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HAND DELIVERED

November 2, 2016

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Project No. 14-045, The Lutheran Home

Dear Ms. Avery:

Please accept this correspondence as a request for a permit alteration on the above referenced project. This request is the first such request.

In accordance with the 77 IAC Chapter II, Subchapter b: Section 1130.750 item b) allowable alterations that require HFSRB approval include a change in the approved number of beds and any decrease in square footage greater than 5% of the project. This request seeks to alter the permit from its approved 119 nursing beds down to 107. Correspondingly, the square footage for nursing beds will go from 73,201 down to 63,955 gross square feet, a 12.6 percent reduction.

Overview:

The specific change is in the Applicant's reconsideration of converting an existing 20 bed assisted living unit from ALF to SNF. This alteration seeks to leave that unit as ALF. As an existing nursing facility, licensed for 85 beds, the resultant project will include the modernization of the existing bed compliment resulting in a two bed decrease and the addition of a 24 bed newly constructed unit for a total nursing bed license of 107. While the decreasing license capacity and square footage require Board approval, this is a modernization/expansion project and the decreasing license and size is existing space that will simply remain under a category of care that is not nursing.

Project status:

The Applicant has competed and licensed the first phase of the project that includes the construction of the 24 new nursing care beds. This will allow existing residents to be relocated so that the second phase of the project can commence. The later phases include the



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modernization of the existing space to include the existing nursing unit. The project remains on schedule and in budget at this time.

Criteria Effected:

Appended as **EXHIBIT I** is a revised Appendix A illustrating that the associated project costs will also be decreased. Specifically, the permitted costs will go from \$12,174,817 down to \$11,032,321, a \$1,142,496 reduction. Appended within this exhibit are the original clinical, non-clinical and total project costs as approved for your convenience.

Appended as **EXHIBIT II** is a revised Appendix D listing the cost/space requirements. The project is going from 73,201 proposed gross square feet down to 63,955 gross square feet. The existing unit that will not be converted accounts for this difference (9,246 gross square feet). Also appended within this exhibit is the original Appendix D as approved, for your convenience.

Appended as **EXHIBIT III** is a revised application page 26 that provides the cost and gross square feet by service chart. The proposed alteration reduces the clinical construction and contingency costs from \$214.30 per gross square foot to \$206.93 per gross square foot and from \$132.34 per gross square foot down to \$113.73 per gross square foot for new construction and modernization contracts respectively. The original cost and gross square feet by service chart, as originally approved, has also been included within this exhibit.

In summary, the effected criteria results in a reduction of 12.6 percent square footage and a 9.4 percent reduction in costs. This inequitable difference comes from the fact that the space being reduced is actually existing space and that space will be modernized, but said modernization will now NOT include (capitalized for emphasis) converting from Assisted Living Facility (ALF) standards to Skilled Nursing Facility (SNF) standards which are more onerous. Moreover, the actual cost per square foot for construction contracts plus contingency are effectively changed as a result of greater reduction of clinical space being removed from the project as compared to Non-clinical space. The ALF unit, as part of a much larger interconnected campus setting (continuum of Care retirement community), was most predominately clinical areas as defined by the *77 IAC Chapter II, Subchapter b Part 1130, Section 1130.140* Definitions of Clinical and Non-Clinical Service Areas. Specifically, the clinical service areas are seeing a reduction from being 62.7 percent of the total project to only being 57.3 percent. Conversely, the non-clinical service areas are increasing from being 37.3 percent of the total project to now being 42.7 percent.

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Enclosed is a check for processing made payable to the Illinois Department of Public Health in the amount of \$1,000.00. Your consideration on this matter is greatly appreciated. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Kniery". The signature is fluid and cursive, with a large initial "J" and a long, sweeping tail.

