



Life Care Program Update

July 2012

ILLINOIS LIFE CARE FACILITIES PROGRAM

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

JULY 2012

LIFE CARE PROGRAM UPDATE

The *Illinois Life Care Facilities Act* (210 ILCS 40/1 et. Seq.) authorizes the Illinois Department of Public Health (The Department) to regulate residency agreements, called “Life Care contracts” that require an entrance fee and include personal, nursing, or medical care in addition to the residency arrangement. The contract includes a promise to provide a range of services at a Life Care facility for a period longer than one year (generally for life) in exchange for the payment of an entrance fee or resident deposit, in addition to or in lieu of a regular periodic payment. Enacted by the Illinois General Assembly in 1982, the *act* responded to growing national concerns regarding the financial stability of facilities offering residency and health care to the elderly. As a form of the many congregate living arrangements available to the elderly, Life Care facilities fall into the elderly housing industry’s category of Continuing Care Retirement Communities (CCRC).

The Department performs its regulatory function under the provisions of the *act* and the *Illinois Life Care Facilities Contract Code* (77 Ill. Adm. Code 396). The *act* empowers the Department to issue permits allowing facilities to

offer and enter into Life Care contracts, and charges the Department with the responsibility for monitoring those facilities for compliance with the *act* and the *code*. These responsibilities are carried out by the Health Systems Evaluation Section of the Deputy Director’s Office within the Office of Policy, Planning and Statistics.

Figure 1 shown above summarizes the functions carried out by the Life Care program. The principal duties of the program are to monitor the facilities entering into Life Care contracts, review the components of a residency agreement to meet the definition of a Life Care contract, and ensure the facilities comply with the *act* and the *code*. Section 7 *Illinois Life Care Facilities Act* requires facilities to maintain a letter of credit or an escrow account equal to six-month principal and interest. A major function of the program is to verify compliance of Section 7 through regular analysis of financial statements and debt service reserve funds. Audited financial statements are to be submitted to the

The Department regulates Life Care facilities by:

- Reviewing applications for Life Care permits
- Issuing permits where appropriate
- Monitoring facility compliance with the *act* and *code*
- Monitoring facility financial statements
- Managing the utilization of debt service reserve funds of facilities in financial distress

Life Care contracts must:

- Contain provisions for personal, nursing, or medical services, with maintenance services
- Require an entrance fee
- Cover a term longer than 12 months
- Include a 14-day rescission period

Life Care facilities must comply by:

- Obtaining a Life Care permit
- Establishing reserve funds as required by Section 7 of the *act*
- Providing a financial disclosure statement to residents
- Providing annual, audited financial statements to the Department within 120 days of each fiscal year

Figure 1

Department within 120 days of the end of each fiscal year, and each year, all Life Care facilities in the state are required to submit an Alzheimer's Special Care Disclosure Questionnaire. The annual disclosure is typically issued in mid-September of each calendar year, and with the questionnaire, the Department confirms that all facilities are submitting financial and other relevant information. The questionnaire also updates the Department on number of facilities that provide Alzheimer's care to their residents; approximately 40 percent of the Life Care facilities in Illinois serve residents with Alzheimer's.

At present, there are 91 active permits issued to facilities in Illinois, which entitles them to offer and enter into Life Care contracts. Together, these facilities represent more than 19,500 living units that can be occupied under such contracts. The facilities are spread throughout the state of Illinois, but the largest concentration is located in the greater Chicago area. Beyond meeting the requirements of the *act*, Life Care contracts exhibit a variety of terms, conditions and amenities. Each resident is able to organize an individual plan, or choose a pre-structured option. The residents are offered laundry services, meal plans, housekeeping and maintenance, in addition to nursing, medical, or personal care services. Life Care facilities that do not offer on-site nursing care have agreements with licensed facilities to deliver those services to residents.

