested. The policy contained the appropriate non discrimination language “that it is the policy of St. Clara’s Manor Inc; that service will be provided to all persons

without regard to race, color, national origin, handicap or age.” The projected payor mix of the proposed facility will be 38.1% Private Insurance, 44.3% Medicaid and 17.5% Medicare.

- We do not believe the proposed facility will improve service accessibility in the planning area because the underutilized facilities currently accept Medicare and Medicaid clients and there has been no restrictive admission policies identified at other area providers.
- We believe the proposed facility will result in an unnecessary duplication of service based upon the underutilization of the existing facilities. It also appears that there is a surplus of LTC beds in the thirty (30) minute service area based upon the comparison of the State of Illinois ratio of LTC beds to the population to the planning area ratio. Additionally it appears the proposed facility will have an impact on other facilities in the planning area given the underutilization of existing facilities and the surplus of beds in the planning area. Finally based upon the information provided by the applicants the debt financing for this project has not been established.
- The applicants addressed twenty (20) criteria and did not meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1125. 530 (a) Planning Area Need	There is no need for additional beds in this Planning Area. The State Board has calculated an excess of ninety seven (97) long term care beds in the Logan County Long Term Care Planning Area.
Criterion 1125. 570 (a) (1) (2) (3) (4) – Service Accessibility	There is no absence of long term care services in the Logan County Long Term Care Planning Area, or in the 45-minute drive radius surrounding the proposed facility. No documentation has been provided by the applicants that would indicate access limitations due to payor status of patients/residents, or restrictive admission policies of existing providers.
Criterion 1125.580 (a) (b) (c) – Unnecessary Duplication of Service/Mal-distribution of Service/Impact on Other Facilities	Based upon the average utilization of the seven (7) facilities within thirty minutes of 78% we believe the proposed establishment will result in an unnecessary duplication of service. We also believe there is a surplus of beds in this thirty (30) minute service area based upon the information we have reviewed and the proposed facility will have an impact on other facilities in the planning area based upon the underutilization of the existing services.
1125.800 – Availability of Funds	The applicants provided documentation from Hickory Point Bank & Trust, outlining the funding of a loan through the issuance of Series 2016 bank-qualified tax exempt bonds amounting to \$9,500,000, and series 2017 bank qualified tax-exempt bonds totaling \$6,500,000. However this documentation was for discussion only and not a firm commitment to provide the financing for the project. We note <i>the purpose of the Act requires a person establishing, constructing or modifying a health care facility, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community.</i> [20 ILCS 3960/2]
1125.800 – Financial Viability	Table Eight below outlines the financial ratios for the St. Clara’s Manor, St Clara’s Senior Services and the combined ratios of both entities. The applicants have not met all of the State Board Standards for these financial ratios.

STATE BOARD STAFF REPORT
St. Clara's Manor
Lincoln, Illinois
#16-014

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants	St. Clara's Manor St. Clara's Senior Services
Facility Name	St. Clara's Manor
Location	1450 Castle Manor Drive, Lincoln
Operating Entity/Licensee	St. Clara's Manor
Owner of the Facility	St. Clara's Senior Services
GSF	73,491 GSF
Application Received	April 1, 2016
Application Deemed Complete	April 8, 2016
Review Completion Date	August 6, 2016
Financial Commitment Date	Upon Permit Issuance
Expedited Review?	Yes, April 27, 2016
Review Extended	No
Application Modified - Type B	Yes, May 20, 2016
Can Applicant Request Another Deferral?	Yes

I. The Proposed Project

The applicants (St. Clara's Manor and St. Clara's Senior Services) are propose to discontinue and re-establish a long term care (LTC) facility in Lincoln, Illinois. The total cost of the project is \$20,631,082. **The anticipated completion date is January 31, 2018.**

II. Summary of Findings

- A. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1125 Subpart D.
- B. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1125 Subpart F.

III. General Information

The applicants are St. Clara's Manor and St. Clara's Senior Services. The proposed facility will be located at 1450 Castle Manor Drive, Lincoln, and will be owned by St. Clara's Senior Services. Prior to 2010, St. Clara's Manor, Inc. was operated as St. Clara's Senior Services, Inc. On January 1, 2010, St. Clara's Senior Services, Inc. split into three separate organizations: St. Clara's Manor, Inc., which operates a Nursing Home; Castle Manor, Inc., which operates a supportive living facility; and St. Clara's Senior Services, Inc., which is a supporting organization of both St. Clara's Manor, Inc. and Castle Manor, Inc. St. Clara's Manor, Inc. is chartered as an Illinois not-for-profit corporation and is exempt from federal taxation under section 501 (c) (3) of the Internal Revenue Code. St. Clara's Manor, Inc. leases all property and equipment used in operations from St Clara's

