



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-07	BOARD MEETING: June 2, 2015	PROJECT NO: 15-016	PROJECT COST: Original: \$8,839,637
FACILITY NAME: Heritage Health of Springfield		CITY: Springfield	
TYPE OF PROJECT: Non-Substantive			HSA: III

PROJECT DESCRIPTION: The applicant (Rutledge Joint Ventures, LLC, d/b/a Heritage Health) proposes to modernize an existing 178-bed long term care facility, in Springfield. The anticipated cost of the project is \$8,839,637. **The anticipated completion date is July 31, 2016.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (Rutledge Joint Ventures, LLC d/b/a Heritage Health) proposes to modernize all service components (HVAC, plumbing, electrical), at an existing 178-bed LTC facility in Springfield. The anticipated cost of the project is \$8,839,637. **The anticipated completion date is July 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicant is before the State Board because they are proposing a major modernization project that exceeds the CON Review threshold as defined in PA 096-031.

PURPOSE OF THE PROJECT:

- According to the applicant, the proposed project seeks to bridge the gaps between the current facility and the technological advancements prevalent in the Long Term Care industry. The applicant notes these advancements will ensure Heritage Health's ability to provide the highest level of quality care for the community. The applicant notes that although the facility has been the subject of major modernization projects in the past, the current building has met and exceeded its life expectancy.

BACKGROUND:

- The applicant, Rutledge Joint Ventures, LLC, d/b/a Heritage Health, is a joint venture between Heritage Enterprises of Bloomington, and Memorial Health System of Springfield. The facility has functioned under this partnership since 1996, and is managed by Heritage Operations Group, a subsidiary of Heritage Enterprises. The facility is located in close proximity to the Memorial Health System Springfield campus, and is dually certified for Medicare and Medicaid participation. The skilled nursing unit reports operating at 89.7% capacity on its 2012 IDPH Long Term Care survey, and at 86.1% capacity on the 2013 survey. The applicant attributes the decline in its annual operational capacities to the preparatory need for the proposed project. The facility has a three-star rating from the Medicare Nursing Home website: <http://www.medicare.gov/nursinghomecompare/search.html>

PUBLIC HEARING/COMMENT:

- No public hearing was requested and no letters of opposition were received by the State Board Staff. Letter of Support were received from
 - Richard J. Durbin, U.S. Senator
 - Andy Manar, Illinois State Senator, 48th District
 - Loren Hughes, M.D., President HSHS Medical Group
 - J. Michael Houston, Mayor of Springfield
 - Andy Van Meter, Chairman, Sangamon County Board
 - Chris Hembrough, CEO, Greater Springfield Chamber of Commerce
 - Randall A. Bryant, CEO, Springfield Clinic
 - Mary A. Saunders, M.D., Memorial Physician Services

NEED FOR THE PROJECT:

- While there is a calculated excess of 43 long term care beds in the Sangamon County Long Term Care Planning Area and 7 of 13 long term care facilities within 30 minutes of the facility are not operating at target occupancy; these factors are not taken into consideration when the State Board Staff evaluates a modernization project at an existing facility.
- The applicant notes the facility was constructed in 1971, and retains much of the original exterior design, which is outdated by modern design standards. The parking lots were last resurfaced in 1987, and the asphalt overlay shows considerable signs of cracking and degradation. The roofing system consists of a ballasted membrane system, with staggered installation dates that coincide with either a new addition, or an overlay on an existing structure. The applicant notes all three membrane systems have surpassed their 20-year life span, and have required patching, as needed. Evidence of the roofing system failure exists in the building’s interior. The building’s interior finishes have been updated periodically, but have far outlived their practical lifespan and contain materials now considered hazardous. The building’s service components (Electrical/HVAC/Plumbing) have all exceeded their practical lifespan, and have undergone upgrades periodically to remain building code compliant. The applicant notes these have also surpassed their allotted lifespan and now require total replacement. The applicant provided a facility assessment study and maintenance records that validates these findings (application, p. 130-186).

