



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: A-01	BOARD MEETING: March 5, 2019	PROJECT NO: 18-042	PROJECT COST:
FACILITY NAME: Quincy Medical Group Surgery Center		CITY: Quincy	Original: \$19,519,058
TYPE OF PROJECT: Substantive			HSA: III

PROJECT DESCRIPTION: The Applicant (Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group) proposes to establish a multi-specialty ambulatory surgical treatment center (“ASTC”) and cardiac catheterization service in the vacated Bergner’s Department Store space at the Quincy Mall in Quincy, Illinois. The cost of the project is \$19,519,058. The anticipated completion date is March 1, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group) proposes to establish a multi-specialty ambulatory surgical treatment center (“ASTC”) and cardiac catheterization service in the vacated Bergner Department Store space at the Quincy Mall in Quincy, Illinois. The cost of the project is \$19,519,058. The anticipated completion date is March 1, 2021.
- The ASTC will contain five operating rooms and three procedure rooms with one of the five operating rooms dedicated to cardiac catheterization. The following surgical specialties will be performed at the proposed surgery center: Cardiovascular, Colon and Rectal Surgery, General Surgery, Gastroenterology, Neurological Surgery, Obstetrics/Gynecology, Ophthalmology, Oral/Maxillofacial Surgery, Orthopedic Surgery, Otolaryngology, Plastic Surgery, Podiatric Surgery, Urology, Pulmonology and Cardiac Catheterization.
- Cardiac Catheterization services is a part of this current project and is a category of service and must be approved by the State Board no matter the cost.

BACKGROUND:

- In August of 2000 the State Board approved the Quincy Medical Group (Permit #00-052) to establish a multi-specialty ASTC (The Surgery Center of Quincy) with three operating rooms and a three room gastroenterology suite at a cost of approximately \$5.8 million in Quincy, Illinois which is located on the third floor of a 3-story medical office owned by the QMG.
- In August of 2006 the Chairman of the State Board approved the sale of The Surgery Center of Quincy to Blessing Hospital (Exemption #E-072-06) for approximately \$13.0 million to be operated as a department of the hospital. The Hospital leased the space from the Quincy Medical Group and the Quincy Medical Group managed the ASTC through a management agreement. The management agreement is still in place.
- Blessing Hospital has operated this licensed ASTC as a Hospital Outpatient Department which is allowed by Medicare (CMS) and the Department of Public Health.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- *The proposed project is before the State Board because the project establishes a health care facility as defined by Illinois Health Facilities Planning Act (20 ILCS 3960/3)*
- *This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.*

PURPOSE OF THE PROJECT:

The Applicant stated: *“The purpose of this project is to increase accessibility to high-quality, lower cost ASTC and cardiac catheterization health services and expand the scope of those health services available to Quincy Medical Group existing patients and residents of Quincy and the surrounding areas.”* [See Page 7-8 of this report]

PUBLIC HEARING/COMMENT:

- As part of the review process the State Board is required to hold a public hearing (if one is requested) in the area of the proposed health care facility. A public hearing was conducted on Thursday January 24, 2019 at the Quincy Public Library, 526 Jersey Street, Quincy, Illinois from 1:00 pm to 5:15 pm. Approximately 232 individuals registered their attendance at the public hearing with 17 individuals speaking in support and 32 individuals speaking in opposition to the project. The public hearing transcript and the written testimony have been included in the information provided to the State Board Members.
- The State Board has received a large number of support and opposition letters regarding the proposed project. The vast majority of the letters of opposition were from Blessing Hospital and their employees. We received four letters (US Representative LaHood, State Senator Jill Tracy, State Representative Randt Frese, and Jerry Neal Administrator Sunset Home expressing no opinion on the proposed project but commented on the positive impact Quincy Medical Group and the Blessing Hospital System have had on the community. *“Both entities provide quality health care services to our residents. Both contribute and participate in community events that serve to improve the quality of life for our area. Both provide good employment to many in our area.”*
- The Applicant believes that trends over the last 30 years have shifted surgery into outpatient settings and then into Ambulatory Surgical Treatment Centers. The Applicant believes that both commercial and government insurance has shifted toward reimbursement models that encourage both patients and providers to utilize ASTCs whenever possible. Additionally the Applicant believes that patients have higher satisfaction rates, lower costs, and improved outcomes when utilizing ASTCs. The Applicant currently provides surgical volumes for inpatient and outpatient surgery at Blessing Hospital (the only hospital in the service area). The Applicant believes that adding the option of an ASTC in Adams County, along with the potential ability to recruit and retain high quality physicians, will improve access for all residents in the service area. The Applicant also believes that the proposed ASTC will lower costs for surgical services and will result in lower out of pocket costs to patients for services received at the ASTC versus a hospital-based outpatient department.
- Blessing Hospital is not in support of this project. The Hospital believes the proposed project will divert virtually all of the outpatient surgeries currently provided at Blessing Hospital and the existing Blessing ASTC, to an unneeded and duplicative facility owned by QMG. The Hospital

believes that the proposed project would curtail Blessing Hospital's ability to cross-subsidize emergency services, behavior health and safety net services. Additionally, the Hospital believes that if the proposed project is approved there will be a loss of between \$25 to \$41 million dollars of revenue and the loss of 400 jobs.

- At the conclusion of this report is a response to concerns raised at the public hearing from POLSINELLI representing QMG (exhibits are not included but are included in your packet of information) and an impact statement from Blessing Hospital.

State Board Staff Notes:

- A cancer center with infusion therapy¹ and radiation oncology² will also be located at the Quincy Mall and owned by the Quincy Medical Group. These two services are not part of this project. By statute the State Board has jurisdiction over the establishment and modernization of a health care facility licensed under the Ambulatory Surgical Treatment Center Act (210 ILCS 5/1). The modernization must exceed the current capital threshold minimum of \$3,515,982. Infusion therapy and radiation oncology services are not licensed under the Ambulatory Surgical Treatment Act and are not considered category of services as defined by the State Board. In addition the cost of these two services are under the capital expenditure minimum.
- Language in the Statute limits the State Board’s jurisdiction when it comes to physician practices or physician medical groups. *“With the exception of those health care facilities specifically included in this Section nothing in this Act shall be intended to include facilities operated as a part of the practice of a physician or other licensed health care professional, whether practicing in his individual capacity or within the legal structure of any partnership, medical or professional corporation, or unincorporated medical or professional group. Further, this Act shall not apply to physicians or other licensed health care professional's practices where such practices are carried out in a portion of a health care facility under contract with such health care facility by a physician or by other licensed health care professionals, whether practicing in his individual capacity or within the legal structure of any partnership, medical or professional corporation, or unincorporated medical or professional groups, unless the entity constructs, modifies, or establishes a health care facility as specifically defined in this Section. This Act shall apply to construction or modification and to establishment by such health care facility of such contracted portion which is subject to facility licensing requirements, irrespective of the party responsible for such action or attendant financial obligation.”* [20 ILCS 3960]
- The expected payor mix of the proposed ASTC will be 41% Medicare, 10% Medicaid, 47% Private Insurance and 2% Private Pay/Other.
- The Applicant addressed a total of 31 criteria and have not met the following:

¹ Infusion therapy refers to delivering medication and nutrition directly into the veins, also known as intravenous or IV administration. Infusion therapy allows you to spend more time with friends and family in your own environment and less time in the hospital. With a decreased risk of infections, you are able to return to work or school more comfortably and safely. Not to mention, medical costs are lower because you receive care on a come-and-go basis rather than as part of a hospital stay.

² A linear accelerator (LINAC) is the device most commonly used for external beam radiation treatments for patients with cancer. The linear accelerator is used to treat all parts/organs of the body. It delivers high-energy x-rays or electrons to the region of the patient's tumor

Criteria	Reasons for Non-Compliance
77 ILAC 1110.235 (c) (6) – Service Accessibility	<p>An Applicant proposing to establish an ASTC must meet <u>one</u> of four criteria regarding service accessibility.</p> <ol style="list-style-type: none"> 1. There are no other ASTC in the 21-mile GSA. 2. Hospital and ASTC operating/procedure rooms are being used at the target utilization of 1,500 hours per room. 3. ASTC services proposed by the ASTC are not available in the 21-mile GSA. 4. The project is a cooperative venture with a hospital. <p>The Applicant was not able to meet any of the four criteria above. [See pages 18-20 of this report for explanation]</p>
77 ILAC 1110.235 (c) (7) – Unnecessary Duplication of Service Mal-distribution of Service/ Impact on Other Facilities	<p>There are two health care facilities in the 21-mile GSA; Blessing Hospital and Blessing Hospital ASTC. Blessing Hospital’s 10 room surgery department is <u>currently underutilized</u> (2017 data). Blessing Hospital ASTC is at the target occupancy of 80% (2017 data). [See pages 20-24 of this report for explanation]</p>
77 ILAC 1120.130 – Financial Viability	<p>The Applicant was not able to meet all of the financial ratios for all years presented based upon the audited financial statements. [See pages 32-33 of this report for explanation]</p>
77 ILAC 1120.140 (c) – Reasonableness of Project Costs	<p>The movable equipment costs not in the construction contract exceeds the State Board Standard by \$5,792 per room or a total of \$46,336. [See page 37 of this report.]</p>

STATE BOARD STAFF REPORT
Quincy Medical Group Surgery Center
Project #18-042

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group
Facility Name	Quincy Medical Group Surgery Center
Location	Quincy Mall, 3347 Broadway, Quincy, Illinois
Permit Holder	Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group
Operating Entity/Licensee	Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group
Owner of Site	Quincy-Cullinan, LLC
Proposed Gross Square Feet	26,850 GSF
Application Received	October 26, 2018
Application Deemed Complete	November 14, 2018
Financial Commitment Date	March 1, 2020
Anticipated Completion Date	March 1, 2021
Review Period Ends	March 5, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicant (Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group) proposes to establish a multi-specialty ambulatory surgical treatment center and cardiac catheterization service in Quincy, Illinois. The cost of the project is \$19,519,058. The completion date is March 1, 2021.