Periodically, a Life Care survey is administered in order to obtain a more detailed overview of the Life Care industry in Illinois. A previous Life Care survey was issued in 2008, and in February 2012, another Life Care survey was distributed to the 91 facilities holding current permits. This report highlights some of the key information collected through that survey.

2012 Life Care Survey

Eighty-two of the 91 Life Care facilities returned completed surveys, for a 90 percent response rate. The survey requested comprehensive information regarding each facility's program and its ability to meet the financial reserve requirements of the *act*. The resulting data was processed using statistical analysis systems available through the Illinois Department of Public Health.

Type of Ownership

When asked to provide the ownership structure of the Life Care facility, 47 of the 82 responding Life Care facilities (57.31%) indicated that they are not-for-profit corporations. Twenty-five (30.49%) reported they are a limited liability corporation, six (7.32%) stated they are owned by a limited partnership, and four (4.88%) indicated that they are a for-profit incorporation. Many of the Life Care facilities in Illinois share common ownership or management. Fifty-one (62.19%) of the responding facilities indicated that they are affiliated with another entity in the state of Illinois. As the number of facilities operating under common ownership increased in the state, there was a rise in the total number of facilities that are certified by the Commission on Accreditation of Rehabilitation Facilities (CARF International). CARF is an independent, nonprofit organization that accredits health care providers around the world (The former Continuing Care Accreditation Commission (CCAC) is now part of this organization). CARF accreditation demonstrates a provider's commitment to high quality health care, continuous improvement, and exceeding standards. Some of the larger affiliates have a pledge for excellent service, and ensure that all facilities obtain CARF certification. In Illinois, 15 (18.29%) of Life Care facilities have achieved CARF accreditation, higher than the national average of 15 percent.

Number of Living Units

Life Care permits are issued to facilities based on information provided by the applicant, including the number of units that will be subject to Life Care contracts. The survey asked respondents to verify their numbers and indicate current occupancy. The number of units per facility varies, but the majority of permit holders in Illinois fall between 150 to 250 living units. Exhibit 2, shown to the right, details the facility sizes in Illinois. Ten facilities (12.20%) have set aside one to 100 units, nine facilities (10.98%) confirmed that they have between 101 to