FINANCIAL AND ECONOMIC FEASIBILITY:

- The proposed project is being funded with cash and securities totaling \$1,561,281, a mortgage totaling \$6,378,356, and Other Sources of Funds from a preapproved line of credit from the Bank of Springfield totaling \$900,000. The applicant supplied Audited Financial Statements (application, p. 207), and a commitment letter from Bank of Springfield, to underwrite the financing for the construction loan.

CONCLUSIONS:

- The applicant addressed 14 criteria and did not meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1125.800 – Financial Viability Ratios	The applicant submitted the following substandard data for this criterion: Net Margin Percentage for 2011, Projected Debt Service Coverage for 2011, and Cushion Ratios for 2011. Explanation for these variances is provided at page 12 of this report.

STATE BOARD STAFF REPORT
Heritage Health of Springfield
Project #15-016

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Rutledge Joint Ventures d/b/a Heritage Health
Facility Name	Heritage Health of Springfield
Location	900 N. Rutledge, Springfield, Illinois
Operating entity/Licensee	Rutledge Joint Ventures, LLC dba-Heritage Health
Owner of the site	Rutledge Joint Ventures, LLC
Application Received	March 10, 2015
Application Deemed Complete	March 16, 2015
Can the Applicants Request Deferral?	Yes

I. The Proposed Project

The applicant (Rutledge Joint Ventures d/b/a Heritage Health) proposes to modernize an existing 178-skilled nursing facility, in Springfield. The four story facility will undergo major renovation of all interior services and exterior finishes. The anticipated cost of the project is \$8,839,637. **The anticipated completion date is July 31, 2016**

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1125.
- B. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1125.800

III. General Information

The applicant is Rutledge Joint Ventures d/b/a Heritage Health. Rutledge Joint Ventures, L.L.C. is an Illinois limited liability company that began operations on September 1, 1996. Heritage Enterprises, Inc. (an Illinois corporation) and Memorial Health Ventures (an Illinois not-for profit corporation) each have a 50% membership interest in Rutledge Joint Ventures, L.L.C. Each member is not liable for any debt, liability, or other obligation of the Rutledge Joint Ventures, L.L.C. Heritage Health is located at 900 North Rutledge, Springfield, Illinois. The skilled nursing facility is located in HSA-03 and the Sangamon County Long Term Care Health Planning Area. Per 77 IAC 1110.40 this is a substantive project subject to both a Part 1110 and Part 1120 review. Project obligation is contingent upon permit issuance.

IV. The Proposed Project - Details

Heritage Health is a 178-bed skilled nursing facility in Springfield. The applicant proposes to modernize the four-story building in its entirety. The existing 67,514 GSF facility will not expand in any manner. The proposed project will include the following interior modernization/upgrades:

- o Complete replacement of the current HVAC system, to include piping

- Replacement of all domestic plumbing supply and waste lines. Replacement of toilets and lavatories.
- Electrical system upgrades to include: Emergency generator replacement, door alarm/elopement system replacement, phone system replacement.
- Non-structure interior finish replacements (floors, walls, ceilings). This component will partially affect floors 3 and 4, and fully affect floors 1 and 2.

The proposed project also involves modernization/upgrade of the following exterior components:

- Repaving of parking lot
- Upgrade of exterior facade

The applicant notes the modernization will improve the comfort, safety, environmental quality, and overall aesthetics of the facility for all residents, family and staff.

V. Project Costs and Sources of Funds

The total cost of the Project is \$8,839,637, and is funded with a combination of cash/securities totaling \$1,561,281, mortgages totaling \$6,378,356, and other funding sources emanating from a pre-approved line of credit from Bank of Springfield totaling \$900,000. The project cost listed contains both clinical and non-clinical considerations, and are explained further in Table One.