II. Summary of Findings

- A. State Board Staff finds the proposed project **not** in conformance with all relevant provisions of Part 1110.
- B. State Board Staff finds the proposed project **not** is in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicant (Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group) has been serving the population of western Illinois, southeast Iowa, and eastern Missouri for more than 80 years. The Applicant is a large multi-disciplinary practice and has 115 physicians, 40 advanced physician practitioners, and over 875 employees. The Applicant has 12 office locations, serves a population of 400,000 people, and is a significant source of primary, specialty, and sub-specialty rural health care. It is physician-owned and governed; all eight members of its board are physicians [Application for Permit page 56]. UnityPoint Health owns approximately 40% of Quincy Medical Group. UnityPoint Health is a network of hospitals, clinics and home care services in Iowa, Illinois and Wisconsin.

The system began in 1993, when Iowa Lutheran Hospital and Iowa Methodist Hospital in Des Moines merged, forming the Iowa's largest provider of hospital and related health services. UnityPoint Health owns Methodist Hospital and Proctor Hospital in Peoria and Unity Point Health–Trinity Moline and UnityPoint Health–Trinity Rock Island.

In a letter submitted by Carol Brockmiller, CEO Quincy Medical Group in response to concerns raised at the Public Hearing that stated the following:

“In 2012, UnityPoint acquired a minority interest in our physician group (Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group). UnityPoint currently owns approximately 40% of Quincy Medical Group's stock in the form of preferred shares. Quincy Medical Group physicians own the remaining shares of stock, or approximately 60%, in the form of common shares. As holders of the preferred stock, Unity Point is entitled to and receives a fixed nominal dividend, at the rate of 1.7% per year (approximately \$318,000) of the original purchase price as a return on investment, akin to repayment of a loan. Preferred stock holders do not participate in the earnings of Quincy Medical Group. The proposed surgery center will be operated as a division of Quincy Medical Group. While UnityPoint holds a 40% minority ownership interest in Quincy Medical Group, it will not receive profits from the surgery center. Profits from the proposed surgery center will be distributed back through Quincy Medical Group's physician compensation plan, consistent with all applicable legal and regulatory requirements. Profits from the surgery center will not be distributed to UnityPoint. UnityPoint is not a co-applicant to the project and will not contribute financially to the capital cost of the project. Contribution from UnityPoint is not necessary as Quincy Medical Group is financially capable of covering the associated capital and operating costs of the project without assistance from UnityPoint. Approval from UnityPoint is not necessary as the project and scope is well within Quincy Medical Group's autonomous purview.” [Letter dated February 7, 2019 from Carol Brockmiller, CEO Quincy Medical Group]

This is a substantive project subject to a Part 1110 and Part 1120 review. Substantive Projects include no more than the following:

- *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

Financial commitment will occur after permit issuance.

IV. Project Details

The proposed ASTC will be located at 3347 Broadway in Quincy, Illinois (Quincy Mall) in an existing vacant building within a shopping center. The ASTC will contain five operating rooms and three procedure rooms with one of the five ORs dedicated to cardiac catheterization. There is no traditional cardiac cath lab in the project. The project will also include a CT scanner.

The Applicant is proposing the following surgical specialties to be performed at the ASTC: Cardiovascular, Colon and Rectal Surgery, General Surgery, Gastroenterology, Neurological Surgery, Obstetrics/Gynecology, Ophthalmology, Oral/Maxillofacial Surgery, Orthopedic Surgery, Otolaryngology, Plastic Surgery, Podiatric Surgery, Urology, Pulmonology and Cardiac Catheterization.

V. Health Service Area

The proposed project is located in the HSA III Health Service Planning Area and the E-05 Hospital Planning Area. HSA III consists of the Illinois counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. E-05 Hospital Planning Area consists of Adams and Hancock Counties; Schuyler County Townships of Birmingham, Brooklyn, Camden, and Huntsville; Brown County Townships of Pea Ridge, Missouri, Lee, Mount Sterling, Buckhorn and Elkhorn.

There are two hospitals in the E-05 Hospital Planning Area and four ASTCs in the HSA III Health Service Area.

**TABLE ONE
Hospitals in the E-05 Hospital Planning Area**

Facility	City	Miles
Blessing Hospital	Quincy	2
Memorial Hospital (Critical Access Hospital)	Carthage	40.3
ASTC in the HSA III Health Service Area		
Blessing Hospital Surgery Center	Quincy	2.1
Orthopaedic Surgery Center of Illinois.	Springfield	107
Springfield Clinic Ambulatory Surgery	Springfield	113
St. John's Surgery Suites Montvale	Springfield	117

Additionally the State Board Staff is required to use a 21-mile geographical service area (GSA) as the planning area when evaluating the need for a new ASTC. For cardiac catheterization services the State Board Staff is required to use the Health Service Area when evaluating the need for a new cardiac catheterization service. For this project the Health Service Area is HSA III which stretches to Quincy in the West and to the Springfield in the East, to Lincoln to the North and Litchfield to the South.

VI. Project Uses and Sources of Funds

The Applicant is funding this project with cash in the amount of \$1,767,096, a mortgage (loan) of \$4,928,593 and leases for space and equipment of \$12,823,368. The estimated start-up and operating deficit is \$13,113,821³.

**TABLE TWO
Project Uses and Sources of Funds**

Uses of Funds	Reviewable	Non Reviewable	Total	% of Total
Preplanning Costs	\$55,584	\$13,896	\$69,480	0.36%
A/E fees	\$20,083	\$5,021	\$25,104	0.13%
Consultant fees	\$352,291	\$88,073	\$440,364	2.26%
Movable Equipment	\$4,456,026	\$394,716	\$4,850,742	24.85%
FMV Leased Space & Equipment				
Leased Space	\$8,575,924	\$3,302,516	\$11,878,440	60.86%
Leased Equipment	\$944,928	\$0	\$944,928	4.84%
Other Capital Costs	\$750,000	\$335,000	\$1,085,000	5.56%
Signage	\$0	\$125,000	\$125,000	0.64%
Art Work	\$0	\$100,000	\$100,000	0.51%
Total Uses of Funds			\$19,519,058	100.00%
Sources of Funds				
Cash and Securities	\$1,469,163	\$297,933	\$1,767,096	9.05%
Mortgages (loan)	\$4,164,820	\$763,773	\$4,928,593	25.25%
Leases	\$9,520,852	\$3,302,516	\$12,823,368	65.70%
Total Sources of Funds			\$19,519,058	100.00%

³ The operating deficit and start-up costs are to be funded with income from the proposed ASTC and a loan of \$5.2 million to be paid back through operating income of the ASTC. Operating Start-up Costs is the estimated non-capitalized operating start-up costs, including any estimated initial operating deficit, and any other necessary amounts to make the project operational. Any capitalized costs that are related to the start-up costs of a facility must be included in the total estimated project cost. [77 ILAC 1120.110] The Applicant stated that these costs will be expensed and not capitalized [See email dated 02/13/2019 from RWeber].

VII. Background, Purpose of the Project, Safety Net Impact and Alternatives to the Proposed Project

A) **Criterion 1110.110 (a) (1) (3) – Background of the Applicant**

To demonstrate compliance with this criterion the applicant must document the *qualifications, background, character and financial resources to adequately provide a proper service for the community and also demonstrate that the project promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or service.*

1. A listing of clinics owned by the Applicant has been provided at pages 52-53 of the Application for Permit. The Applicant does not own any other health care facility as that term is defined at 20 ILCS 3960/3.
2. The Applicants provided the necessary attestation that no adverse action⁴ has been taken against any facility owned or operated by the Applicants and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit page 55]
3. The Applicant (Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group) is a for profit entity in good standing with the Illinois Secretary of State. **A certificate of good standing is a** legal status conferred by a state on a company incorporated within its jurisdiction that allows it to conduct business legitimately. The status is granted based on the company's current **standing** related to required state filings, fees and tax obligations.
4. As evidence of ownership of the site, the Applicant provided a limited warranty deed showing Cullinan-Quincy, LLC as the owner of the site. [Application for Permit pages 32-36]
5. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit page 41-42]
6. The proposed location of the facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1). [Additional Information received December 11, 2018]

⁴ “Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.” (77 IAC 1130.140)

B) Criterion 1110.110-Purpose of the Project

To demonstrate compliance with this criterion the Applicant must 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 stated in part: *“The purpose of this project is to increase accessibility to high-quality, lower cost ASTC and cardiac catheterization health services and expand the scope of those health services available to Quincy Medical Group existing patients and residents of Quincy and the surrounding areas.”*

The Applicant believes that the following issues or problems will be addressed with the approval of the proposed project.

