



CAMBRIDGE

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PRESS RELEASE

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COOK COUNTY NURSING HOME OPERATORS DENIED MEDICAID REIMBURSEMENTS WIN COURT VICTORY

Hair-splitting over the wording of a 1997 amendment to the Medicaid Act became justification for the Illinois Department of Healthcare and Family Services' (IDHFS) refusal to offer "reasonable and adequate" reimbursements to a number of Illinois nursing home operators. It wasn't the only questionable claim made by the IDHFS in response to a lawsuit filed by ten groups which purchased a number of existing nursing homes in the state of Illinois in 2012.

The IDHFS initially sought to deflect responsibility for Medicaid reimbursements by claiming that federal Medicaid law "does not support a private right of action" under the U.S. Constitution's 11th Amendment. The amendment states that "The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." Plaintiffs in the lawsuit viewed this claim as a smoke-and-mirrors attempt by the IDHFS to absolve itself of an obligation which requires Medicaid "to calculate a new [reimbursement] rate based on the new owner's report of the costs it has accrued during at least the first six months of operation" when a new owner takes over operation of an existing nursing home.

The case is one that Cambridge Realty Capital Companies' Chairman Jeffrey Davis has been following with great interest. "We have a stake in cases like this, since we have financed a number of facilities within Cook County ourselves, and because this decision has ramifications for the clients that we have worked with over the years who operate senior housing within Cook County, as well as all future operators."

The lawsuit isn't even about money. Rather, the plaintiffs have merely asked the IDHFS to provide documentation that demonstrates the reasoning and process behind its decision to refuse what the plaintiffs see as the reimbursements they are entitled to. Adding insult to injury, Felicia Norwood, IDHFS director, claimed that the plaintiffs were not entitled to "reasonable and adequate" reimbursement. She based this on the fact that these words, which appeared in the law in question up until 1997, were removed in a subsequent amendment.

In late September 2017, the federal appeals court upheld a previous ruling issued earlier by the state which sided with the plaintiffs. The ruling was not a monetary award. Rather, it stated that the plaintiffs do have the right to access the IDHFS documents in question, and that in spite of the change in wording of the law regarding fair reimbursement rates, the amendment did not change the essence of the previous law.

This case will undoubtedly set a precedent for similar incidents in the future. Davis stated that he would continue to monitor this case as it further unfolds.

Privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties, Cambridge today has three distinctive business units: FHA-insured HUD loans,

conventional financing, and investments and acquisitions. The company is one of the nation's leading senior housing and healthcare debt and equity capital providers, with more than 400 closed senior housing transactions totaling more than \$4.5 billion since the early 1990's, when the firm began its specialization in providing senior housing capital.

Cambridge has consistently ranked among the country's top five FHA-insured HUD lenders (now HUD Lean) over the last 15 years and offers an array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's principal investment strategy includes direct property acquisitions, joint ventures and sale/leasebacks. The company has acquired 16 facilities totaling approximately \$60 million.

Cambridge is the creator of *The Signature Experience*[™], a four-step process designed to transform the traditional lender/borrower relationship and identify "ideal" capital solutions for worthy projects. The company has a national origination office in Los Angeles, and numerous correspondent and brokerage relationships nationwide.

Cambridge publishes the bi-monthly Capital Wisdom(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients as well as monthly updates of other relevant news and breaking trends. Additional information is available on the Cambridge website, www.cambridgecap.com, and Cambridge can be reached at (312) 357-1601 or via e-mail to info@cambridgecap.com. The firm also has embraced social media and networking via Twitter at <http://twitter.com/cambridgecap>, via Facebook at <http://www.facebook.com/cambridgecap>, via blog at www.cambridgecap.com/blog and via LinkedIn at <http://www.linkedin.com/companies/454232>, where information on the firm and its employees can be found.

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