Senior Services, Inc. under a five-year operating lease. St. Clara's Manor, Inc. participates in an agreement with Heritage Operations Group, LLC for management services. The current agreement has a five-year term expiring in June 2019. The agreement authorizes Heritage Operations Group, LLC to operate the Nursing Home in accordance with generally accepted management, administrative, and accounting practices. Heritage Operations Group, LLC is entitled to a monthly base management fee of 5% of net patient revenues. Fees paid under this agreement were \$248,765 and \$345,976 for the years ended December 31, 2014 and 2013, respectively. [Source: December 31, 2014 Audit for St. Clara's Manor]

The proposed facility will be located in the Logan County Long Term Care Planning Area. The State Board is currently projecting an excess of ninety seven (97) long term care beds by CY 2018 for this Long Term Care Health Planning Area. Target occupancy for the long term care category of service is ninety percent (90%). Obligation for this project will occur after permit issuance. This is a substantive project subject to both an 1125 and 1125.800 review.

IV. Logan County Long Term Planning Area

The State Board has calculated an excess of ninety seven (97) long term care beds in the Logan County Long Term Care Planning Area by CY 2018. The Logan County Long Term Care Planning Area has a total of 468 LTC beds; that provided a total 125,246 patient days of care in 2013. Utilization projections for the year 2018, estimate the provision of 121,798 patient days of care, which account for the projected excess in LTC beds. Below are the five (5) facilities within the Logan County long term care planning area. Approximately two percent (2%) or 10 beds were not active [i.e. dead beds] during the period 2010-2014 in the Logan County Planning Area which is less than the State of Illinois average of approximately four percent (4%).

TABLE ONE					
Facilities within the Logan County LTC Planning Area					
Facilities	City	Patient Days*	HSA	Beds	Utilization
Abraham Lincoln Hospital (Swing Beds) ^[1]	Lincoln	912	3	0	N/A
Christian Nursing Home	Lincoln	29,301	3	112	71%
H&J Von Der Lieth Living Center	Mt. Pulaski	25,064	3	90	76.3%
Symphony of Lincoln	Lincoln	30,766	3	126	66.9%
St. Clara's Manor	Lincoln	36,052	3	140	70.6%
Total Patient Days/Beds/Average Utilization		122,095		468	56.96%
<i>Source: Information taken from 2014 LTC Profile Information reported by the facilities</i>					
1. Hospital has a swing bed program that allows for the use of medical surgical beds as both medical surgical and long term care. Data included with medical surgical information and not reported as long term care.					

The State Board is estimating a compounded annual growth in the population in Logan County for the period 2013-2018 of .40%.

TABLE TWO				
Logan County Population Growth				
Age Cohort	Estimated 2013 Pop.	Estimated 2018 Pop.	Compounded Annual Growth	5 Year Growth
0-64 years	24,700	25,100	0.32%	1.61%
65-74 years	2,600	2,800	1.49%	7.69%
75+	2,400	2,400	0.00%	0.00%
Total	29,700	30,300	0.40%	2.02%
Source: Information From Inventory Of Health Care Facilities And Services And Need Determinations August 2015				

V. The Proposed Project - Details

The applicants propose to discontinue St. Clara’s Manor, a 140-bed LTC facility located at 200 South 5th Street, Lincoln, after the establishment of a 106-bed replacement facility 2.6 miles (7 minutes) away, located at 1450 Castle Manor Drive, Lincoln. The new facility will contain 82 private, 12 semi private rooms, and comprise 73,491 GSF of space. The project cost is \$20,631,082, and project obligation will occur after permit issuance.

VI. Project Costs and Sources of Funds

The proposed project is being funded with cash and securities totaling \$5,000,000, and project-related bond issues totaling \$15,631,082. Table Three outlines the project’s uses and sources of funds as well as the modification and the differences. The State Board Staff notes the project has both Reviewable and Non Reviewable components.