“Access. Currently, there is only one other ASTC in Adams County. However, the operational practice at the existing ASTC drastically limits available surgery hours as the anesthesiology group retained by the owner of the ASTC usually does not allow surgical cases to begin after 3 p.m. This limitation significantly impacts the ability of Quincy Medical Group surgeons to perform procedures for their patients, including those who wish to perform procedures during the evening hours. Quincy Medical Group desires to have the flexibility to control and expand surgery hours to include evenings and weekends for patient convenience.

*• **Cost of Care.** Quincy Medical Group has many incentives driving the need to reduce costs and deliver high quality efficient care at affordable prices. ACOs require value based care for defined population groups. This means that providers in ACO arrangements are responsible for the health care of their enrolled Medicare and commercial insured populations. ACO providers are incentivized to control costs without sacrificing quality, and achieve outcome measurements. Quincy Medical Group is not able to offer lower cost services when facility charges for outpatient surgeries performed by Quincy Medical Group physicians are based on HOPD rates, as is the current situation with Quincy's existing ASTC.⁵ Owning and controlling its own outpatient surgery and cath facility, as in the proposed project, will enable Quincy Medical Group to pass along savings of approximately 30% due to the differential between hospital outpatient and ASC charges. This will make the ACO more cost effective and lower the cost of care in the region, consistent with the goals of the Affordable Care Act. The evolving health care delivery system mandates more cost effective models of care.*

*• **Outmigration of Orthopedic Cases.** There is a large outmigration of Quincy area residents for orthopedic surgery. Over the past three years, 2,054 patients have received care in Springfield, St Louis, and other locations outside of the Quincy area. Quincy Medical Group believes that many of these cases were directed by insurers or employers*

⁵ Blessing Hospital ASTC is licensed by the Illinois Department of Public Health as an ASTC and is owned by Blessing Hospital. The ASTC has been approved by Medicare as a Provider-based entity. A provider-based entity is a facility that is operationally integrated with a main hospital (i.e., it operates under the same name, ownership, and administrative and financial control of the main hospital) such that it is permitted to bill for services under the hospital's provider number. [Source: Center for Medicare and Medicaid]

seeking beneficial pricing not available locally, or by patients seeking a greater choice of providers.

• **Lack of Patient Choice.** While there are 5 ASTCs in HSA 3, 4 of the 5 are located in or around Springfield and only 1 is located in Adams County. The map included as Attachment 12D highlights the inadequacy. Quincy Medical Group seeks to increase accessibility to ASTC services, in general, to Quincy and the surrounding areas, which will ultimately increase patient choice.

• **Lack of ASTC Availability for Urological Services and ENT Related Procedures and Limited Neurosurgery Services.** While the State profile for Quincy's existing ASTC lists urology as a surgical service, the volumes are miniscule: 3 cases in 2016, 3 in 2015, and one in 2014. Urology equipment is not available in the existing ASTC; therefore, outpatient urological surgery is performed in the local hospital's ORs. Lack of ASTC availability for these cases is a dissatisfier for both patients and providers. In contrast, Quincy Medical Group projects a large volume of outpatient urological cases in the proposed ASTC to serve community need." [Application for Permit pages 56-66].

C) Criterion 1110.110 – Safety Net Impact Statement

All health care facilities, with the exception of skilled and intermediate long term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.* [20 ILCS 3960/5.4]

A safety net impact statement was provided at pages 134-137 of the Application for Permit.

**TABLE THREE
Quincy Medical Group Charity and Medicaid Information**

Year	2015	2016	2017
<u>Charity Care</u>			
Number of Charity Care Patients	155	167	150
Net Patient Revenue	\$149,229,598	\$158,444,090	\$181,722,939
Amount of Charity ⁽¹⁾	\$916,221	\$771,470	\$445,720
Cost of Charity Care	\$134,043	\$134,150	\$40,847
% of Charity Care to Net Revenue	0.09%	0.08%	0.02%
<u>Medicaid</u>			
Number of Medicaid Patients	12,580	13,608	14,892
Medicaid Revenue	\$33,063,121	\$37,130,298	\$42,413,117
% of Medicaid Revenue to Net Patient Revenue	22.16%	23.43%	23.34%

1. The Applicant has stated that the charity care provided by the Applicant meets the State Board's definition of charity care. Charity care means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third party payer. [20 ILCS 3960/3]

D) Criterion 1110.110 – Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicant must 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 five alternatives to the proposed project.

1. Modify the existing lease arrangement for the existing Blessing Hospital ASTC at 1118 Hampshire, Quincy, Illinois in a building owned by Quincy Medical Group (QMG) on the Quincy Medical Group campus. According to the Applicant *“this alternative was rejected because the owner (Blessing Hospital) will not consider relinquishing ownership of the ASTC. If the owner were agreeable to the transaction, QMG would file a Certificate of Exemption with the HFSRB to change ownership of the facility. Per the Applicant internal numbers suggest this alternative would be cost prohibitive. Due to lack of interest by the owner of the existing ASTC, a formal cost proposal was not developed.”*

2. Undertake a Joint Venture with Blessing Hospital According to the Applicant *“While a joint venture arrangement for the proposed ASTC at 3347 Broadway Street between QMG and Blessing Hospital could allow both organizations to deliver surgical and cardiac catheterization services to patients of each organization, it would require that QMG be a majority owner and not set charges based on hospital outpatient rates. To date, QMG has not received positive affirmation from Blessing that these requirements would occur, or that Blessing Hospital would agree to share equity. A surgery center with lower pricing would be more attractive and beneficial financially to area residents (in the form of lower deductibles), and to employers and insurers, due to the lower cost of service. Because Blessing Hospital had no interest in changing the structure of Blessing's existing ASTC, and QMG has not heard of interest on Blessing's part in a joint venture for the proposed new facility, this alternative was not pursued. While a specific proposal was not made by QMG to Blessing to joint venture the ASTC proposed at 3347 Broadway Street, numerous proposals have been put forward by QMG to Blessing, including, without limitation, joint venturing the existing ASTC at 1118 Hampshire. To date, no formal, or informal, affirmative response has been received from Blessing by QMG. The cost of the joint venture development at 334 7 Broadway would be slightly higher than the proposed project, due to the additional legal cost to establish the joint venture.”* [Replacement pages submitted December 3, 2018]

3. Build the ASTC at a different site. Per the Applicant *“There is no expansion space available in QMG's current main building at 1025 Maine Street in Quincy. As a result, QMG considered several sites in the Quincy area, identified by its property advisors. These included options to take over and renovate existing space or construct a new building on Quincy's riverfront, as well as an east end building vacated by an electronics retailer. Each of the other locations had several attractive features. For example, the riverfront property provided a spectacular view of the two bridges between Illinois and Missouri, as well as providing an economic boom to an area that is in need of development. The location on east Broadway is right off the interstate and would have made for easy access from all directions. The location of QMG's main campus is only 1 mile from the Mississippi River. Missouri locations on the west side of the river are available and attractive, and almost as close to the main QMG office building at 1025 Maine Street as is the proposed ASTC location at 3347 Broadway. A number of these sites have convenient access and ample available parking. QMG has several existing office locations in Missouri, so an ambulatory care facility with cardiac catheterization in Missouri is appealing to QMG. These alternative locations were ultimately rejected because the site at 3347 Broadway has*

several advantages. The building is appropriately sized to accommodate the clinical program, can accommodate the potential for future expansion (if needed), has ample convenient parking, and has the additional community benefit of avoiding a potentially long term vacancy in the mall where it will be located. Capital costs associated with these alternatives were estimated to range from \$19 to \$23 million.” [Replacement pages submitted December 3, 2018]