TABLE ONE			
Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Modernization Contracts	\$2,734,648	\$4,331,627	\$7,066,275
Contingencies	\$95,275	\$150,913	\$246,188
Architectural/ Engineering Fees	\$96,685	\$156,315	\$255,000
Consulting and Other Fees	\$5,805	\$9,195	\$15,000
Movable or Other Equipment	\$441,180	\$698,820	\$1,140,000
Net Interest Expense During Construction	\$45,347	\$71,827	\$117,174
TOTAL USES OF FUNDS	\$3,420,940	\$5,418,697	\$8,839,637
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$604,216	\$957,065	\$1,561,281
Mortgages	\$2,468,424	\$3,909,932	\$6,378,356
Other Funds and Sources	\$348,300	\$551,700	\$900,000
TOTAL SOURCES OF FUNDS	\$3,420,940	\$5,418,697	\$8,839,637

VI. Cost/Space Requirements

Table Two displays the project’s space requirements for the clinical and non-clinical portions of the project. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, “non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care

facility.” Board Staff notes there will be no expansion related to the proposed project, and existing space will only undergo modernization.

TABLE TWO							
Cost Space Requirements							
Clinical	Total	Existing	Proposed	New Construction	Mod	As Is	Vacated
	Cost						
Clinical							
Nursing	\$3,420,940	26,156	26,156	0	26,156	0	0
Sub Total	\$3,420,940	26,156	26,156	0	26,156	0	0
Non Clinical							
Sub Total	\$5,418,697	41,358	41,358	0	41,358	0	0
Total	\$5,418,697	41,358	41,358	0	41,358	0	0

VII. Project Purpose and Alternatives

A. Criterion 1125.320 – Purpose of the Project

The criterion states:

“The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

The applicant notes Heritage Health has served the skilled nursing needs of Springfield since the 1970s and has operated under the existing management structure since 1996. Throughout the facility’s history, substantive maintenance has occurred every decade as needed in an effort to maintain a quality of service, and the condition of the building. Despite the proactive upkeep, the building condition has met and exceeded its life expectancy. The applicant envisions the proposed project as their effort to ensure the continued provision of the highest level of quality care for Springfield and the service area.

B. Criterion 1125.330 - Alternatives to the Proposed Project

The criterion states:

“The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicant considered three alternatives. They are:

- Project of Lesser Scope and Cost**

The applicant considered this alternative, which would involve the modernization of the interior, and elimination of any exterior upgrades. While this would result in significant cost savings, the applicant notes the current exterior is dated in appearance, and will require replacement in the coming years, due to weathering, and the end of its useful life. The applicant identified a project cost for this alternative of approximately \$7,300,000. The applicant rejected this alternative.

2. **Project of Greater Scope and Cost**

The applicant notes having considered this alternative which would involve the establishment of a replacement facility. As part of this consideration, the applicant determined a need to purchase 3-4 acres of land in the Springfield Hospital District, and construction costs in the range of \$175,000 to \$200,000 per bed. The applicant determined that a project of this nature would cost approximately \$33,000,000 to \$38,000,000, which contributed to the applicant’s decision to reject this alternative.

3. **Project as Proposed**

Having seriously considered the first two alternatives, the applicant realized the existing location was conveniently located in proximity to Memorial Medical Center, and the core structure of the existing building suitable for modernization. The proposed cost for this alternative: \$8,839,637.

VIII. Section 1125 - General Long Term Care – Review Criteria

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
Modernization	.650(a)	Deteriorated Facilities
	.650(b & c)	Documentation
	650(d)	Utilization
	600	Bed Capacity
	610	Community Related Functions
	620	Project Size
	630	Zoning
	800	Estimated Project Costs

A. Criterion 1125.520 - Background of Applicant

The criterion:

“An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character, to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6]

The applicant supplied a listing of all healthcare facilities under its ownership, supplied all licensing information for the existing facilities, and attestation that no adverse action (direct or indirect), has been taken against the applicants for three

years prior to the application's submittal. The applicant also granted IDPH or any other State Agency, authorization to access necessary documents to verify the information submitted is true and correct.

