**Section 396.50 Provider Responsibilities**

a) *At the time of or prior to the execution of a life care contract and the transfer of any money or other property to a provider or escrow agent, the provider shall deliver to the resident a copy of a financial disclosure statement reflecting the provider's financial condition* (Section 5(a) of the Act).

b) *The life care contract shall provide that any person entering the contract shall have a period of 14 days beginning with the first full calendar day following the execution of the contract, or the payment of an initial sum of money as a deposit or application fee, or receipt of the financial disclosure statement, whichever occurs last, within which to rescind the life care contract without penalty or further obligation. In the event of such rescission, all money or property paid or transferred by such person shall be fully refunded. No person shall be required to move into a facility until after the expiration of the 14 day recision period* (Section 5(b) of the Act).

c) To the extent that a facility also qualifies as a long-term care facility under the Nursing Home Care Act, then the long-term care portion of the facility must comply with that Act and the regulations promulgated thereunder as well as the Act and this Part.

d) When required by subsections (e) and (f) below, the provider shall establish and maintain on a current basis, an escrow account and/or letter of credit with a bank, trust company, or other financial institution located in the State of Illinois. Such financial institution shall provide to the Department notification describing the facility's escrow account or letter of credit on an annual basis and within 15 days of any change affecting the escrow account or letter of credit.

e) Requirements for new facilities:

1) *If the entrance fee applies to a living unit which has not previously been occupied by any resident, all entrance fee payments representing either all or any smaller portion of the total entrance fee shall be paid to the escrow agent by the resident* (Section 7(a)(1) of the Act).

2) *When the provider has sold at least ½ of the living units covered by a single permit, obtained a mortgage commitment, if needed, and obtained all necessary zoning permits and certificates of need, if required, the escrow agent may release a sum representing 1/5 of the resident's total entrance fee to the provider. Upon completion of the foundation of the living unit an additional 1/5 of the resident's total entrance fee may be released to the provider. When the living unit is under roof a further and additional 1/5 of the resident's total entrance fee may be released to the provider. All remaining monies, if any, shall remain in escrow until the resident's living unit is substantially completed and ready for occupancy by the resident. When the living unit is ready for occupancy the escrow agent may release the remaining escrow amount to the provider and further entrance fee payments, if any, may be paid by the resident to the provider directly. All monies released from escrow shall be used for the facility and for no other purpose.* (Section 7(a)(2) of the Act)

f) Requirements for all facilities:

 *At the time of resident occupancy and at all times thereafter, the escrow amount shall be in an amount which equals or exceeds the aggregate principal and interest payments due during the next 6 months on account of any first mortgage or other long-term financing of the facilities* (Section 7(b)(1) of the Act). *Balloon payments due at the conclusion of the Mortgage shall not be subject to the escrow requirements* (Section 7(b)(5) of the Act). In lieu of the escrow account, the provider may obtain an irrevocable letter of credit in the amount required by this provision. The letter of credit shall specify that funds are to be paid out in the amount and manner specified by the Director.

g) *The escrow monies required* by Section 6 of the Act *may be released to the provider upon approval by the Director.* Such approval shall only be granted in the event of unforeseeable peril or calamity, such as damage due to fire, vandalism, earthquake, etc., or in the event that the escrow funds are the only source for payment of the long-term debt of the facility. *The Director may attach such conditions on the release of monies as he deems fit including, but not limited to, the performance of an audit which satisfies the Director that the facility is solvent, a plan from the facility to bring the facility back in compliance* with Section (6) *and a repayment schedule* and that the funds be used solely for the purpose for which they were released (Section 7(b)(2) of the Act).

h) An audited statement of the financial condition of the facility must be submitted annually to the Department by the provider within 120 days of the close of the facility's fiscal year.

i) Providers must immediately report to the Department in writing any changes in the financial condition of the facility which could threaten the facility's ability to sustain operations or meet its contractual obligations to its residents or creditors. Reportable changes in the facility's financial condition include serious delinquency in payments due to creditors, reduction of services to which residents are entitled, financial loss due to theft or gross mismanagement, as well as loss due to physical damage to the facility or legal damages for which the provider is found to be liable.

j) *If the facility ceases to operate all monies in the escrow account except the amount representing principal and interest shall be repaid by the escrow agent to the resident* (Section 7(b)(4) of the Act). Such repayments shall be in the form of a cashier's check.