4. Construct a traditional cardiac cath lab adjacent to the ASTC at 3347 Broadway, rather than establishing the cardiac catheterization program as a service line within the ASTC. According to the Applicant *the original plan was to construct a traditional cardiac catheterization lab adjacent to the ASTC. However, a more cost effective way of delivering cardiac catheterization services is emerging and currently under review by the Centers for Medicare and Medicaid Services (CMS). It is anticipated that final rules will be published in November 2018, proposing to add 12 cardiac catheterization procedures to the ambulatory surgery center covered procedures list for 2019. Such a ruling would enable ASTCs to provide more full service cardiology services, supplementing limited services now performed in ASTCs, such as implanting pacemakers that are prohibited in cardiac catheterization labs. Providing cardiac catheterization services in an outpatient setting is more cost effective than in a hospital outpatient department setting, as hospital outpatient department rates are higher than ambulatory surgical center rates. The Ambulatory Surgery Center Association has been lobbying to expand the approved list to include cardiac catheterization codes on the covered procedures list. If adopted, the new rules would become effective January 1, 2019. Such a change would allow QMG to provide high quality catheterization services at the new ASTC at a significantly reduced cost, to the benefit of patients, employers, and insurers. The extra capital cost to build and equip a traditional catheterization lab is estimated at an additional \$1,000,000 above the cost of the proposed project. The option to construct a traditional catheterization lab was not accepted as the preferred option, due to the preference for providing lower cost cardiac catheterization services in an ASTC. If, however, CMS does not broaden the list of covered procedures to include cardiac catheterizations, QMG may elect to modify this permit application and introduce a traditional catheterization lab, or postpone the catheterization component of the project. In that case, all 8 rooms would be used for surgical cases and procedures.*

5. Offer a broader array of clinical services beyond ambulatory surgery and catheterizations at the proposed Broadway location. The Applicant *“considered other clinical services, such as medical offices, diagnostic imaging, and an immediate care center. These other services are not part of the program of services. QMG's medical offices in the Maine building are cramped but sufficient for current needs, and there are planned retirements in the next five years. QMG has diagnostic imaging equipment in its main office building. An immediate care center is not in the mix of services offered by QMG in the proposed project, since it is available in the main QMG campus. As a result, such service extensions are not part of the proposed project. There is opportunity for expansion in future years, if need dictates and interest supports. Additional services would add capital costs in the range of \$6 to \$12 million.”*

VIII. Project Scope and Size, Utilization and Assurance

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicant must document that that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B, or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

As documented in the table below the Applicant has met all of the size requirements of the State Board as published in Part 1110 Appendix B.

**TABLE FOUR
Size of the Project**

Reviewable	Rooms /Units	Project GSF	State Board Standard		Difference	Met Standard
			Room/Unit	Total		
Operating Rooms and Support	4 rooms	10,240	2,750 per room	11,000	-760	Yes
Procedure Rooms and Support	3 rooms	2,410	1,100 per room	3,300	-890	Yes
Recovery Rooms		3,685		4,200	-515	Yes
Phase I Recovery	10 rooms		180 per room	1,800		
Phase II Recovery	6 rooms		400 per room	2,400		
Cardiac catheterization	1 room	1,500	1,800 per room	1,500	0	
CT scanner	1 unit	1,550		1,800	-250	Yes
Total clinical services		19,385		26,000		

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 1110.120 (a))

B) Criterion 1110.120 (b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicant must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]

1. Ambulatory Surgical Treatment Center

As shown in the Table below the Applicant has had an annual increase in the number of cases of approximately 4.25% for the period 2012-2018. The Applicant is projecting a 1.5% increase in the number of cases for the period 2019-2023. The average case time per case is 51 minutes. The 12,654 estimated cases at 51 minutes per case would justify the 4 operating rooms and 3 procedure rooms being requested [12,654 cases x 51 minutes = 10,756 hours ÷ 1,500 hours per room = 7.17 rooms or 8 rooms].

2. Cardiac Cath.

The Applicant is estimating 629 cardiac catheterization cases in the Year 2023 at 40 minutes per case or approximately 420 hours. This would justify the one room for the cardiac cath. service.

3. CT scanner

The Applicant is estimating 8,305 visits by 2023. The Applicant has had an annual increase in the number of visits of 11.1% for the period 2013-2018 and is expecting a 5% annual increase for the period 2019-2023. The State Board Standard is 7,000 visits annually.

**TABLE FIVE
Historical and Projected
Utilization**

<u>ASTC</u>		<u>Cardiac Cath</u>		<u>CT Scanner</u>	
<u>Year</u>	<u>Cases</u>	<u>Year</u>	<u>Cases</u>	<u>Year</u>	<u>Cases</u>
2012	9,376	2012	694		
2013	9,886	2013	741	2013	4,186
2014	10,256	2014	912	2014	4,259
2015	11,049	2015	911	2015	5,090
2016	11,321	2016	890	2016	5,750
2017	11,695	2017	794	2017	6,420
2018	11,745	2018	584	2018	6,507
2019	11,921	2019	593	2019	6,832
2020	12,100	2020	602	2020	7,174
2021	12,280	2021	611	2021	7,533
2022	12,465	2022	620	2022	7,909
2023	12,654	2023	629	2023	8,305

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120 (b))

C) Criterion 1110.120 (e) - Assurances

To document compliance with this criterion the Applicants representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after project completion, the Applicants will meet or exceed the utilization standards specified in Appendix B.

The Applicants have provided the necessary attestation at page 122 of the Application for Permit

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.120 (e))

IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235 (c) (2) (B) (i) & (ii) - Service to Geographic Service Area Residents
The applicant shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.

i) The applicant shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.

ii) The applicant shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.

77 ILAC 1100.510 (d) states that for a health care facility (ASTC) located in Adams County the GSA is 21-miles. There are 28 zip codes that lie within this 21-mile radius with an approximate population of 91,401 residents. QMG performed 13,693 surgical cases in 2017. Of that number 9,208 (66%) were residents of this 21-mile radius. The Applicant has successfully address this criterion. [See Application for Permit pages 94-99]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GEOGRAPHIC SERVICE AREA RESIDENTS (77 ILAC 1110.235 (c) (2) (B) (i) (ii))

B) Criterion 1110.235 (c) (3) (A) & (B) -Service Demand – Establishment of an ASTC Facility
The applicant shall document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant, over the latest 2-year period, as evidenced by historical and projected referrals. The applicant shall document the information required by subsection (c) (3) and either subsection (c) (3) (B) or (C):

To address this criterion the Applicant provided a referral letter from the CEO of Quincy Medical Group (Carol Brockmiller, CMPE) attesting that 39 physicians will refer 10,712 cases to the proposed ASTC by the second year after project completion (2023). Included with the letter is a Table documenting the historical case volume by specialty, physician, and health care facility where the procedure were performed for CY 2016 and CY 2017. These referrals do not exceed the 13,963 total outpatient surgical cases and procedures performed in 2017 or the historical referrals of "ASTC eligible"⁶ cases of 11,321 in 2016 and 11,695 in 2017. Based upon this documentation the Applicant has successfully addressed this criterion. [Application for Permit pages 104-106].

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE DEMAND - ESTABLISHMENT OF AN ASTC (77 ILAC 1110.235 (c) (3) (A) & (B))

⁶ASC-eligible case volume was derived based upon cases that are approved on the ASC Medicare approved list and adjusted by 15% to control for co-morbidities and other variables that may prevent the case from being done in the ASC.

C) Criterion 1110.235 (c) (5) (A) & (B) - Treatment Room Need Assessment

A) The applicant shall document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.

B) For each ASTC service, the applicant shall provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).

The Applicant is proposing four operating rooms and 3 procedure rooms and one room dedicated to cardiac catheterization for a total of 8 rooms. As documented above at 77 ILAC 1110.120 (b) – Projected Utilization the Applicant is estimating 12,654 cases at 51 minutes per case by 2023 should this project be approved. This number of cases at the 51 minutes per case would justify 4 operating rooms and 3 procedure rooms. [12,654 cases x 51 minutes = 10,756 hours ÷ 1,500 hours per room = 7.17 rooms or 8 rooms].