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

- B) Criterion 1125.650 (a) (b) (c) – Deteriorated Facilities/Documentation**
If the project involves modernization of a category of LTC bed service, the applicant shall document that the bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

- 1) High cost of maintenance;**
- 2) Non-compliance with licensing or life safety codes;**
- 3) Changes in standards of care (e.g., private versus multiple bed rooms); or**
- 4) Additional space for diagnostic or therapeutic purposes.**

Documentation shall include the most recent:

- 1) IDPH and CMMS inspection reports; and**
- 2) Accrediting agency reports.**

Other documentation shall include the following, as applicable to the factors cited in the application:

- 1) Copies of maintenance reports;**
- 2) Copies of citations for life safety code violations; and**
- 3) Other pertinent reports and data.**

The applicant notes the facility was constructed in 1971, and retains much of the original exterior design, which is outdated by modern design standards. The parking lots were last resurfaced in 1987, and the asphalt overlay shows considerable signs of cracking and degradation. The roofing system consists of a ballasted membrane system, with staggered installation dates that coincide with either a new addition, or an overlay on an existing structure. The applicant notes all three membrane systems have surpassed their 20-year life span, and have required patching, as needed. Evidence of the roofing system failure exists in the building's interior. The building's interior finishes have been updated periodically, but have far outlived their practical lifespan and contain materials now considered hazardous. The building's service components (Electrical/HVAC/Plumbing) have all exceeded their practical lifespan, and have undergone upgrades periodically to remain building code compliant. The applicant notes these have also surpassed their allotted lifespan and now require total replacement. The applicant provided a facility assessment study and maintenance records that validates these findings (application, p. 130-186).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DETERIORATED FACILITIES/DOCUMENTATION (77 IAC 1125.650 (a)(b)(c))

C) Criterion 1125.650 (d) – Utilization

Projects involving the replacement or modernization of a category of service or facility shall meet or exceed the occupancy standards for the categories of service, as specified in Section 1125.210(c).

The applicant reports operational capacities for the last three years that surpass or in close proximity the State occupancy target of 90%, with a slow decline in later years. The applicant attributes this gradual decline to their intentional reduction of patients to facilitate the proposed facility upgrade. The operational capacities are as follows:

- 2011: 92.8%
- 2012: 89.7%
- 2013: 86.1%

The Annual Long Term Care Facility Data Profiles supports these findings.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION FOR SERVICE DEMAND (1125.650(d))

D) Criterion 1125.600 - Bed Capacity

The maximum bed capacity of a general LTC facility is 250 beds, unless the applicants documents that a larger facility would provide personalization of patient/resident care and documents provision of quality care based on the experience of the applicants and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c (Long-Term Care Facilities)) over a two-year period.

The applicant currently operates a 178 bed skilled nursing facility. The proposed modernization will not result in additional beds. The applicant has met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION BED CAPACITY (1125.600)

E) Criterion 1125.610 - Community Related Functions

The applicants 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, such as, but not limited to, social, economic or governmental organizations or other concerned parties or groups. Documentation shall consist of copies of all letters of support from those organizations.

The applicant provided eight letters of support from the community and community leaders, as required. (Application pages 115-122). Letters were received from the following:

- Richard J. Durbin, U.S. Senator
- Andy Manar, Illinois State Senator, 48th District
- Loren Hughes, M.D., President HSHS Medical Group
- J. Michael Houston, Mayor of Springfield
- Andy Van Meter, Chairman, Sangamon County Board
- Chris Hembrough, CEO, Greater Springfield Chamber of Commerce
- Randall A. Bryant, CEO, Springfield Clinic
- Mary A. Saunders, M.D., Memorial Physician Services

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION COMMUNITY RELATED FUNCTIONS (1125.610)

B. Criterion 1125.620 - Project Size

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

The State Board Standard for skilled care beds is 350-570 DGSF/Bed. The applicant is proposing a facility containing 178 beds in 67,514 GSF of space. This results in 379 DGSF/Bed. The applicant has met the requirements of this criterion. (Application page 123).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION PROJECT SIZE (1125.620)

C. Criterion 1125.630 -Zoning

The applicants shall document one of the following:

- a) **The property to be utilized has been zoned for the type of facility to be developed;**
- b) **Zoning approval has been received; or**
- c) **A variance in zoning for the project is to be sought.**

The applicant notes the current facility has been operating as a skilled nursing facility in this location for the last 44 years, and has sought a zoning reclassification for the building site. The applicant has met the requirement of this criterion. (Application p. 125)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION ZONING (1125.630)