TABLE THREE

Project Costs and Sources of Funds

USE OF FUNDS	Original Submittal			Modification			Difference		
	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total
Pre planning Costs	\$37,181	\$17,819	\$55,000	\$49,319	\$23,637	\$72,956	\$12,138	\$5,818	\$17,956
Site Survey/Soil Investigation	\$110,528	\$52,972	\$163,500	\$110,528	\$52,972	\$163,500	\$0	\$0	\$0
Site Preparation	\$462,671	\$221,738	\$684,409	\$440,484	\$211,105	\$651,589	(\$22,187)	(\$10,633)	(\$32,820)
Off Site Work	\$676	\$324	\$1,000	\$676	\$324	\$1,000	\$0	\$0	\$0
New Construction Contracts	\$10,421,799	\$4,994,727	\$15,416,526	\$10,018,670	\$4,801,525	\$14,820,195	(\$403,129)	(\$193,202)	(\$596,331)
Contingencies	\$1,042,180	\$499,473	\$1,541,653	\$1,001,569	\$480,010	\$1,481,579	(\$40,611)	(\$19,463)	(\$60,074)
Architectural/ Engineering Fees	\$767,071	\$367,624	\$1,134,695	\$934,515	\$447,874	\$1,382,389	\$167,444	\$80,250	\$247,694
Consulting and Other Fees	\$124,363	\$59,602	\$183,965	\$410,706	\$196,834	\$607,540	\$286,343	\$137,232	\$423,575
Movable or Other Equipment	\$619,197	\$296,755	\$915,952	\$619,197	\$296,755	\$915,952	\$0	\$0	\$0
Bond Issuance Expense	\$148,670	\$71,251	\$219,921	\$148,670	\$71,251	\$219,921	\$0	\$0	\$0
Net Interest Expense During Construction (project related)	\$212,580	\$101,881	\$314,461	\$212,580	\$101,881	\$314,461	\$0	\$0	\$0
TOTAL USES OF FUNDS	\$13,946,916	\$6,684,166	\$20,631,082	\$13,946,916	\$6,684,166	\$20,631,082	\$0	\$0	\$0
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total
Cash and Securities	\$3,380,074	\$1,619,926	\$5,000,000	\$3,380,074	\$1,619,926	\$5,000,000	\$0	\$0	\$0
Bond Issues	\$10,566,842	\$5,064,240	\$15,631,082	\$10,566,842	\$5,064,240	\$15,631,082	\$0	\$0	\$0
TOTAL SOURCES OF FUNDS	\$13,946,916	\$6,684,166	\$20,631,082	\$13,946,916	\$6,684,166	\$20,631,082	\$0	\$0	\$0

Source: Application for Permit Page 31 and Modification of Application Submitted May 20, 2016

VII. Cost/Space Requirements

Table Four displays the project’s cost/space requirements for the reviewable/non-reviewable portions of the project.

TABLE FOUR			
Costs Space Requirements			
Department /Area	Cost	Proposed	Construction
Reviewable			
Clinical	\$9,321,900	33,206	33,206
Living/Dining/Activity	\$3,026,824	10,782	10,782
Kitchen/Food Service	\$425,305	1,515	1,515
P.T./O.T.	\$606,375	2,160	2,160
Laundry	\$172,087	613	613
Janitor Closets	\$56,988	203	203
Clean/Soiled Utility	\$278,484	992	992
Beauty/Barber	\$58,953	210	210
Total Reviewable	\$13,946,916	49,681	49,681
Non Reviewable			
Office/Admin	\$557,528	1,986	1,986
Employee Lounge	\$80,289	286	286
Mechanical	\$359,334	1,280	1,280
Lobby	\$273,430	974	974
Storage/Maintenance	\$510,647	1,819	1,819
Public Toilets	\$184,439	657	657
Corridor	\$4,718,499	16,808	16,808
Total Non Reviewable	\$6,684,166	23,810	23,810
TOTAL	\$20,631,082	73,491	73,491
Source: Application for Permit Page 35			

VIII. Purpose of the Project, Alternatives

A) Criterion 1125.320 - Purpose of the Project

According to the applicants “*this project seeks to continue health services, not improve those services in terms of filling an unmet need. Unlike projects to establish beds and services, the proposed project is only a technical establishment as it is more appropriately the off-site replacement of St. Clara’s Manor. The applicant is seeking merely to improve the well-being of its existing population. As this facility currently serves the Logan County Planning Area/Lincoln Market Area, the improvement of the existing physical plant of an area provider will naturally have the consequence of improving the healthcare delivery of nursing services.*” The applicants cited an aging physical plant and an inability to sufficiently populate a 140 bed long term care facility. The applicants propose to replace the facility in its entirety, with a smaller facility (106 beds), to better address the issue of underperformance. [See Application for Permit pages 152-201]

B) Criterion 1125.330 - Alternatives to the Proposed Project

Below is the applicants' explanation of the alternatives considered for this project.

1. Total Renovation of St. Clara's Manor

The applicants rejected the idea of renovation. Although the identified cost (\$5,704,400) is only a quarter of the cost to establish a replacement facility, the issue would still remain that the facility was a 45 year old building, requiring intensive maintenance, and the uncertainty of improved quality of care would be present. The applicants also note the displacement of residents during the renovation period may permanently reduce the resident population at St. Clara's, resulting in underutilization at the renovated facility.