The fifth operating room will be used for cardiac catheterization, with the projected 629 cases in year 2023. At 40 minutes per case, these cases will generate 413 hours in year 2023. This volume, when added to the 10,756 hours of surgeries and procedures in the 7 ORs, generates a total of 11,063 hours. At 1,500 hours per surgical and procedure room, these 11,063 hours require 7.38 rooms, or 8 rooms.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 ILAC 1110.235 (c) (5) (A) & (B))

D) Criterion 1110.235 (c) (6) - Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least one of the following conditions exists in the GSA:

- A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- B) The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;
- C) The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;
- D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
 - i) The existing hospital is currently providing outpatient services to the population of the subject GSA;
 - ii) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;
 - iii) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating

- at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and
- iv) **The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.**

In response to this criterion the Applicant stated: *“Comparing local conditions against standard measures of access does not reveal accessibility problems. There is one other IDPH-licensed ASTC in the identified GSA, the hospital-owned ASTC at 1118 Hampshire, in a building owned by Quincy Medical Group (QMG). That ASTC appears not to be utilized at or above utilization standards, and by that measure, there is available facility capacity. The surgical services to be offered at the proposed ASTC are available at the current hospital-owned ASTC. And the proposed project is not a joint venture or other cooperative venture between the hospital and QMG. In spite of QMG having a contract with the hospital-owned ASTC to manage the existing ASTC, policies and procedures are dictated by the hospital, not QMG. The hospital hires and employs the staff at the ASTC. The hospital sets the prices, at hospital outpatient department rates, which exceed rates at freestanding non-hospital based ASTCs. The hospital controls the schedule for surgical cases, and contracts with the anesthesia practice at the ASTC. The effect of these practices limits accessibility to surgical services. For example, the anesthesiology group retained by the hospital at the ASTC usually does not enable surgical cases starting after 3:00 pm. While there may be reasons for this practice, possibly to control operating costs, it does not enable QMG physicians to conduct late afternoon and evening cases that are often preferred by patients, due to work schedules and/or family obligations. Additionally, the **hospital's** scheduling practices are inefficient, often resulting in surgeons waiting to perform procedures and resulting in wasted time. QMG is restricted from being able to offer cost competitive surgical services to area employers and insurance companies, because QMG does not control the facility setting. The current hospital-owned ASTC charges HOPD facility rates that are more than 30% higher than rates at ambulatory surgical centers that are not hospital affiliated. The State regulations acknowledge that a cooperative venture with a hospital to establish an ASTC is beneficial when "the proposed charges for comparable procedures at the ASTC will be lower than those at the existing hospital." (1110.235(c) (6) (D) (IV)). In the case of the proposed ASTC, a cooperative venture has been proposed and rejected by the hospital. The ability of QMG to offer services at significantly lower rates is blocked because a cooperative venture with QMG was rejected. For these reasons, QMG believes that service accessibility can be enhanced and lower costs can be achieved by implementing the proposed ASTC project under its control.”*

Staff Analysis

- A) There is one ASTC (Blessing Hospital ASTC) with three operating and three procedure rooms for a total of 6 rooms within the 21-mile radius of the proposed project. This ASTC reported 7,750 hours of utilization in 2017 which would justify six rooms [7,750 hours ÷ 1,500 hours = 5.16 rooms or 6 rooms].

- B) There is one hospital (Blessing Hospital) within the 21-mile radius, Blessing Hospital has 10 operating rooms and reported 11,270 hours in 2017 which would justify 8 rooms [11,270 ÷ 1,500 hours = 7.51 rooms or 8 rooms].
- C) All of the surgical procedures proposed to be performed at the proposed ASTC are available at Blessing Hospital and Blessing Hospital ASTC.
- D) The proposed project is not a cooperative venture.

As stated above the Applicant was unable to document one of the four conditions outlined in 77 ILAC 1110.235 (c) (6) above. Based upon that analysis the Applicant has not met this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC 1110.235 (c) (6))

- E) **Criterion 1110.235 (c) (7) (A) through (C) - Unnecessary Duplication/Maldistribution/Impact to Area Providers**
 - A) **The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c) (2) (B) (i):**
 - i) **the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and**
 - ii) **the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.**
 - B) **The applicant shall document that the project will not result in mal-distribution of services. Mal-distribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:**
 - i) **a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average;**
 - ii) **historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or**
 - iii) **insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.**
 - C) **The applicant shall document that, within 24 months after project completion, the proposed project:**
 - i) **will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and**
 - ii) **will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.**

A) Population of GSA

The population of the 28 zip codes that lie in whole or in part within the 21-mile radius area is 91,401. Blessing Hospital-ASTC (6 rooms) and Blessing Hospital (10 rooms) both reside in the 21-mile radius and both provide outpatient surgery. The ratio of operating/procedure rooms to population is

$$91,401 \text{ resident} \div 1,000 \text{ population} = 91.4 \text{ residents per thousand population}$$

$$16 \text{ rooms} \div 91.4 \text{ residents per 1,000 population} = .1750 \text{ rooms per thousand population}$$

The State of Illinois population is 12,978,800 residents and 2,778 operating/procedure rooms (hospital and ASTC) in the State of Illinois resulting in .2140 rooms per thousand.

$$12,978,800 \text{ residents} \div 1,000 \text{ population} = 12,978 \text{ residents per thousand population}$$

$$2,778 \text{ rooms} \div 12,978 \text{ residents per thousand} = .2140 \text{ rooms per thousand population}$$

Based upon the methodology above there is not a surplus of operating/procedure rooms in this 21-mile GSA.

B) Existing Facilities in the 21-Mile GSA

As the table illustrates there are two facilities within the 21-mile GSA (Blessing Hospital and Blessing Hospital ASTC). Based upon the 2017 utilization Blessing Hospital is underutilized.

TABLE SIX
Facilities within the 21-mile GSA

	Rooms	2017	Rooms Justified
Blessing Hospital ⁽¹⁾	10	11,270	8
Blessing Hospital ASTC ⁽²⁾	6	7,750	6
Total	16	19,020	14

C) Impact on Other Health Facilities

The Applicant believes the proposed ASTC will not impact Blessing Hospital and Blessing Hospital ASTC the two health care facilities within the 21-mile GSA. The Applicant used the following assumptions and calculations to assess the impact of the project on the Blessing facilities:

a) Blessing Hospital's outpatient surgery hours at the hospital and the ASTC grew by 37% between 2013 and 2017.

b) This is an annual average increase of approximately 9.25%.

c) A 10% annual average increase in hours is assumed through 2023 (2 years after completion of the QMG project). This 10% increase reflects the 9.25% annual average increase from 2013 through 2017, weighted by the 14.8% increase from 2016 to 2017. This

weighting is justified because the 14.8% increase during the recent year is more than 50% greater than the average annual increase for the four year period.

d) 13,636 hours in 2017, increased by 10% per year through 2023, results in a projected 24,157 hours in 2023 for outpatient surgery/treatment at Blessing Hospital and the Blessing ASTC.

e) As presented in the Project Services Utilization section of this permit application, QMG projects 10,650 hours at QMG's proposed ASTC at 3347 Broadway in year 2023.

f) Assuming that these 10,650 hours are subtracted from the volume at Blessing Hospital and its ASTC, the result is 13,507 hours remaining at Blessing Hospital and its ASTC in year 2023. (24,157 - 10,650 = 13,507)

Projected Hours for the Blessing Facilities

Blessing Hospital and Blessing Hospital ASTC outpatient hours

Proposed ASTC 2023 Outpatient Hours

Remaining outpatient hours at Blessing Hospital and Blessing ASTC

24,157 total outpatient hours

10,756 total outpatient hours

13,401 total outpatient hours

TABLE SEVEN
Blessing Hospital and Blessing Hospital ASTC Outpatient Hours 2013 – 2017 ⁽¹⁾
Projected to 2023

	2013	2014	2015	2016	2017	2023
Blessing Hospital						
ORs – Outpatient Hours	3,310	3,781	4,027	4,527	5,886	
Procedure Rooms	683	2,343	2,103	0	0	
Blessing ASTC						
ORs	3,568	3,666	3,752	4,472	4,810	
Procedure Rooms	2,423	2,491	2,641	2,875	2,940	
Total surgeries/procedures hours	9,984	12,281	12,523	11,874	13,636	24,157

In conclusion the Applicant stated:

“The 13,507 hours is substantially the same as the 13,636 hours reported at Blessing Hospital and its ASTC in 2017. The analysis assumes that all the volume at the proposed QMG ASTC will be drawn solely from Blessing Hospital and its ASTC. QMG physicians, however, also direct surgical cases to other hospitals. Therefore, if the analysis were to include surgical cases referred and/or performed by QMG physicians at hospitals other than Blessing, the hour differential in relation to Blessing Hospital and its ASTC would be less than the amount currently projected. This information is submitted as documentation that the proposed project will not have an adverse impact on the surgical utilization of Blessing Hospital and its ASTC. The proposed project i) will not lower the utilization of Blessing Hospital and its ASTC below utilization standards, and ii) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.”

Staff Analysis

In evaluating if the proposed facility will impact the other health care facilities in the GSA, the State Board Staff must consider the total number of operating/procedure rooms in the

GSA and the total number of hours (inpatient and outpatient hours) provided. Blessing Hospital has 10 operating/procedure rooms and Blessing Hospital ASTC has 3 operating rooms and 3 procedure rooms for a total of 16 operating/procedure rooms in this 21-mile GSA (2017 data). As seen in the Table below Blessing Hospital is currently underutilized and Blessing Hospital ASTC is at target occupancy. The two facilities total hours can justify a total of 14 operating/procedure rooms and not the 16 operating/procedure rooms at the facilities.

2017 Blessing Facility Utilization

Facility	Total Hours	Rooms Justified
Blessing Hospital	11,270 Hours	11,270 hours ÷ 1,500 hours = 8 rooms
Blessing Hospital ASTC	7,750 Hours	7,750 ÷ 1,500 hours = 6 rooms
Total Hours	19,020 Hours	19,020 ÷ 1,500 hours = 14 rooms

1. State Board Standard - 1,500 hours per operating/procedure room
2. 1,500 hours per room = 37.5 Hours per week x 50 weeks per year = 1,875 hours x 80% = 1,500 hours
3. 2017 Historical Hospital Data from 2017 Hospital Profile
4. 2017 ASTC Information corrected and approved by the State Board at the December 4, 2018 Meeting.