FINANCIAL

IX. Section 1125.800 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The total cost of the Project is \$8,839,637, and is funded with a combination of cash/securities totaling \$1,561,281, mortgages totaling \$6,378,356, and other funding sources emanating from a pre-approved line of credit from Bank of Springfield totaling \$900,000. The applicant supplied balance sheets for Rutledge Joint Ventures for December 2014, and January 2015 (application, p. 189-191), Audited Financial Statements (application p. 207), and a commitment letter from Bank of Springfield, for the mortgage (application, p. 192).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1125.800)

X. Section 1125.800 - Financial Viability

A) Criterion 1125.800 (b) - Viability Ratios

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion

TABLE THREE					
Financial Viability: Rutledge Joint Ventures d/b/a Heritage Health					
Provide Data for Projects Classified as:		Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:	State Standard	2011	2012	2013	2017
Current Ratio	1.5	2.10	2.66	3.51	3.04
Net Margin Percentage	2.5	2.46	5.43	8.06	4.40
Percent Debt to Total Capitalization	<80%	25.31%	21.48%	18.57%	33.96%
Projected Debt Service Coverage	>1.5	1.24	1.83	2.33	2.47
Days Cash on Hand	>45	53.78	63.97	97.58	122.25
Cushion Ratio	>3	2.9	3.31	4.88	5.89

The total cost of the Project is \$8,839,637, and is funded with a combination of cash/securities totaling \$1,561,281, mortgages totaling \$6,378,356, and other funding sources emanating from a pre-approved line of credit from Bank of Springfield totaling \$900,000. The applicant submitted substandard viability ratios for the following: Net Margin Percentage for 2011, Projected Debt Service Coverage for 2011, and Cushion Ratios for 2011, 2012, and 2013. Based on these findings, a negative finding has been made.

The applicant provided an explanation of the variance to the State Board standards.

“Net Margin Percentage - 2011: The variance was largely due to lower than anticipated census. Ratios in this category subsequent to 2011 exceeded the minimum target.

Projected Debt Service Coverage = Net Income plus (Depreciation plus Interest plus Amortization)/Principal Payments plus Interest Expense for the Year of Maximum Debt Service after Project Completion
Projected Debt Service Coverage - 2011: Had the actual annual debt service amount for 2011 (\$241,773) been used as the denominator, the ratio would have been easily exceeded. When the maximum debt service amount post-completion is inserted, the low net income generated in 2011 did not provide sufficient funds to meet the higher standard.

Cushion Ratio = (Cash plus Investments plus Board Designated Funds)/ (Principal Payments plus Interest Expense) for the year of maximum debt service after project completion

Cushion - 2011: RJV carried an unusually low amount of cash and short term investments as of December 31, 2011. The low balance, coupled with a maximum debt service amount that includes the construction loan, resulted in a cushion ratio of 2.90 which fell just short of the 3.00 required minimum. The ratio requirements were satisfied during all other years reported.”

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO MEET THE REQUIREMENTS OF THE FINANCIAL VIABILITY CRITERION (77 IAC 1125.800)

XII. Section 1125.800 - Economic Feasibility

A) Criterion 1125.800 (a) Reasonableness of Financing Arrangements.

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or**
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:**
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or**
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.**

The total cost of the Project is \$8,839,637, and is funded with a combination of cash/securities totaling \$1,561,281, mortgages totaling \$6,378,356, and other funding sources emanating from a pre-approved line of credit from Bank of Springfield totaling \$900,000. The applicant supplied balance sheets for Rutledge Joint Ventures for December 2014, and January 2015 (application, p. 189-191), Audited Financial Statements (application p. 207), and a commitment letter from Bank of Springfield, for the mortgage (application, p. 192).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE REASONABLENESS OF FINANCING CRITERION (77 IAC 1125.800)

B) Criterion 1125.800 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) **That the selected form of debt financing for the project will be at the lowest net cost available;**
- 2) **That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;**
- 3) **That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.**

The applicant supplied a commitment letter from Bank of Springfield, for the mortgage (application, p. 192), which outlines the conditions of debt financing. It appears the applicant has met the requirement for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE CONDITIONS OF DEBT FINANCING CRITERION (77 IAC 1125.800)

C) Criterion 1125.800 (c) - Reasonableness of Project and Related Costs

The applicant shall document that the estimated clinical project costs are reasonable and are in compliance with the State Board Standards in Appendix A.