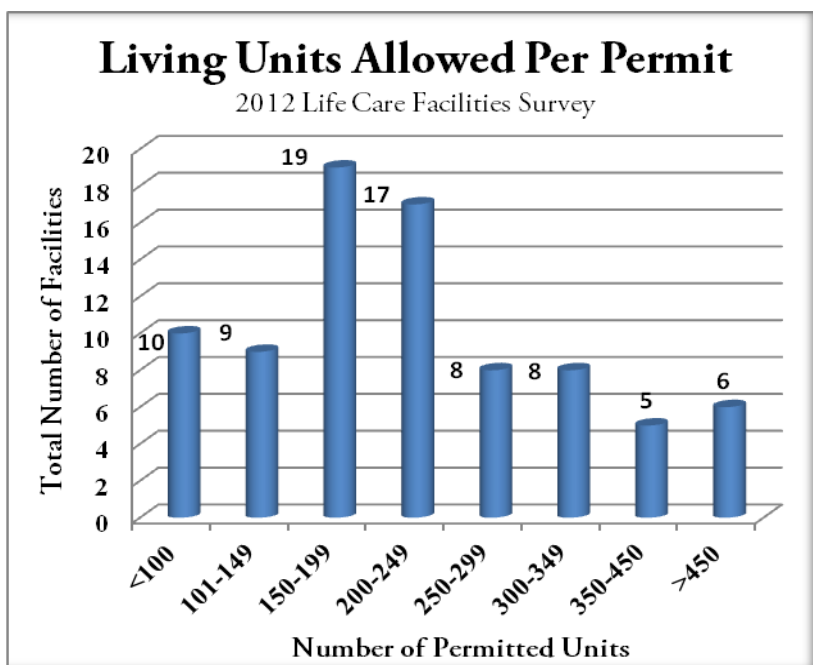


Figure 2

149 units, 19 (23.17%) facilities have 150 to 199 units, and 17 facilities (20.73%) constructed between 200 to 249 living units designed for the exclusive use of one or more residents under a Life Care contract. While most facilities have less than 250 units, some facilities are permitted to have as many as 1,400 living units. Eight (9.76%) facilities are permitted up to 299 units, eight more (9.76%) are permitted to have as many as 349 units, and five (6.10%) are permitted to have a maximum of 450 units. Only six facilities (7.31%) in Illinois are permitted greater than 450 living units. The average number of permitted units for an Illinois Life Care facility is 248, with an average of 204 current residents per facility. The three largest permitted life care facilities are: Friendship Village, located in Schaumburg, Illinois (986 units permitted); Sedgebrook, located on a 92-acre campus in Lincolnshire (1,400 units permitted); and Monarch Landing, which is on an 80-acre campus in Naperville, Illinois (1,091 units permitted). These communities provide several apartment alternatives as well as skilled nursing and assisted living within the continuing care retirement community (CCRC). Since 1995, the average number of permitted units in the state of Illinois increased 14.2 percent, with the average number of current residents increasing by 15.91 percent in the same period.

Entrance Fees

In order to meet the definition of a Life Care contract, the provision of services is conditioned upon the payment of an entrance fee by the resident. Depending on the actual duration of the of Life Care contract, many residency agreements can allow up to 90 percent of the entrance fee to be refunded. When asked to report on the range of entrance fees, the responding 82 facilities reported an assortment of costs. Figure 3, listed below, visualizes the average minimum and maximum entrance fees based on the size of the facility. Throughout Illinois, entrance fees range from \$100 to nearly \$1.3 million, but on average, the entrance fee is \$168,000 per unit. There are more affordable options in the

Life Care industry, so proper planning and selection is important for all residents. Fifty-seven (69.51%) facilities reported a minimum entrance fee of less than \$75,000, and those same facilities have an average of \$92,000 as a maximum entrance fee.

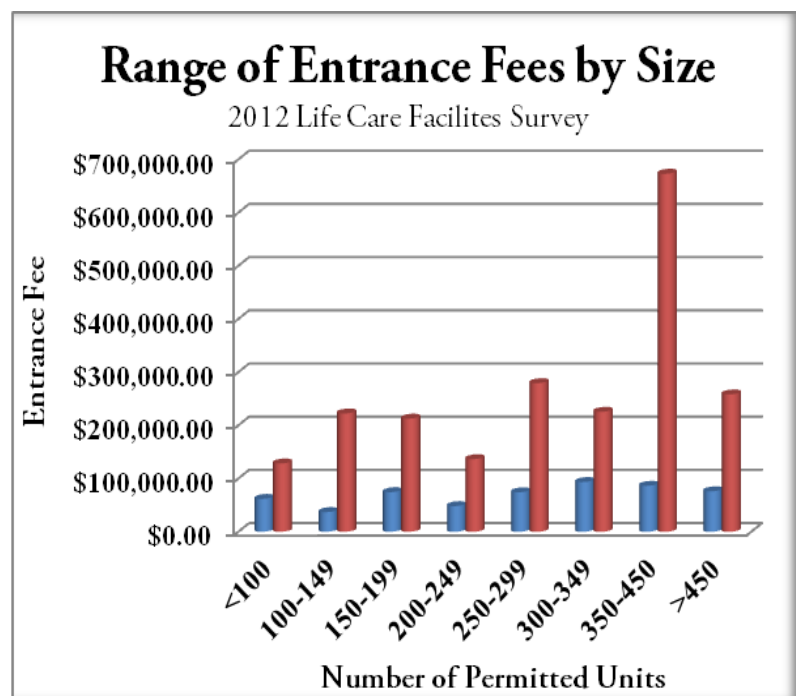


Figure 3

When analyzing the entrance fees by the size of the community, the average minimum entrance fees are fairly level across the state of Illinois. On average, minimum entrance fees can be expected to be less than \$100,000 regardless of the size of facility the resident selects. The highest costs can be expected in facilities that operate 350 to 450 living units, but since only five facilities fall under this category, most residents will reside in a facility with 150 to 249 living units. In Illinois, 37 percent of all Life Care facilities contract 150 to 249 living units. The average associated entrance fee for the mid-size Life Care facilities is