Additionally the 39 physicians of Quincy Medical Group performed 11,245 “ASTC eligible”⁷ cases at Blessing in 2016 and 11,631 cases in 2017. Of these “ASTC eligible cases” 10,712 cases would have been referred to the proposed ASTC in 2017 if the ASTC was available. As seen below if these cases had not been performed the two Blessing facilities could justify 7 operating/procedure rooms.

- 10,712 cases x 51 minutes per case (average case time) = 9,105 hours
- 19,020 total hours (2017) – 9,105 hours removed = 9,915 hours remaining
- 9,915 hours remaining at the two Blessing Facilities ÷ 1,500 hours =
- 9,915 hours ÷ 1,500 hours = **7 rooms**

**TABLE EIGHT
Historic Utilization of Blessing Hospital and Blessing Hospital ASTC**

	2013	2014	2015	2016	2017
Blessing Hospital					
Surgery	8,013	7,969	8,450	9,117	11,270
Procedure	1,065	2,580	2,292	0	0
Total Hours	9,078	10,549	10,742	9,117	11,270
Blessing Hospital ASTC					
Year	2013	2014	2015	2016	2017
Surgery	3,568	3,666	3,752	4,283	4,810
Procedure	2,423	2,491	2,641	2,875	2,940
Total Hours	5,991	6,157	6,393	7,158	7,750
Total Hours (Blessing Hospital and Blessing ASTC)	15,069	16,706	17,135	16,275	19,020

⁷ ASC-eligible case volume was derived based upon cases that are approved on the ASC Medicare approved list and adjusted by 15% to control for co-morbidities and other variables that may prevent the case from being done in the ASC.

The Blessing facilities had a 6% compounded annual increase in the number of hours from 2013-2017. If that increase is projected to 2023 the second year after project completion the number of hours would be 26,965 hours. Assuming that approximately 48% of those hours would leave (9,100 hours - QMG referrals to the Blessing facilities in 2017)/19,020 total hours at the two Blessing facilities = 48% or 12,943 hours leaving the Blessing facilities. The remaining hours at the two Blessing facilities would be 14,022 hours. These hours (14,022 hours ÷ 1,500 hours per operating/procedure room) would justify 10 operating/procedure rooms at the two facilities.

Based upon the Staff's analysis the proposed ASTC will impact the two Blessing facilities.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.235 (C) (7) (A) THRU (C)

F) Criterion 1110.235 (c) (8) (A) & (B) - Staffing

A) Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

B) Medical Director

It is recommended that the procedures to be performed for each ASTC service are under the direction of a physician who is board certified or board eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.

A narrative was provided by the Applicant as required documenting how staffing at the proposed ASTC will be achieved to meet licensure and accreditation standards at page 117 of the Application for Permit. Dr. John Barbagioanni DO, will hold the position of Medical Director. Dr. Barbagioanni is a Board Certified Gastroenterologist with 25+ years' experience. He is active in the community, serving on committees and holding leadership positions in both the Medical Group and hospital settings. Dr. Barbagioanni is a member of the American Osteopathic Association, the American College of Osteopathic Internists, the American Gastroenterology Association, and the American Society of Gastrointestinal Endoscopy. The Applicant has provided the information requested by the State Board.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.235 (c) (8) (A) & (B))

G) Criterion 1110.235 (c) (9) - Charge Commitment

In order to meet the objectives of the Act, which are *to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost*

containment and support for safety net services must continue to be central tenets of the Certificate of Need process [20 ILCS 3960/2], the applicant shall submit the following:

- A) a statement of all charges, except for any professional fee (physician charge); and
- B) a commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

To address this criterion the Applicant provided a statement of all charges as required at pages 118-119 of the Application for Permit and a commitment from the CEO of Quincy Medical Group that the charges will not increase for the first 2-years of operation unless a permit is first obtained [Application for Permit page 120]. Also provided was a comparison of ASTC Medicare Rates to Hospital Outpatient Rates. Payments to an ambulatory surgical treatment center are based on freestanding ambulatory surgery center reimbursement rates, which for Medicare patients, are lower than hospital-based surgery center rates. Based upon this comparison ASTC rates are 53% less than Hospital Outpatient Rates. [Application for Permit pages 166-204]. The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT (77 ILAC 1110.235 (c) (9))

H) Criterion 1110.235 (c) (10) - Assurances

A) The applicant shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.

B) The applicant shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures that would increase utilization.

To address this criterion the CEO of Quincy Medical Group provided the following:

"I hereby certify and attest that a peer review program will be implemented to evaluate patient outcomes for consistency with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated. I also affirm that the ASTC will meet or exceed the utilization standards specified in 77 Ill Administrative Code 1100. Documentation submitted with this permit application supports this statement, based on historic growth of outpatient surgical cases conducted by QMG physicians, and commitments by QMG physicians to conduct surgery at the ASTC." [Application for Permit page 122]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.235 (c) (10))

X. Cardiac Catheterization

A) Criterion 1110.225 (a) - Peer Review

To document compliance with this criterion the Applicant proposing the establishment or modernization of a cardiac catheterization unit shall detail in its application for permit the mechanism for adequate peer review of the program. Peer review teams will evaluate the quality of studies and related morbidity and mortality of patients and also the technical aspects of providing the services such as film processing, equipment maintenance, etc.

The Applicant provided a narrative documenting the peer review process to be establish at the proposed ASTC for cardiac catheterization services at pages 76-79 of the Application for Permit. The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PEER REVIEW (77 ILAC 1110.225 (a))

B) Criterion 1110.225 (b) - Establishment or Expansion of Cardiac Catheterization Service

There shall not be additional adult or pediatric catheterization categories of service started in a health planning area unless:

- 1) the standards as outlined in 77 Ill. Adm. Code 1100.620 are met; unless
- 2) in the circumstances where area programs have failed to meet those targets, the applicant can document historical referral volume in each of the prior 3 years for cardiac catheterization in excess of 400 annual procedures (e.g., certification of the number of patients transferred to other service providers in each of the last 3 years).

Section 1100.620 states the planning area for cardiac catheterization service is the eleven Health Service Areas. An Applicant must perform at a minimum 200 cardiac catheterizations annually within 2-years after initiation of the service and no additional cardiac catheterization service shall be started unless each facility in the planning area offering cardiac catheterization services operates at a level of 400 procedures annually.

The proposed service will be in the HSA III Health Service Area. HSA III includes the Illinois counties of Illinois Counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. There are three hospitals in the HSA III Health Service Area that provide cardiac catheterization services. All facilities that are providing cardiac catheterizations in this Health Service Area are operating above the 400 procedures annually. The Applicant has successfully addressed this criterion.

**TABLE NINE
Facilities Operating Cardiac Cath Lab. in HSA III**

Hospital	City	# of Labs	Cardiac Catheterization ⁽¹⁾	Procedures Per Lab
Blessing Hospital	Quincy	3	3,027	1,009
Memorial Hospital	Springfield	5	4,554	911
St. John's Hospital	Springfield	8	12,851	1,607

1. Information from 2017 Hospital Profiles

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ESTABLISHMENT OR EXPANSION OF CARDIAC CATHETERIZATION SERVICE (77 ILAC 1110.225 (b))

C) Criterion 1110.225 (c) - Unnecessary Duplication of Services

- 1) Any application proposing to establish cardiac catheterization services must indicate if it will reduce the volume of existing facilities below 200 catheterizations.
- 2) Any applicant proposing the establishment of cardiac catheterization services must contact all facilities currently providing the service within the planning area in which the applicant facility is located, to determine the impact the project will have on the patient volume at existing services.

Over the past three years the Applicant has referred and conducted in excess of 400 cardiac catheterizations per year at Blessing Hospital.

**TABLE TEN
Historical Referrals of Physicians**

Year	Quincy Medical Group		
	2015	2016	2017
Derian, Wissam, MD	187	211	181
Efstratiadis, Stilianos MD	724	679	612
Total Case Volume	911	890	793

1. Other - Cardiac Catheterization includes only non-surgical CPT codes beginning with 7- or 9
2. Historical ASC eligible OP cases were reduced by 15% to control for comorbidities, insurance denials, patient preference, and other unknown factors that may prevent

Source: Application for Permit page 82.

Based upon the 2017 Hospital profiles the proposed project will not reduce existing cardiac catheterization services below the 200 catheterizations (See Table Above).

Impact letters were sent to the three hospitals identified above. No responses have been received to date. Based upon the historical utilization of the three existing services it does not appear the proposed establishment of cardiac catheterization services will result in an unnecessary duplication of services.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE (77 ILAC 1110.225 (c))

D) Criterion 1110.225 (d) - Modernization of Existing Cardiac Catheterization Equipment

An applicant with a proposed project for the modernization of existing equipment that provides cardiac catheterization services shall document that the minimum utilization standards (as outlined in 77 Ill. Adm. Code 1100.620) are met.