Modernization and Contingencies – These costs total \$2,829,923, or \$108.19 per gross square foot $\$2,829,923/26,156 = \108.19). This appears reasonable when compared to the State Board standard of \$146.36.

Contingencies – These costs total \$95,275 and are 3.4% of the modernization cost. This appears reasonable when compared to the State Board Standard of 10% - 15%.

Architectural/Engineering Fees/New Construction – These costs total \$98,685 and are 3.4% of modernization and contingencies cost. This appears reasonable when compared to the State Board Standard of 7.02% - 10.54%.

Consulting and Other Fees – These costs total \$5,805. The State Board does not have a standard for consulting fees.

Movable of Other Equipment – These costs total \$441,180 or \$2,479 per bed. This appears reasonable when compared to the State Board Standard of \$8,222.60.

Net Interest Expense During Construction – These costs total \$45,347. The State Board does not have a standard for these costs.

The applicant appears to be in compliance of all State Board Standards for this criterion, resulting in a positive finding for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE REASONABLENESS OF PROJECT AND RELATED COSTS CRITERION (77 IAC 1125.800(c))

D) Criterion 1125.800 (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 means the fully allocated costs of salaries, benefits and supplies for the service.

The applicant is estimating \$225.06 projected operating costs per equivalent patient day.

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

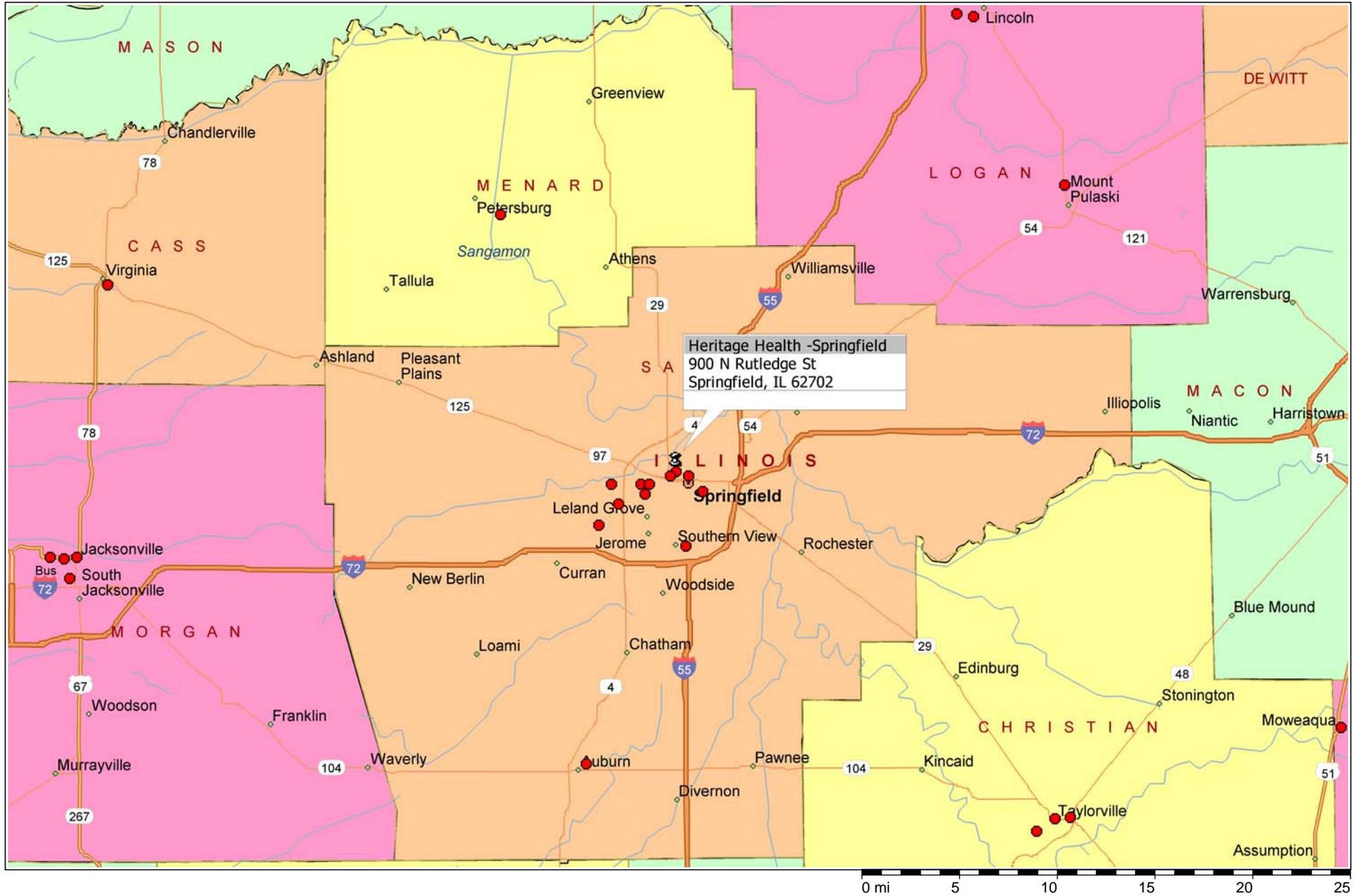
E) Criterion 1125.800 (e) - Total Effect of the Project on Capital Costs