2. Total Discontinuation of St. Clara's Manor

The option of discontinuation was rejected, based on the effect discontinuation would have on patient accessibility to long term care in the Logan County Health Planning Area. The discontinuation of St. Clara's would result in a need for 43 additional LTC beds. The applicants have determined that average daily census at St. Clara's was 106 patients for the most recent 5 year period ending in CY 2014. The applicants cite no costs, financial benefits, or determinants to the quality of care, by discontinuing the existing facility and not establishing any form of replacement.

3. Off-Site Replacement of a 117-Bed LTC Facility

The applicants weighed this alternative, and determined that the establishment of a 117-bed LTC facility would actually cost more (\$22,772,043), than the project proposed. The applicants note their average daily census over a 5 year period was 106 beds. Based on these findings, a 117-bed facility would result in empty beds, and possible underutilization. This alternative was rejected.

4. Project as Proposed

The applicants selected this alternative, based on its cost, efficiencies, and favorable effect on the quality of patient care. The option of establishing a 106-bed facility results in better achievement of utilization commensurate with the State standard (90%), a suitable environment for improved patient care, and the greatest cost efficiencies on a per-bed basis. The applicants determined that a 106-bed LTC facility will have a positive effect on the current bed overage, while best meeting the need for modern skilled nursing care. Cost with this alternative: \$20,631,082.

IX. Background of the Applicants

A) Criterion 1125.530 (b) (1) (3) – Background of the Applicant

To determine if the applicants have the necessary background to own and operate a health care facility the applicants must provide:

1. A listing of all health care facilities owned and operated by the applicants.
2. A certified listing of any adverse action taken against any health care facility owned or operated by the applicants.
3. A listing of each member of the LLC that owns more than 5% of the proposed licensed entity.
4. Authorization from the applicants to allow the Illinois Department of Public Health and the Illinois Health Facilities and Services Review Board to access any all information to verify information in the application for permit

The applicants do not own any other health care facility. The applicants are not for profit entities and not a limited liability company. The applicants have attested that there has not been any adverse action in the prior three (3) years subsequent to the filing of this application for permit and have authorized the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health to access to information in order to verify any documentation or information the applicants have submitted in response to the requirements of this subsection or to obtain any documentation or information related to this Certificate of Need application. Licensure to verify the applicants long term care and supportive living services are located on pages 218-219 of the application.

The applicants are in compliance with the Flood Plain documentation as required of Illinois Executive Order #2006-5 and the Illinois Historic Preservation Act Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 IAC 1125.520)

X. Need for Project

A) Criterion 1125.530 (a) (b) - Planning Area Need

To demonstrate compliance with the criterion the applicants must document a calculated need for long term care beds in the planning area and the proposed will provide service to residents of the planning area.

- a) The State Board has projected an excess of ninety seven (97) long term care beds in the Logan County Long Term Planning Area by CY 2018.
- b) Service to Planning Area Residents

The applicants provided two (2) referral letters from Lincoln Memorial Hospital, Lincoln, and Memorial Health System, Springfield, expecting to refer patients to the proposed facility. More specifically, the application contains 6 referral letters from area physicians agreeing to the referral of approximately 260 residents to the LTC

facility after project completion. Table Five identifies the physician, and the number of patients expected to be referred to the facility, upon project completion.

TABLE FIVE Referral Letters	
Name	Referrals
Dr. Dennis Carroll, Springfield Clinic, Lincoln	70-80
Dr. Christopher Rivera, Memorial Physician Svcs.	35-40
Dr. John Wahab, Memorial Physician Svcs.	40-50
Dr. Malou Laya, Memorial Physician Svcs.	20-25
Dr. Richard Bivin, Memorial Physician Svcs.	30-40
Dr. Paul Casa, Memorial Physician Svcs.	40-50
Average total Referrals:	260
Source: Application, pgs. 229-234	

The applicants supplied referral data [application, pgs. 225-226], that shows over 92% of the referrals came from zip codes located within a 30-minute travel radius of the proposed facility, in the years 2014 and 2015. The applicants project this percentage of geographical referrals to continue after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1125.530 (a) (b))

B) Criterion 1125.540 (b) (d) - Service Demand – Establishment of General Long-Term Care

To address this criterion the applicants must provide referral letters documenting the number of historical referrals to long term care facilities and the projected number of residents to be referred to the proposed new facility within twenty four (24) months after project completion.