This project is for the establishment of a cardiac catheterization service and not for the modernization of an existing service. This criterion is not applicable to the proposed project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION MODERNIZATION OF EXISTING CARDIAC CATHETERIZATION EQUIPMENT (77 ILAC 1110.225 (d))

E) Criterion 1110.225 (e) - Support Services

- 1) Any applicant proposing the establishment of a dedicated cardiac catheterization laboratory must document the availability of the following support services;
 - A) Nuclear medicine laboratory.
 - B) Echocardiography service.
 - C) Electrocardiography laboratory and services, including stress testing and continuous cardiogram monitoring.
 - D) Pulmonary Function unit.
 - E) Blood bank.
 - F) Hematology laboratory-coagulation laboratory.
 - G) Microbiology laboratory.
 - H) Blood Gas laboratory.
 - I) Clinical pathology laboratory with facilities for blood chemistry.
- 2) These support services need not be in operation on a 24-hour basis but must be available when needed.

To address this criterion the Applicant provided the following narrative:

“Quincy Medical Group provides a full complement of ancillary services at its main facility at 1025 Maine Street, Quincy. The pulmonary function department is staffed by respiratory therapists and a board certified pulmonologist. QMG's cardiac services unit includes echocardiography staffed by registered diagnostic cardiac sonographers, a cardiac rehab unit, event monitors and Holter monitors. The nuclear medicine laboratory is adjacent to the cardiac services department; it accommodates stress tests (treadmill and Lexiscan) and multiple gated acquisition scans (MUGA). QMG's full-service laboratory includes the departments of chemistry, immunochemistry, hematology, microbiology, serology, immunology and urinalysis. Lab services also include ABGs (arterial blood gas). The laboratory director is knowledgeable and educated on the requirements of a laboratory offering transfusions and operating a blood bank. QMG works through the local American Red Cross to dispense packed cells, platelets and FFP (Fresh Frozen Plasma). Pathology services are sent to and performed by West Central Pathology Specialists.”

Based upon the narrative above the required support services will be available should the proposed project be approved.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SUPPORT SERVICES (77 ILAC 1110.225 (e))

F) Criterion 1110.225 (f) - Laboratory Location

Due to safety considerations in the event of technical breakdown it is preferable to group laboratory facilities. Thus in projects proposing to establish additional catheterization laboratories such units must be located in close proximity to existing laboratories unless such location is architecturally infeasible.

This criterion applies to facilities that have multiple cath labs. The proposed facility will have only one cath room, and it will be located within the OR suite. It will be one of the 5 ORs within the proposed ASTC. This criterion is not applicable to this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION LABORATORY LOCATION (77 ILAC 1110.225 (f))

G) Criterion 1110.225 (g) - Staffing

It is the policy of the State Board that if cardiac catheterization services are to be offered that a cardiac catheterization laboratory team be established. Any applicant proposing to establish such a laboratory must document that the following personnel will be available:

- 1) Lab director board-certified in internal medicine, pediatrics or radiology with subspecialty training in cardiology or cardiovascular radiology.
- 2) A physician with training in cardiology and/or radiology present during examination with extra physician backup personnel available.
- 3) Nurse specially trained in critical care of cardiac patients, knowledge of cardiovascular medication, and understanding of catheterization equipment.
- 4) Radiologic technologist highly skilled in conventional radiographic techniques and angiographic principles, knowledgeable in every aspect of catheterization instrumentation, and with thorough knowledge of the anatomy and physiology of the cardiovascular system.
- 5) Cardiopulmonary technician for patient observation, handling blood samples and performing blood gas evaluation calculations.
- 6) Monitoring and recording technician for monitoring physiologic data and alerting physician to any changes.
- 7) Electronic radiologic repair technician to perform systematic tests and routine maintenance; must be immediately available in the event of equipment failure during a procedure.
- 8) Darkroom technician well trained in photographic processing and in the operation of automatic processors used for both sheet and cine film.

To address this criterion the Applicant must document that the necessary personnel will be available to staff the cardiac catheterization service. According to the documentation included in the Application for Permit the Quincy Medical Group Cardiac Catheterization service will be staffed to meet physician, patient, and regulatory requirements. The Applicant has met the requirements of this criterion. [See page 90 of the Application for Permit]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.225 (g))

H) Criterion 1110.225 (h) - Continuity of Care

Any applicant proposing the establishment, expansion or modernization of a cardiac catheterization service must document that written transfer agreements have been established with facilities with open-heart surgery capabilities for the transfer of seriously ill patients for continuity of care.

The Applicant has provided a transfer agreement with HSHS St. John's Hospital (130 minutes approximate) located in Springfield, Illinois and another agreement with UnityPoint Methodist Hospital in Peoria, Illinois (190 minutes approximate). Both hospitals are more than 30 minutes from the proposed site.

Staff Analysis:

State Board rules do not require a travel time from an ASTC to a transfer hospital that enters into a transfer agreement with an ASTC for cardiac catheterization or ASTC services. Because of that the Applicant has met the requirement of this criterion.

However, should this project be approved the Illinois Department of Public Health Administrative Rule 77 ILAC 250.540 Ambulatory Surgical Treatment Center Licensing Requirements Section 205.540 Postoperative Care requires a transfer agreement to be in effect with a hospital that is within 15-30 minutes of the ASTC. This cardiac catheterization service is being established in an ASTC and will have to meet the licensing requirements of an ASTC.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CONTINUITY OF CARE (77 ILAC 1110.225 (h))

D) Criterion 1110.225 (i) - Multi-Institutional Variance

1) A variance to the establishment requirements of subsection (b), Establishment or Expansion of Cardiac Catheterization Service shall be granted if the applicant can demonstrate that the proposed new program is necessary to alleviate excessively high demands on an existing operating program's capacity.

A variance to 77 ILAC 1110.225 (b) is not required for the establishment of this cardiac catheterization service.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH MULTI-INSTITUTIONAL VARIANCE CRITERION (77 ILAC 1110.225 (h))

XI. Clinical Service Areas Other than the Establishment of a Category of Service

A) Criterion 1110.270 (c) - Service Modernization

An Applicant must document that the proposed project meets one of the following:

1) **Deteriorated Equipment or Facilities**

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall consist of, but is not limited to: historical utilization data, downtime or time spent out of service due to operational

failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

2) **Necessary Expansion**

The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training or other support services to meet the requirements of patient service demand. Documentation shall consist of, but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.

3) **Utilization**

A) **Major Medical Equipment**

Proposed projects for the acquisition of major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.

The Applicant is proposing to add a CT scanner⁸ at the new site should this project be approved. The Applicant operates a CT scanner at its main facility at 1025 Maine Street, Quincy. The current scanner has accommodated a 55.5% [6,507 visits – 4,186 visits = 2,321 visits ÷ 4,186 visits = 55.5%] increase in visits from 2013 to 2018, and is nearing capacity. Per the Applicant, “an increasing number of patients requiring a scan the same day as an office visit were not able to be scheduled because of capacity constraints, an indication of the growing volume.” The capacity constraint is also reflected in the repressed growth of only 87 patients [6,507 visits -6,420 visits = 87 visits] this year, compared to annual increases of 600 - 800 in the past three years. Unlike inpatient hospital CT services that operate 7 days a week and often 24 hours a day, the office based CT scanner is utilized 5 ½ days a week. As a result, approaching the standard of 7,000 is an indication of high utilization.

**TABLE ELEVEN
CT Scanner Historic and Projected
Utilization**

Historical		Projected	
Year	Visits	Year	Visits
2013	4,186	2019	6,832
2014	4,259	2020	7,174
2015	5,090	2021	7,533
2016	5,750	2022	7,909
2017	6,420	2023	8,305
2018	6,507		

The State Board standard is 7,000 visits annually for a CT scanner. Based upon the growth experienced by the Applicant as documented above it would appear that the proposed CT scanner will be at target utilization by 2023 the second year after project completion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN

⁸ CT Scanner: special X-ray tests that produce cross-sectional images of the body using X-rays and a computer.

**CATEGORIES OF SERVICE – SERVICE MODERNIZATION (77 ILAC 1110.270
(c))**

XII. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

The Applicant must document that that financial resources will 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 Applicants are funding this project with cash in the amount of \$1,767,096, a mortgage (loan) of \$4,928,593 from the Bank of Springfield and operating leases for space and equipment with a Fair Market Value of \$12,823,368⁹. The lease for the space has been negotiated and signed contingent on the State Board's approval of this project. The Applicant provided four years of audited financial statements (2014 thru 2017) and that information is included in the State Board's packet of information. Additionally a letter from the Bank of Springfield Chairman of the Board has been received stating the Bank is committed to lending \$4.93 million. Based upon the information reviewed there is sufficient resources to fund this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.120)

B) Criterion 1120.130 – Financial Viability

Applicants that are 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

To address this criterion the Applicant provided the ratio information prepared from the audited financial statements. Also included were ratio information prepared without the discretionary payments that are outlined below in the table entitled Discretionary Payments. These discretionary payments are salary (bonuses) for physicians that are part of the Quincy Medical Group.