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 is estimating \$189.70 projected capital costs per equivalent patient day.

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))

15-016 Heritage Health of Springfield



HERITAGE HEALTH - SPRINGFIELD

900 NORTH RUTLEDGE
SPRINGFIELD, IL. 62702

Reference Numbers Facility ID 6004279
Health Service Area 003 Planning Service Area 167

Administrator

Kiel Peregrin

Contact Person and Telephone

Kiel Peregrin
217-789-0930

Registered Agent Information

Steve Wannemacher
115 W Jefferson St Ste 401
Bloomington, IL 61701

Date Completed
3/23/2014

ADMISSION RESTRICTIONS

Aggressive/Anti-Social	0
Chronic Alcoholism	0
Developmentally Disabled	0
Drug Addiction	0
Medicaid Recipient	0
Medicare Recipient	0
Mental Illness	0
Non-Ambulatory	0
Non-Mobile	0
Public Aid Recipient	0
Under 65 Years Old	0
Unable to Self-Medicate	0
Ventilator Dependent	1
Infectious Disease w/ Isolation	0
Other Restrictions	0
No Restrictions	0

Note: Reported restrictions denoted by '1'

RESIDENTS BY PRIMARY DIAGNOSIS

DIAGNOSIS	
Neoplasms	1
Endocrine/Metabolic	13
Blood Disorders	2
*Nervous System Non Alzheimer	10
Alzheimer Disease	23
Mental Illness	4
Developmental Disability	1
Circulatory System	40
Respiratory System	6
Digestive System	1
Genitourinary System Disorders	8
Skin Disorders	2
Musculo-skeletal Disorders	10
Injuries and Poisonings	1
Other Medical Conditions	46
Non-Medical Conditions	0
TOTALS	168

Building Reported Age

Building 1	Heritage Health - Springfield	44
Building 2		0
Building 3		0
Building 4		0
Building 5		0

ADMISSIONS AND DISCHARGES - 2013

Residents on 1/1/2013	157
Total Admissions 2013	431
Total Discharges 2013	420
Residents on 12/31/2013	168

Total Residents Diagnosed as Mentally Ill

45

Total Residents Reported as Identified Offenders

1

LICENSED BEDS, BEDS IN USE, MEDICARE/MEDICAID CERTIFIED BEDS

LEVEL OF CARE	LICENSED BEDS	PEAK BEDS SET-UP	PEAK BEDS USED	BEDS SET-UP	BEDS IN USE	AVAILABLE BEDS	MEDICARE CERTIFIED BEDS	MEDICAID CERTIFIED BEDS
Nursing Care	178	176	168	176	168	10	177	177
Skilled Under 22	0	0	0	0	0	0		0
Intermediate DD	0	0	0	0	0	0		0
Sheltered Care	0	0	0	0	0	0		
TOTAL BEDS	178	176	168	176	168	10	177	177