The applicants provided two (2) referral letters from area health systems, and six referral letters from area physicians. The referral letters must

- Provide the number of historical referrals to other LTC facilities for the prior twelve (12) months;
- Provide the zip code of the historical referrals and the name of the recipient LTC facility;
- Provide the projected number of referrals by zip code of residence that will be referred annually within a 24 month period;
- Attest that the projected referrals have not been used to support any pending or approved certificate of need projects;
- Certify the information is true and correct; and the
- Letter must be signed by a physician or CEO, dated and notarized

Two (2) referral letters from Health Systems (Memorial Medical Center, Springfield and Lincoln Memorial Hospital, Lincoln) document the number of historical referrals to skilled nursing facilities in the area, and commit to this number of referrals in the future. The physician referral letters identify the number of patient referrals to area facilities, and specifically, the number historically referred to St. Clara’s Manor. The

physician referral letters also attest to the number of patients expected to be referred to St. Clara’s Manor in the future, with some of these referrals expected to increase in the future. The applicants’ note the information provided was to the best of their ability, in light of HIPAA privacy requirements.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 IAC 1125.540 (b) (d))

C) Criterion 1125.570 (a) (1) (2) (3) (4) - Service Accessibility

To demonstrate compliance with this criterion the applicants must provide documentation that the proposed project will improve service accessibility in the forty five minute service area by identifying one of the following four factors.

- 1) The absence of the proposed service within the planning area;
- 2) Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;
- 3) Restrictive admission policies of existing providers;
- 4) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

There are five (5) facilities within the Logan County Long Term Care planning area with an average utilization of approximately seventy one (71%) percent. Of the 468 licensed long term care beds in the Logan County Long Term Planning Area, 461 long term care beds are certified for Medicaid and 349 long term care beds are certified for Medicare. There are thirty one (31) existing facilities within forty five (45) minutes of the proposed facility. Of the thirty one (31) existing facilities, six (6) are at the State Board’s target occupancy of ninety percent (90%) with a total of 2,969 licensed beds and an average utilization of 75.32%. [See Table Six Below]. There is no absence of long term care services in the Logan County Long Term Care Planning Area, or the 45-minute drive radius surrounding the proposed facility. No documentation has been provided by the applicants that would indicate access limitations due to payor status of patients/residents, or restrictive admission policies of existing providers. [See Table One and Two and 2014 LTC Profile Information]

TABLE SIX				
Facilities within 45 Minutes of the Proposed Facility				
Facilities	City	Time	Beds	Utilization
Abraham Lincoln Hospital (Swing Beds)	Lincoln	3	0	N/A
Christian Nursing Home	Lincoln	3	112	71%
Symphony of Lincoln	Lincoln	6	126	66.9%
Von Der Lieth Living Center	Mt. Pulaski	17	90	76.3%
Mason City Area Nursing Home	Mason City	20	66	74.4%
Villa Health Care East	Sherman	25	99	89.5%
Hopedale Nursing Home	Hopedale	25	54	90.9%
Manor Court of Clinton	Clinton	31	134	88.1%
Morton Villa Care Center	Morton	32	106	73.9%

TABLE SIX				
Facilities within 45 Minutes of the Proposed Facility				
Facilities	City	Time	Beds	Utilization
Morton Terrace	Morton	32	166	62.1%
Aperion Care Center	Springfield	34	65	94.7%
Bloomington Rehab Healthcare	Bloomington	35	78	68.3%
Luther Oaks*	Bloomington	35	18	N/A
St. Johns Hospital	Springfield	35	37	75.2%
Capitol Care Center	Springfield	35	251	63.7%
Heritage Health-Springfield	Springfield	36	178	92.4%
St. Joseph's Home for the Aged	Springfield	36	73	92%
Apostolic Christian Restmor	Morton	37	116	92.7%
Oak Terrace Care Center	Springfield	37	78	44.1%
Regency Care Center	Springfield	37	95	81.9%
Lewis Memorial Christian Village	Springfield	37	171	87.8%
Illinois Presbyterian Home	Springfield	38	15	24.2%
Bridge Care Suites	Springfield	38	75	71.8%
Heritage Health-Bloomington	Bloomington	39	88	63.8%
Westminster Village	Bloomington	39	78	80.2%
ARBA Care Center of Bloomington	Bloomington	41	117	85.3%
McLean County Nursing Home	Normal	41	150	88.7%
St. Joseph's Medical Center	Bloomington	41	12	65.8%
Heritage Health-Normal	Normal	43	141	71.3%
Concordia Village	Springfield	43	64	94.8%
Heartland of Normal	Normal	45	116	80.1%
			2,969	75.32%

Source: Information taken from 2014 LTC Profile Information reported by the facilities

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 IAC 1125.570 (a) (1) (2) (3) (4))

D) Criterion 1125.580 (a) (b) (c) - Unnecessary Duplication/Mal-distribution/Impact on Other Facilities

To address this criterion the applicants must provide documentation that an unnecessary duplication of service or a surplus of beds or the proposed facility will have an impact on other facilities the planning area.