\$118,000. While the maximum entrance fees can reach beyond \$1 million, the majority of facilities do not have any units higher than \$250,000. The ranges of maximum entrance fees appear to be staggering, but in reality, large portions of the initial payment are refundable depending on the term length of the contract. Each Life Care facility is free to set the pricing structure for their individual facility, so long as they remain in the framework of the *act* and *code*. In general, facilities that charge higher entrance fees usually have lower monthly fees and service charges; and then facilities that offer very low initial payments, typically offset the lower costs by charging a higher periodic fee to residents.

Financial Reserve Requirement

Compliance with Section 7 of the *Illinois Life Care Act* requires that each facility with long-term debt establish a letter of credit or an escrow account in an amount which equals or exceeds the six-month aggregate principal and interest payments on any first mortgage or long-term financing of the facility. Fifty-nine (71.95%) of the responding Life Care facilities reported they maintain a current letter of credit or an escrow account. The reported amounts range from \$15,000 to \$14.2 million. Of the 59 facilities that hold an escrow, 20 (33.90%) retain less than \$1 million in account, and 24 (40.68%) maintain between \$1 million and \$2 million. Only 25 percent of the facilities that possess long-term debt are required to hold an amount greater than \$2 million; with 9 (15.25%) holding an amount ranging from \$2 million to \$5 million, and 6 (10.17%) possessing greater than \$5 million as a reserve.

An additional 23 (28.05%) facilities in Illinois reported no long-term debt; therefore an escrow account is not mandated by the *act*. However, many of these facilities still maintain a reserve account in order to meet financial obligations to creditors or residents.

Conclusion

The 2012 survey of Life Care facilities provided important program information. A sample of this information has been discussed in the previous pages, and provides a glimpse of some significant variations that exist between facilities holding Life Care permits. Life Care facilities in Illinois range from traditional “life time” care agreements where residents receive all necessary care until the end of life in return for complete surrender of assets, to modified agreements where residents enter into an independent living arrangement and receive a specific number of nursing days in exchange for payment of an entrance fee and monthly service fees. As the state of Illinois’ population continues to seek retirement living options and the elderly housing industry responds with innovative concepts to meet the social and health care needs of the population, community living arrangements will become increasingly diverse. Life Care fills a niche in the elderly housing market and provides models for other types of semi-independent living arrangements. The Illinois Life Care Facilities Program and the regulation of Life Care facilities will remain important to the growing population of elderly that are served by these residential living arrangements. Lastly, the Department would like extend a special thank you to all of the responding Life Care facilities and their representatives who took the time to complete the 2012 Life Care survey.

Resident Life Care Agreement Entrance Fees:

- Eighty-two Life Care facilities reported minimum and maximum range of entrance fees.
- The majority of Life Care facilities operate 150 to 249 living units.
- Reported responses range from a minimum of \$100 to a maximum of \$1.3 million.
- \$3,500 was the most common entrance fee. It was cited by 10 facilities in the survey.
- In Illinois, the average amount expected for an entrance fee is \$168,000. The average minimum entrance fee for facilities is \$69,000 and the average maximum is \$267,000.