FACILITY UTILIZATION - 2013

PATIENT DAYS AND OCCUPANCY RATES BY LEVEL OF CARE PROVIDED AND PATIENT PAYMENT SOURCE

LEVEL OF CARE	Medicare		Medicaid		Other Public	Private Insurance	Private Pay	Charity Care	TOTAL	Licensed Beds	Peak Beds
	Pat. days	Occ. Pct.	Pat. days	Occ. Pct.	Pat. days	Pat. days	Pat. days	Pat. days		Occ. Pct.	Occ. Pct.
Nursing Care	10196	15.8%	33669	52.1%	0	0	12062	0	55927	86.1%	87.1%
Skilled Under 22			0	0.0%	0	0	0	0	0	0.0%	0.0%
Intermediate DD			0	0.0%	0	0	0	0	0	0.0%	0.0%
Sheltered Care					0	0	0	0	0	0.0%	0.0%
TOTALS	10196	15.8%	33669	52.1%	0	0	12062	0	55927	86.1%	87.1%

RESIDENTS BY AGE GROUP, SEX AND LEVEL OF CARE - DECEMBER 31, 2013

AGE GROUPS	NURSING CARE		SKL UNDER 22		INTERMED. DD		SHELTERED		TOTAL		GRAND TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Under 18	0	0	0	0	0	0	0	0	0	0	0
18 to 44	0	0	0	0	0	0	0	0	0	0	0
45 to 59	1	2	0	0	0	0	0	0	1	2	3
60 to 64	0	3	0	0	0	0	0	0	0	3	3
65 to 74	4	8	0	0	0	0	0	0	4	8	12
75 to 84	13	42	0	0	0	0	0	0	13	42	55
85+	21	74	0	0	0	0	0	0	21	74	95
TOTALS	39	129	0	0	0	0	0	0	39	129	168

HERITAGE HEALTH - SPRINGFIELD900 NORTH RUTLEDGE
SPRINGFIELD, IL. 62702**Classification Numbers**License Number 6004279
Health Service Area 003
Planning Service Area 167 Sangamon**RESIDENTS BY PAYMENT SOURCE AND LEVEL OF CARE**

LEVEL OF CARE	Medicare	Medicaid	Other Public	Insurance	Private Pay	Charity Care	TOTALS
Nursing Care	34	79	0	0	55	0	168
Skilled Under 22	0	0	0	0	0	0	0
Intermediate D		0	0	0	0	0	0
Sheltered Care			0	0	0	0	0
TOTALS	34	79	0	0	55	0	168

AVERAGE DAILY PAYMENT RATES

LEVEL OF CARE	SINGLE	DOUBLE
Nursing Care	214	203
Skilled Under 22	0	0
Intermediate DD	0	0
Sheltered Care	0	0

RESIDENTS BY RACIAL/ETHNICITY GROUPING

RACE	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Asian	0	0	0	0	0
American Indian	0	0	0	0	0
Black	17	0	0	0	17
Hawaiian/Pacific Isl.	0	0	0	0	0
White	151	0	0	0	151
Race Unknown	0	0	0	0	0
Total	168	0	0	0	168

ETHNICITY	Nursing Care	Skilled Under 22	Intermediate DD	Sheltered Care	Totals
Hispanic	0	0	0	0	0
Non-Hispanic	168	0	0	0	168
Ethnicity Unknown	0	0	0	0	0
Total	168	0	0	0	168

FACILITY STAFFING

Employment Category	Full-Time Equivalent
Administrators	1.00
Physicians	0.10
Director of Nursing	1.00
Registered Nurses	15.00
LPN's	24.00
Certified Aides	70.00
Other Health Staff	18.00
Non-Health Staff	50.00
Totals	179.10

NET REVENUE BY PAYOR SOURCE (Fiscal Year Data)

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense*	Charity Care Expense as % of Total Net Revenue
39.5%	32.3%	0.0%	0.0%	28.2%	100.0%		
4,709,301	3,843,076	0	0	3,357,430	11,909,807	0	0.0%

*Charity Care Expense does not include expenses which may be considered a community benefit.