- a) The applicant shall document that the project will not result in an unnecessary duplication of service; and
- b) The applicant shall document that the project will not result in mal-distribution of services; and
- c) The applicant shall document that, within 24 months after project completion, the proposed project will not impact other providers in the planning area.

a) There are seven (7) facilities within 30 (thirty) minutes of the proposed facility. One of the facilities [Abraham Lincoln Hospital] is a swing bed program and no data has been reported. Of the remaining six (6) facilities one (1) is at target occupancy.

b) There is one (1) bed for every sixty three (63) residents in the thirty minute service area compared to the State of Illinois ratio of one (1) bed for every one hundred twenty eight (128) residents. It appears based upon this comparison of ratios that the number of long term care beds in this service area is 1.5 times the State of Illinois ratio.

c) Given there are underutilized facilities in the 30 minute service area, and the apparent surplus of beds in this 30 minute service area it would appear the proposed facility will have an impact on other facilities in the area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1125.580 (a) (b) (c))

E) Criterion 1125.590 – Staffing

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that staffing requirements of licensure, certification and applicable accrediting agencies can be met.

The applicants have attested that the relevant clinical and professional staffing need for the proposed project will be provided that will meet licensure, certification, and accrediting agency standards [See Application pages 361-369]

F) Criterion 125.600 - Bed Capacity

The maximum bed capacity of a general LTC facility is two hundred fifty (250) long term care beds.

The applicants are proposing to establish a one hundred six (106) bed long term care facility, and are complaint with this criterion. [See Application, page 371].

G) Criterion 1125.610 - Community Related Functions

The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located.

The applicants have provided nine (9) letters of support from various individuals and entities in the community. [See Application, pages 372-381]

H) Criterion 1125.620 - Project Size

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive.

The applicants propose to establish a 106-bed skilled facility in 49,681 gross square feet of clinical space (or 469 GSF per skilled nursing bed). The State Board Standard is 713 GSF per bed or 75,578 GSF.

D) Criterion 1125.630 –Zoning

The applicants provided a letter from John R. Lebegue, Building and Safety Official for the City of Lincoln, attesting that he proposed site for the replacement facility is in a C-2 Commercial district, and is a suitable site for the proposed LTC facility.

[See Application for Permit page 384]

J) Criterion 1125.640 – Assurances

The applicants have provided necessary attestation that the proposed facility will be at target occupancy within two (2) years after project completion. [See Application for Permit page 386]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA STAFFING, BED CAPACITY, COMMUNITY RELATED FUNCTIONS, PROJECT SIZE, ZONING, ASSURANCES (77 IAC 1125.590, 600, 610, 620, 630, 640)

XI. FINANCIAL

A) Criterion 1125.800 - Availability of Funds

To address this criterion the applicant must provide documentation that the funds are available to finance the proposed project.

The applicants are funding this project with cash and securities totaling \$5,000,000 and project-related bond issues totaling \$15,631,082. The cash portion of the project will originate from the facility's existing cash and cash generated through ongoing operations. The applicants supplied historical and projected audited financial statements (application, pgs 397-447), to prove financial viability.

The applicants provided documentation from Hickory Point Bank & Trust, outlining the funding of a loan through the issuance of Series 2016 bank-qualified tax exempt bonds amounting to \$9,500,000, and series 2017 bank qualified tax-exempt bonds totaling \$6,500,000. The financing terms are outlined in the proposal, located on pages 448-454 of the application.

The documentation from Hickory Point Bank and Trust is not a firm commitment to grant the loan; therefore a positive finding cannot be made on this criterion.

TABLE SEVEN		
St Clare's Manor		
Audited		
12/31/2014		
	2014	2013
Cash	\$915,436	\$1,365,393
Current Assets	\$2,253,951	\$2,652,223
Current Liabilities	\$559,782	\$664,452
Net Patient Revenue	\$6,219,882	\$6,290,106
Total Revenue	\$6,245,986	\$6,396,508
Total Expenses	\$6,363,055	\$6,286,789
Increase (Decrease) in Net Assets	\$(117,069)	\$109,719

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1125.800)

B) Criterion 1125.800 – Financial Viability

To address this criterion the applicants must provide financial ratios that will demonstrate that the entities have the ability achieve its operating objectives over the long term.