John P. Kniery
Health Care Consultant

ENCLOSURES

C: Mark Schoedel

The Lutheran Home
Project No. 14-045

REVISED 11/02/2016 - Permit Alteration Request

Use of Funds	Original Clinical	Original Non-Clinical	Original Total	Revised Clinical	Revised Non-Clinical	Revised Total
Preplanning Costs	\$ -	\$ -	\$ -			
Site Survey and Soil Investigation	\$ 44,987	\$ 26,763	\$ 71,750	\$ 41,104	\$ 30,646	\$ 71,750
Site Preparation	\$ 261,669	\$ 155,666	\$ 417,335	\$ 239,079	\$ 178,256	\$ 417,335
Off Site Work			\$ 0			\$ 0
New Construction Contracts	\$ 2,318,297	\$ 1,477,192	\$ 3,795,489	\$ 2,174,328	\$ 1,621,161	\$ 3,795,489
Modernization Contracts	\$ 3,219,801	\$ 1,586,406	\$ 4,806,207	\$ 2,197,011	\$ 1,638,074	\$ 3,835,085
Contingencies	\$ 825,755	\$ 444,120	\$ 1,269,875	\$ 629,300	\$ 469,201	\$ 1,098,501
Architectural/Engineering Fees	\$ 439,316	\$ 261,347	\$ 700,663	\$ 401,390	\$ 299,273	\$ 700,663
Consulting and Other Fees	\$ 47,025	\$ 27,975	\$ 75,000	\$ 42,965	\$ 32,035	\$ 75,000
Movable or Other Equipment	\$ 651,138	\$ 387,360	\$ 1,038,498	\$ 594,926	\$ 443,572	\$ 1,038,498
Bond Issuance Expense	\$ -	\$ -	\$ -			
Net Interest Expense During Construction	\$ -	\$ -	\$ -			
Fair Market Value of Leased Space or Equipment	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 0
Other Costs to be Capitalized	\$ -	\$ -	\$ -			
Acquisition of Building or Other Property	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 0
Total IDPH Regulated Uses of Funds	\$ 7,807,988	\$ 4,366,829	\$ 12,174,817	\$ 6,320,103	\$ 4,712,218	\$ 11,032,321
Source of Funds			Total			Total
Cash and Securities	\$ 7,807,988	\$ 4,366,829	\$ 12,174,817	\$ 6,320,103	\$ 4,712,218	\$ 11,032,321
Pledges	\$ -	\$ -	\$ 0			\$ 0
Gifts and Bequests	\$ -	\$ -	\$ 0			\$ 0
Bond Issues	\$ -	\$ -	\$ 0			\$ 0
Mortgages	\$ -	\$ -	\$ 0			\$ 0
Leases	\$ -	\$ -	\$ 0			\$ 0
Governmental Appropriations	\$ -	\$ -	\$ 0			\$ 0
Grants	\$ -	\$ -	\$ 0			\$ 0
Other Funds and Sources	\$ -	\$ -	\$ 0			\$ 0
Total Sources of Funds	\$ 7,807,988	\$ 4,366,829	\$ 12,174,817	\$ 6,320,103	\$ 4,712,218	\$ 11,032,321

EXHIBIT I

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	\$ -	\$ -	\$ -
Site Survey and Soil Investigation	\$ 44,987	\$ 26,763	\$ 71,750
Site Preparation	\$ 261,669	\$ 155,666	\$ 417,335
Off Site Work			\$ 0
New Construction Contracts	\$ 2,318,297	\$ 1,477,192	\$ 3,795,489
Modernization Contracts	\$ 3,219,801	\$ 1,586,406	\$ 4,806,207
Contingencies	\$ 825,755	\$ 444,120	\$ 1,269,875
Architectural/Engineering Fees	\$ 439,316	\$ 261,347	\$ 700,663
Consulting and Other Fees	\$ 47,025	\$ 27,975	\$ 75,000
Movable or Other Equipment (not in construction contracts)	\$ 651,138	\$ 387,360	\$ 1,038,498
Bond Issuance Expense (project related)	\$ -	\$ -	\$ -
Net Interest Expense During Construction (project related)	\$ -	\$ -	\$ -
Fair Market Value of Leased Space or Equipment	\$ -	\$ -	\$ -
Other Costs To Be Capitalized	\$ -	\$ -	\$ -
Acquisition of Building or Other Property (excluding land)	\$ -	\$ -	\$ -
TOTAL USES OF FUNDS	\$ 7,807,988	\$ 4,366,829	\$ 12,174,817
SOURCE OF FUNDS			Total
Cash and Securities	\$ 7,807,988	\$ 4,366,829	\$ 12,174,817
Pledges	\$ -	\$ -	\$ -
Gifts and Bequests	\$ -	\$ -	\$ -
Bond Issues (project related)	\$ -	\$ -	\$ -
Mortgages	\$ -	\$ -	\$ -
Leases (fair market value)	\$ -	\$ -	\$ -
Governmental Appropriations	\$ -	\$ -	\$ -
Grants	\$ -	\$ -	\$ -
Other Funds and Sources	\$ -	\$ -	\$ -
TOTAL SOURCES OF FUNDS	\$ 7,807,988	\$ 4,366,829	\$ 12,174,817

