

Roate, George

From: Clancy, Edward [EClancy@uhlaw.com]
Sent: Tuesday, February 08, 2011 2:59 PM
To: Roate, George
Cc: Constantino, Mike; Urso, Frank; Moon, Shawn K
Subject: RE: Application 11-009 Sedgebrook Health Center
Attachments: Attachment 42 Project Operating Costs and Capital Costs.pdf

Hello, George (sounds like a line from the Jetsons),

In response to the issues you've raised:

1. We didn't listed Lincolnshire Holdings, LLC as a co-applicant because it is NOT (1) the person who holds the license for the facility (Lincolnshire Senior Care, LLC is the licensee); (2) an entity that has final control of the licensee; (3) a related entity that is or will be financially responsible for guaranteeing or making payments on any debt related to the project (there is no debt on the property); or an entity that actively will be involved in the operation or provision of care or controls the use of equipment or other capital assets that are components of the project. Lincolnshire Holdings is the single member of the licensee, therefore, control of the licensee is internal and no entity outside of the licensee's LLC structure controls the licensee.
2. Lincolnshire Senior Care purchased the Sedgebrook Retirement Community out of bankruptcy. As you note, Sedgebrook had a CON for a 88-bed nursing home. Sedgebrook allocated approximately \$1.5 million of the purchase price to the nursing home. Sedgebrook licensed 44 of those beds before a co-applicant and it (later) filed for bankruptcy. After the co-applicant filed for bankruptcy, another entity purchased it, thus changing a co-applicant before the project was completed and voiding the CON. Lincolnshire Senior Care is now re-applying for a CON for 88 beds.
3. I attach the document addressing Projected Operating Costs and Total Effect of the Project on Capital Costs. We inadvertently left it out of the application

If you need anything else, please let me know.

Thanks, Ed

From: Roate, George [mailto:George.Roate@Illinois.gov]
Sent: Tuesday, February 08, 2011 10:29 AM
To: Clancy, Edward
Cc: Constantino, Mike; Urso, Frank
Subject: Application 11-009 Sedgebrook Health Center

Good morning, Mr. Clancy:

The State Agency is reviewing the application for project # 11-009 Sedgebrook Health Center, and has a few questions:

1. Applicants: Currently, the only applicant listed for this project is Lincolnshire Senior Care, LLC. The application contains a certificate of good standing for Lincolnshire Holdings, LLC (p. 113), and from looking at the Organizational Chart (p. 114), it appears Lincolnshire Holdings, LLC, may need to be listed as a co-applicant. Please review section **1130.220 Necessary Parties to the Application for Permit or Exemption** to determine if Lincolnshire Holdings, LLC should be a co-applicant on this application, and provide a brief explanation if you found that they should not be considered a co-applicant. Otherwise, another applicant page can be inserted into the original copies of the application.
2. It appears the proposed facility is located on the same campus of a previously approved, and voided project. #05-036 Sedgebrook Retirement Community. Could you please provide some background information regarding the relation (or lack thereof), between these two projects? For instance, if the proposed project involves the completion/build-out of the previously established facility, or the proposed project will be established in an existing structure, the fair market value

(FMV) of the entire skilled care facility must be included in the project costs. Once again, if you could please provide some background information to support or expand upon that which is currently in the application, it would be appreciated.

3. Lastly, I am unable to find the data addressing the following criteria:

1120.140(d): Projected Operating Costs

1120.140(e): Total Effect of the Project on Capital Costs

If I have overlooked these two criteria, please accept my apologies in advance. Otherwise, please provide direction to the mentioned criteria, or an explanation pertaining to its absence. The State Agency has until February 22, 2011 to deem the application complete/incomplete, based on its findings. If we can be of further assistance, please do not hesitate to ask. Thank you for your time.

George Roate
Illinois Department of Public Health
Office of Health Systems Development
525 West Jefferson 2nd Floor
Springfield, Illinois 62761
Phone: (217) 782-3516
Fax: (217) 785-4111

Information contained in this email transmission is privileged and confidential. If you are not the intended recipient, do not read, distribute or reproduce this transmission (including any attachments). If you have received this email in error, please notify the sender by email reply.

To ensure compliance with requirements imposed by the IRS, we inform you that, unless otherwise expressly indicated, any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

ATTACHMENT 42

PROJECTED OPERATING COSTS AND TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

D. Projected Operating Costs

Total SNF Direct Annual Operating Costs - 2013 (achieves 90% occupancy):	\$ 7,263,697
Patient Days	28,835
Cost Per Patient Day	\$ 251.91

E. Total Effect of the Project on Capital Costs

Total Projected SNF Capital Costs - 2013 (90% occupancy):	\$ 48,784
Patient Days	28,835
Cost per Patient Day	\$ 1.69

** used \$333,170 total for community and allocated to SNF based on units*