The applicants provided historical and projected financial ratios as required. The State Board Staff compares the projected ratios with the standards for long term care facilities with the applicants projected Years 1-3. The ratio comparisons are shown in the table below. The applicants do not meet all of the State Board Standards for the years presented.

TABLE EIGHT					
St. Clara’s Senior Services					
	State Board Standard	2012	2013	2014	2019 (Projected)
Current Ratio	1.5	17,963	20,793	N/A	5.85
Net Margin Percentage	2.50%	80.26	82.9	-61.9	-145.8
Percent Debt to Total Capitalization	<50%	0.00%	0.00%	0.00%	60.01%
Projected Debt Service Coverage	>1.5	N/A	N/A	N/A	.48
Days Cash on Hand	>45 days	50,349	44,443	50,371	1,938.8
Cushion Ratio	>3	N/A	N/A	N/A	2.73
St. Clara’s Manor					
	State Board Standard	2012	2013	2014	2019 (Projected)
Current Ratio	1.5	3.1	3.99	4.03	5.74
Net Margin Percentage	2.50%	6.94	1.72	-1.87	12.0
Percent Debt to Total Capitalization	<50%	0.00%	0.00%	0.00%	0.00%
Projected Debt Service Coverage	>1.5	N/A	N/A	N/A	1.06
Days Cash on Hand	>45 days	80.7	79.2	52.5	61.4
Cushion Ratio	>3	N/A	N/A	N/A	1.3
Consolidated					
	State Board Standard	2012	2013	2014	2019 (Projected)
Current Ratio	1.5	6.1	9.0	11.8	5.8
Net Margin Percentage	2.50%	12.8	10.2	-7.17	3.26
Percent Debt to Total Capitalization	<50%	0.00%	0.00%	0.00%	54.5%
Projected Debt Service Coverage	>1.5	N/A	N/A	N/A	1.54
Days Cash on Hand	>45 days	351.56	401.79	438.08	178.25
Cushion Ratio	>3	N/A	N/A	N/A	4.03

The applicants stated the following:

- *As a result of the relationship between the two entities, there are instances during the periods shown where one of the applicants may fail to meet the State norm for a*

specific ratio. Other than the 2014 matter noted below, no instances of non-compliance with State norms were noted when combined data from the two applicants are applied. Neither applicant held any debt during the three audited years prior to submission of the application - per discussion with John Kniery, I did not insert the maximum principal and interest amount from the new debt into the "audited years" calculations.

- *During 2014, the Net Margin Percentage for SCSS and for the combined applicant group fell below the State norm. The loss recorded for SCSS (\$373,804) included a one-time charge of \$844,669 to forgive a portion of a loan made in prior years to Castle Manor, Inc. Without the charge, SCSS would have reported 2014 net income of \$470,865 and the Net Margin Percentage would have easily exceeded the State norm. The debt forgiveness provided by SCSS was prompted by refinancing of a conventional loan from a commercial lender to a HUD based loan. HUD rules limit the amount of total debt a specific borrower may carry which caused SCSS to forgive the aforementioned component of the debt.*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1125.800)

XII. ECONOMIC FEASIBILITY

A) Criterion 1125.800 – Reasonableness of Financing Arrangements

B) Criterion 1125.800 – Terms of Debt Financing

The applicants attested that the financial resources will be available and be equal to or exceed the estimated total project cost and any related cost. The project and related costs will be funded in total or in part by borrowing because a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 1.5 times. The applicants also attest that the form of debt financing will be at the lowest net cost available, and that the project involves leasing in part, as leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment [Application, pgs. 460-461]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT FINANCING AND TERMS OF DEBT FINANCING (77 IAC 1125.800)

C) Criterion 1125.800 - Reasonableness of Project Costs

Preplanning Costs – These costs total \$49,319 and are less than 1% of new construction, contingencies and movable equipment. These costs appear reasonable when compared to the State Board Standard of 1.8%.

Site Survey/Site Preparation – These costs total \$551,528, and are 5% of construction and contingency costs. This is in compliance when compared to the State standard of 5%.

Off-Site Work – These costs total \$676. The State Board does not have a standard for these costs.

New Construction and Contingencies – These costs total \$11,020,240 or \$221.82 GSF. ($\$11,020,240/49,681=\221.82). This appears reasonable when compared to the State Board Standard of \$221.82/GSF [2017 mid-point of construction].

Contingencies – These costs total \$1,001,569 and are 10% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$934,515 and are 8.47% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 5.76% - 8.66%.