The Lutheran Home
Project No. 14-045

REVISED 11/02/2016 - Permit Alteration Request

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		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space*
CLINICAL							
Nursing	3,929,105	15,779	23,567	7,788	13,259	2,520	
Living/Dining/Activity	1,477,110	6,895	8,075	1,180	6,895		
Kitchen/Food Service	296,885	1,251	1,623	372	1,251		
P.T./O.T.	368,043	2,227	2,012	2,012			2,227
Laundry	9,146	-	50	50	-		
Janitor Closets	35,304	147	193	46	147		
Clean/Soiled Utility	146,705	546	802	256	546		
Beauty/Barber	57,804	-	316	316	-		
Total Clinical	6,320,102	26,845	36,638	12,020	22,098	2,520	2,227
NON-CLINICAL							
Office/Administration	456,578	1,763	2,496	733	1,556	207	
Employee Lounge/ Locker/Training	83,596	332	457	125	332		
Mechanical/Electrical	778,158	3,903	4,254	351	184	3,719	
Lobby	93,474	121	511	390	-	121	
Storage/Maintenance	375,909	1,204	2,055	851	335	869	
Corridor/Public Toilets	2,924,503	12,335	17,544	5,209	11,695	640	
Total Non-clinical	4,712,218	19,658	27,317	7,659	14,102	5,556	-
TOTAL	11,032,321	46,503	63,955	19,679	36,200	8,076	2,227

57.3% Clinical as a % of total
42.7% Non-Clinical as a % of total

* PTOT Vacated space is space to be demolished

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		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space*
CLINICAL	-	-	-	-	-	-	-
Nursing	\$ 5,106,571	22,221	30,009	7,788	16,980	5,241	
Living/Dining/Activity	\$ 1,705,253	8,841	10,021	1,180	8,841		
Kitchen/Food Service	\$ 343,229	1,645	2,017	372	1,645		
P.T./O.T.	\$ 342,378	2,227	2,012	2,012			2,227
Laundry	\$ 28,248	116	166	50	116		
Janitor Closets	\$ 45,095	219	265	46	219		
Clean/Soiled Utility	\$ 162,170	697	953	256	697		
Beauty/Barber	\$ 75,044	125	441	316	125		
Total Clinical	\$ 7,807,988	36,091	45,884	12,020	28,623	5,241	2,227
NON-CLINICAL							
Office/Administration	\$ 399,004	1,763	2,496	733	1,556	207	
Employee Lounge/ Locker/Training	\$ 73,055	332	457	125	332		
Mechanical/Electrical	\$ 680,034	3,903	4,254	351	184	3,719	
Lobby	\$ 81,687	121	511	390	-	121	
Storage/Maintenance	\$ 328,507	1,204	2,055	851	335	869	
Corridor/Public Toilets	\$ 2,804,542	12,335	17,544	5,209	11,695	640	
Total Non-clinical	\$ 4,366,829	19,658	27,317	7,659	14,102	5,556	-
TOTAL	\$ 12,174,817	55,749	73,201	19,679	42,725	10,797	2,227

* It should be known that 14,500 GSF of the existing 55,749 GSF of space comes from the existing 20-assisted living beds that are being converted.

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Cost and Gross square feet by service

Clinical

Area (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot Mod.	New	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod.	Gross Sq. Ft. Mod. Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Clinical NSG	\$ 180.89	\$ 99.42	12,020		22,098		\$ 2,174,328	\$ 2,197,011	\$ 4,371,339
Contingency	\$ 26.04	\$ 14.31	12,020		22,098		\$ 313,017	\$ 316,283	\$ 629,300
TOTALS	\$ 206.93	\$ 113.73	12,020		22,098		\$ 2,487,345	\$ 2,513,294	\$ 5,000,639

Clinical Cost and Gross Square Footage Only									
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.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Clinical NSG	\$192.87	\$112.49	12,020		28,623		\$2,318,297	\$3,219,801	\$5,538,098
Contingency	\$ 21.43	\$ 19.85	12,020		28,623		\$ 257,588	\$ 568,167	\$ 825,755
TOTALS	\$214.30	\$132.34	12,020		28,623		\$2,575,885	\$3,787,968	\$6,363,853

* 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.