Figure 4

Acknowledgements

Report Designed and Prepared by Evan Ponder, Health Systems Analyst

Reviewed and Edited by Bill Dart, Assistant Deputy Director

Illinois Life Care Facilities Program

To request further information, contact the Illinois Life Care Program, 525 West Jefferson Street, Springfield, Illinois 62761, Phone: 217-785-2040, Fax: 217-785-4308, or visit the Illinois Life Care web page at: <http://www.idph.state.il.us/about/lifecare.htm>

LIST OF ACTIVE FACILITIES (JUNE 2012)

<u>Permit Number</u>	<u>Permit Holder</u>	<u>Facility Name</u>	<u>Address</u>	<u>City</u>	<u>Units Permitted</u>
LC-08-11	Sterling Cottages, LLC	Coventry Village	612 West St. Mary's Road	Sterling	68
LC-07-11	Morris Cottages, LLC	Walnut Grove Retirement Community	1095 Twilight Drive	Morris	30
LC-06-11	Lifespace DG, LLC	Oak Trace	200 Village Drive	Downers Grove	274
LC-05-11	S-H OpCo Olympia Fields, LLC	The Park at Olympia Fields	3633 Breakers Drive	Olympia Fields	209
LC-04-11	S-H OpCo Park at Golf Mill, LLC	The Park at Golf Mill	8975 West Golf Road	Niles	282
LC-03-11	Luther Oaks Inc.	Luther Oaks	601 Lutz Road	Bloomington	90
LC-02-11	Pleasant View Luther Home Inc.	Pleasant View Luther Home	505 College Avenue	Ottawa	34
LC-01-11	Lexington Square Life Care of Elmhurst, LLC	Lexington Square of Elmhurst	400 West Butterfield Road	Elmhurst	322
LC-04-10	Senior Care Naperville, LLC	Monarch Landing	2255 Monarch Drive	Naperville	1091
LC-03-10	Lincolnshire Senior Care, LLC	Sedgebrook	800 Audubon Way	Lincolnshire	1400
LC-02-10	Lutheran Retirement Center Association	Concordia Village	4101 West Iles Avenue	Springfield	347
LC-01-10	Parkview Home of Freeport, IL Inc.	Parkview Home of Freeport	1234 South Park Boulevard	Freeport	140
LC-10-09	Wyndemere Retirement Community, LLC	Wyndemere	200 Wyndemere Circle	Wheaton	245
LC-09-09	BLC-Hawthorn Lakes, LLC	Hawthorn Lakes	10 East Hawthorn Parkway	Vernon Hills	201
LC-08-09	BLC-The Willows, LLC	The Willows	10 East Hawthorn Parkway	Vernon Hills	50
LC-07-09	BLC-The Hallmark, LLC	The Hallmark	2960 North Lake Shore Drive	Chicago	338
LC-06-09	BLC-Devonshire of Hoffman Estates, LLC	Devonshire of Hoffman Estates	1515 Barrington Road	Hoffman Estates	247
LC-05-09	BLC - Kenwood of Lake View, LLC	The Kenwood of Lake View	3121 North Sheridan Road	Chicago	263
LC-04-09	Brookdale Living Communities of Illinois GV, LLC	The Seasons at Glenview Place	4501 Concord Lane	Northbrook	221
LC-03-09	BLC- Devonshire of Lisle, LLC	Devonshire of Lisle	1700 Robin Lane	Lisle	321
LC-02-09	BLC- The Heritage of Des Plaines	Heritage of Des Plains	800 South River Road	Des Plaines	255
LC-04-08	850 Investors LLC	850 Lake Shore Drive	900 North DeWitt Place, Suite 100	Chicago	139
LC-03-08	The Mather	The Mather	425 Davis Street	Evanston	300
LC-02-08	Lexington Square Life Care of Lombard, LLC	Lexington Square of Lombard	555 Foxworth Boulevard	Lombard	260
LC-01-08	The Clare at Water Tower Inc.	The Clare at Water Tower	55 East Pearson Street	Chicago	344
LC-03-07	Poplar Creek Village, L.P.	Poplar Creek Village Senior Apartments	2250 West Golf Road	Hoffman Estates	121
LC-02-07	Lutheran Senior Services	Meridian Village Association	27 Auerbach Lane	Glen Carbon	163
LC-01-07	Midwest Senior Ministries Inc.	Bridgeway of Bensenville	303 East Washington	Bensenville	160
LC-11-06	Evangelical Retirement Homes of Greater Chicago Inc., d/b/a Friendship Village of Schaumburg	Friendship Village of Schaumburg	350 West Schaumburg Road	Schaumburg	986