Consulting and Other Fees – These costs are \$410,706. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$619,197 and are \$5,841 per bed. This appears reasonable when compared to the State Board Standard of \$8,469.

Net Interest Expense During Construction – These costs total \$212,580. The State Board does not have a standard for these costs.

Bond Issuance Expense – These costs total \$148,670. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total \$516,371. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1125.800 (c)).

D) Criterion 1120.140 (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 costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The applicant estimated the direct costs per equivalent patient day as \$185.42. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF PROJECTED OPERATING COSTS CRITERION (77 IAC 1125.800(d))

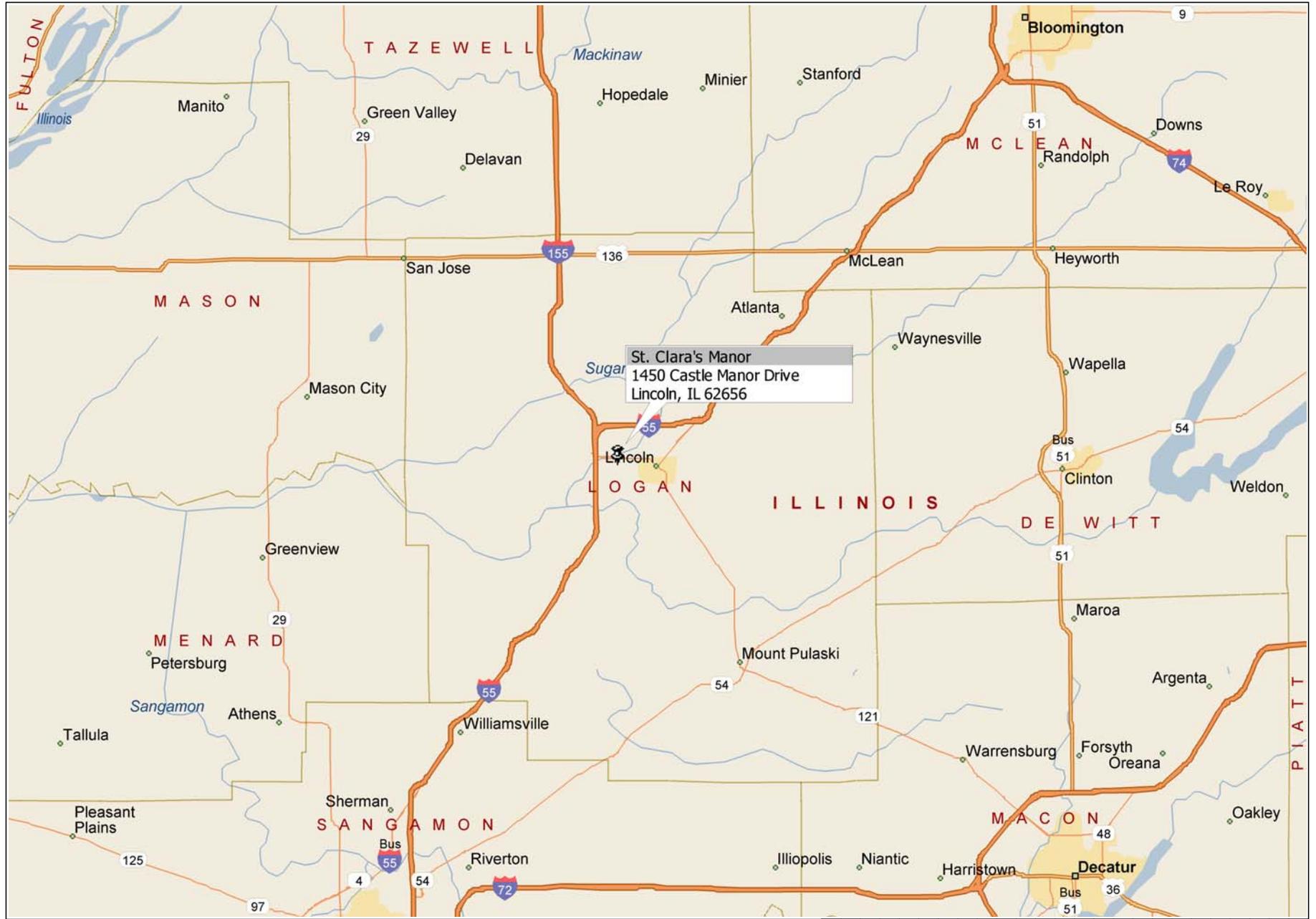
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

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.

The applicant estimated the direct costs per equivalent patient day as \$53.91. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1125.800(e))

16-014 St. Clara's Manor - Lincoln



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