LC-10-06	The Holmstad Inc.	The Holmstad	700 West Fabyian Parkway	Batavia	409
LC-09-06	Covenant Home Inc.	Covenant Village of Northbrook	2625 Techny Road	Northbrook	331
LC-08-06	Clare Oaks	Clare Oaks	825 Carillon Drive	Bartlett	164
LC-07-06	Franciscan Communities Inc.	The Village at Victory Lakes	1055 East Grand Avenue	Lindenhurst	140
LC-06-06	Lincoln Village, LLC	Lincoln Village Senior Apartments	6057 North Lincoln Avenue	Chicago	102
LC-03-06	Belmont Village Carol Stream Leasing, LLC	Belmont Village at Carol Stream	545 Belmont Lane	Carol Stream	158
LC-02-06	Belmont Village Glenview Leasing, LLC	Belmont Village Glenview	2200 Golf Road	Glenview	158
LC-01-06	Belmont Village Oak Park Leasing, LLC	Belmont Village at Oak Park	1035 Madison Street	Oak Park	134
LC-03-04	Washington and Jane Smith Community- Orland Park	Smith Crossing	10501 Emilie Lane	Orland Park	205
LC-02-04	Washington and Jane Smith Community- Beverly d/b/a Smith Village	Smith Village	2320 West 133th Place	Chicago	326
LC-21-03	Villa St. Benedict	Villa St. Benedict	1920 Maple Avenue	Lisle	197
LC-02-03	Lutheran Senior Ministries Inc.	Lutheran Hillside Village	6901 North Galena Road	Peoria	175
LC-01-03	Windsor Park Manor	Windsor Park Manor	124 Windsor Park Drive	Carol Stream	427
LC-03-02	SL Lincolnwood Place, LLC	Lincolnwood Place	7000 North McCormick Boulevard	Lincolnwood	234
LC-02-02	ARC Holley Court, LLC	Holley Court Terrace	1111 Ontario Street	Oak Park	161
LC-03-01	The Presbyterian Homes	Two Arbor Lane	3200 Grant Street	Evanston	24
LC-01-01	Lawrence House, LLC	Lawrence House	1020 Lawrence Avenue	Chicago	374
LC-09-00	Brookdale Living Communities of Illinois GE, Inc.	The Meadows of Glen Ellyn	60 North Nicoll Avenue	Glen Ellyn	234
LC-06-00	The Presbyterian Homes	The Moorings Health Center	761 Old Barn Lane	Arlington Heights	539
LC-03-00	Resurrection Senior Services	Casa San Carlo Retirement Community	420 North Wolf Road	Northlake	184
LC-02-00	Resurrection Senior Services	Bethlehem Woods Retirement Living Center	7435 West Talcott Avenue	Chicago	332
LC-05-99	Belmont Village, L.P.	Belmont Place Apartments	4645 West Belmont	Chicago	110
LC-03-99	CC-Lake Inc.	Vi at the Glen	2401 Indigo Lane	Glenview	296
1-99	Sunrise Continuing Care, LLC	Church Creek	1250 West Central Road	Arlington Heights	245
112	Freedom Village, LP	Freedom Village	935 Maple Avenue	Homewood	198
109	North Shore Limited Partnership	North Shore Hotel	1611 Chicago Avenue	Evanston	230
106	Emerald Village, LP	Emerald Village	325 West Wise Road	Schaumburg	97
104	Christian Homes Inc.	The Christian Village	1507 Seventh Street	Lincoln	165
103	Christian Homes Inc.	Heartland Christian Village	101 Trowbridge Road	Neoga	77
102	Christian Homes Inc.	Fair Havens Christian Home	1790 S. Fairview Avenue	Decatur	181
99	The Presbyterian Homes	Lake Forest Place	1100 Pembridge Drive	Lake Forest	292
94	Asbury Court LLC	Asbury Court Retirement Community	1750 Elmhurst Road	Des Plaines	239

88	Lutheran Social Services of Illinois	Peterson Meadows Retirement Community	6401 Newburg Road	Rockford	200
84	Tinley Court Inc.	Tinley Court	16301 Brementowne Road	Tinley Park	125
78	Grand Chapter Order of the Eastern Star of the State of Illinois	Eastern Star Home	9894 Star Lane - P.O. Box 317	Macon	77
69	International Health Systems, Inc.	Concord Plaza Retirement Community	5005 West Touhy	Skokie	460
68	Christian Homes Inc.	Wabash Christian Retirement Center	216 College Boulevard	Carmi	168
64	Mather Lifeways	Sometimes I	1603 Orrington Avenue - Suite 1800	Evanston	143
62	Fairhaven Christian Home	Fairhaven Christian Retirement Center	3470 North Alpine Road	Rockford	148
59	Oak Park Arms Associates	Oak Park Arms	408 South Oak Park Avenue	Oak Park	250
58	Christian Buehler Memorial	Christian Buehler Memorial	3415 North Sheridan Drive	Peoria	206
50	Christian Homes Inc.	Washington Christian Village	1201 Newcastle Road	Washington	154
49	Sheridan Road Lifestyle Partnership	The Breakers at Edgewater Beach	5333 North Sheridan Road	Chicago	476
48	Peace Memorial Ministries	Peace Memorial Village	10300 Village Circle Drive	Palos Park	243
46	Norwegian Lutheran Bethesda Home Association	Bethesda Home and Retirement Center	2833 N. Nordica Avenue	Chicago	130
41	King-Bruwaert House	King-Bruwaert House	6101 S. County Line Road	Burr Ridge	133
40	Christian Homes Inc.	Lewis Memorial Christian Village	3400 West Washington Street	Springfield	181
34	Wesley Willows Retirement Home	Wesley Willows Retirement Home	4141 North Rockton Ave	Rockford	156
30	Westminster Village Inc.	Westminster Village	2025 East Lincoln Street	Bloomington	246
27	Wesley Village, United Methodist Church	Wesley Village	1200 East Grant Street	Macomb	76
25 d	The Presbyterian Homes	Ten Twenty Grove	1020 Grove Street	Evanston	44
25 c	The Presbyterian Homes	King Home	1555 Oak Avenue	Evanston	56
25, 25a, 25b	The Presbyterian Homes	Westminster Place	3200 Grant Street	Evanston	359
23	DeKalb Area Retirement Center	DeKalb Area Retirement Center	2944 Greenwood Acres Drive	DeKalb	225
22	The Society of the Danish Old People's Home	The Danish Home	5656 North Newcastle Avenue	Chicago	59
18	Trustees of John C. Proctor Endowment	John C. Proctor Endowment Home	2724 West Reservoir Boulevard	Peoria	174
11	Clark-Lindsay Village Inc.	Clark-Lindsay Village	101 West Windsor Road	Urbana	160
4	Swedish Retirement Association	Three Crowns Park	2323 McDaniel Avenue	Evanston	149
3	Plymouth Place	Plymouth Place	315 North LaGrange Road	LaGrange Park	182
2	Illinois Branch of King's Daughters & Sons Inc.	Friendship Manor	1209 - 21st Avenue	Rock Island	231
1	Lifespace Communities Inc.	Beacon Hill	2400 Finley Road	Lombard	300