Table One below represents the financial ratios required by the State Board.

Table Two below represents the financial ratios without the discretionary payments.

The Applicant stated “The ratio tests of financial feasibility using the required formulas show that Quincy Medical Group will not meet some of the ratios. This is due to the fact that cash is often used for discretionary distributions to its members and as an opportunity to obtain equipment or pursue facility improvements. QMG does not have the same incentives to retain cash as non-profits do, which helps not-for-profits get more favorable bond ratings. QMG does not have a bond rating. Discretionary cash is spent only when all other financial objectives have been achieved. The following table [Table Two] of ratios shows the results if discretionary cash had been held within the organization. If even a portion of the cash had been retained on the organization's books, all financial ratios

⁹ An **operating lease** is a contract that allows for the use of an asset but does not convey rights of ownership of the asset. An **operating lease** represents an off-balance sheet financing of assets, where a **leased** asset and associated liabilities of future rent payments are not included on the balance sheet of a company.

would have been achieved. In this case, all financial ratios are met, demonstrating that Quincy Medical Group has financial strength and viability.”

Staff Analysis

The State Board Staff is required to review the financial ratios that have been prepared based upon the audited financial statements. The Applicant does not meet the Net Margin % and days cash on hand for all years presented and the cushion ratio for years 2015 thru 2023 projected.

These discretionary payments to members of the medical group for the years 2014 thru 2017 are below.

Discretionary Payments (salary and bonuses)

Year	2014	2015	2016	2017
Amount	\$17,300,298	\$23,902,233	\$19,488,892	\$20,510,356

**Quincy Medical Group
Financial Viability without Discretionary Payments**

Table One		Historical				Projected
Financial Ratios	State Standard	2014	2015	2016	2017	2023
Current Ratio	1.5	1.9	1.8	1.8	1.9	1.7
Net Margin Percentage	3.50%	1.90%	-2.10%	0.20%	0.40%	0.60%
Percent Debt to Total Capitalization	<80%	56.00%	62.00%	62.00%	64.00%	63.00%
Projected Debt Service Coverage	>1.75	3.42	0.88	1.97	12.16	1.95
Days Cash on Hand	>45 days	20	3	1	4	9
Cushion Ratio	>3	3.7	0.6	0.2	0.8	1.2

**Quincy Medical Group
Financial Viability with Discretionary Payments**

Table Two		Historical			
Financial Ratios	State Standard	2014	2015	2016	2017
Current Ratio	1.5	2.2	1.9	2	2.2
Net Margin Percentage	3.50%	13.9%	13.2 %	11.5%	11.1%
Percent Debt to Total Capitalization	<80%	56.00%	62.00%	62.00%	64.00%
Projected Debt Service Coverage	>1.75	11.99	12.29	9.85	10.21
Days Cash on Hand	>45 days	75	68	51	50
Cushion Ratio	>3	12.3	12	8.1	8.8

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130)

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements

A) 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.

Carol Brockmiller, CEO Quincy Medical Group provided the following:

“Quincy Medical Group will be the owner, operating entity and licensee for the Ambulatory Surgical Treatment Center proposed at 3347 Broadway, Quincy, IL. This letter is being submitted in accordance with the requirements of Section 1120.140 - Economic Feasibility, subsections A and B. As part of the financial arrangement for the project, Quincy Medical Group will take out a loan of approximately \$4.9 million. Borrowing is less costly than liquidating existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The loan will be at the best terms available in the market, offering the lowest net cost. In addition, the project involves the leasing of existing space, rather than the purchase or construction of a building. Expenses incurred with the leasing of the facility are less costly than the construction of a new building.”

The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (77 ILAC 1120.140 (a))

B) Criterion 1120.140 (b) – Terms of Debt Financing

Applicants with projects involving debt financing 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

Tom Marantz, Chairman of the Board of Bank of Springfield provided the following information regarding the loan:

“As Quincy Medical Group's primary lender and depository institution, Bank of Springfield is familiar with QMG's financial statements and financial practices. QMG is a company with solid financial leadership that is demonstrated by its consistent and long-term growth. The group has met all of its financial obligations in a timely manner and has worked closely with the bank on its long-term financial planning. Subject to the final plans and all regulatory approvals, Bank of Springfield is committed to loaning Quincy Medical Group up to \$4.93 million dollars for the purchase of medical equipment and other costs necessary for the proposed surgery center. As with every loan, this loan is subject to satisfactory due diligence to be performed by Bank of Springfield with the cooperation of QMG and agreement on loan documentation. The term of the loan will be 7-10 years and will be at a market competitive rate of interest at the time of loan commencement.”
 [Additional Information dated February 6, 2018]

The State Board considers leasing as debt financing. The Applicant provided a signed lease agreement contingent on State Board approval. Below are the terms of the lease.

Premises	3347 Quincy Mall
Landlord	Quincy-Cullinan, LLC
Tenant	Quincy Medical Group, Inc.
Space	69,971 Square Feet+/- (consisting of 36,615 square feet on the first floor and 33,356 square feet of the second floor)
Term	20 Years with 2 - 10 year options
Base Rent	\$4.50 psf. for the first Lease Year with annual increases for allowance and fit out Increase in the Base Rent for the First Floor GLA (gross living area) and the amount of increase in the Base Rent for the Second Floor GLA (gross living area) shall be memorialized in addendums to this Lease within ten (10) days of the First Floor Possession Date and the Second Floor Possession Date, respectively.
Additional Rent	Common Area Maintenance, Insurance, Real Estate Taxes
Contingency	Lease Effective on CON Approval (page 3 -4 of Lease Agreement) 2 nd floor only

The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 ILAC 1120.140 (b))

C) Criterion 1120.140 (c) – Reasonableness of Project Costs

To demonstrate compliance with this criterion an Applicant must document that the project costs are reasonable. Note: The Applicant is not incurring the cost of the build out of the space for this project. Those construction and contingency costs are included in the FMV of the leased space which is presented below.

Preplanning Costs are \$55,584 and are 1.25% of [new construction, modernization, contingencies and movable equipment $\$55,584 \div \$4,456,026 = 1.25\%$]. This appears

reasonable when compared to the State Standard of 1.8% of new construction, modernization, contingencies and movable equipment. These costs include consulting fees related to the development of financial feasibility studies and detailed pro-forma of the project.

Architectural and Engineering Fees are \$20,083. The State Board Standard for this line item is a percentage of new construction and contingencies. The space for this ASTC will be leased by the Applicant and the owner of the property will provide the build out. Note: The State Board does have a standard for these costs but it is a percentage of new construction and/or modernization and contingency costs which are not part of this project.

Consultant Fees are \$352,291. These costs include strategic planning, legal consultation, certificate of need application preparation, other regulatory planning, and permit application fees. The State Board does not have a standard for these costs.

Movable Equipment Costs are \$4,456,026 and are \$557,004 per room [$\$4,456,026 \div 8$ rooms = \$557,004 per room]. This cost appears HIGH when compared to the State Board Standard of \$551,212 per room. The State Board Standard is calculated based upon 2008 data (\$353,802) and inflated by 3% per year.

Movable Equipment per Operating Room State Board Standard adjusted by 3% per year from 2008. Presented below are the figures for 2014 forward.				
2014	2015	2016	2017	2018
\$422,458.09	\$435,131.83	\$448,185.79	\$461,631.36	\$475,480.30
2019	2020	2021	2022	2023
\$489,744.71	\$504,437.05	\$519,570.16	\$535,157.27	\$551,211.99

FMV of Leased Space is \$8,575,924. The State Board does not have a standard for this cost.

FMV of Leased Equipment is \$944,928. The State Board does not have a standard for this cost. This costs includes fair market value of leased ASTC clinical equipment which includes two (2) C-Arm machines and endoscopy scopes and related system support equipment.

Other Capital Costs is \$750,000 and includes Epic Software system¹⁰ build-out and training. The State Board does not have a standard for these costs.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140 (c))

¹⁰ Epic Systems is one of the largest providers of health information technology, used primarily by large U.S. hospitals and health systems to access, organize, store and share electronic medical records.

D) Criterion 1120.140 (d) – Direct Operating Costs

To demonstrate compliance with this criterion an Applicant must 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 Direct Costs per procedure is \$776.33. The State Board does not have a standard for these costs. The Applicant has met the requirements of this criterion.

Total Operating Costs	\$13,113,821
Number of Procedures	16,892
Direct Costs per procedure	\$776.33

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS (77 ILAC 1120.140 (d))

E) Criterion 1120.140 (e) - The Effect of the Project on Capital Costs

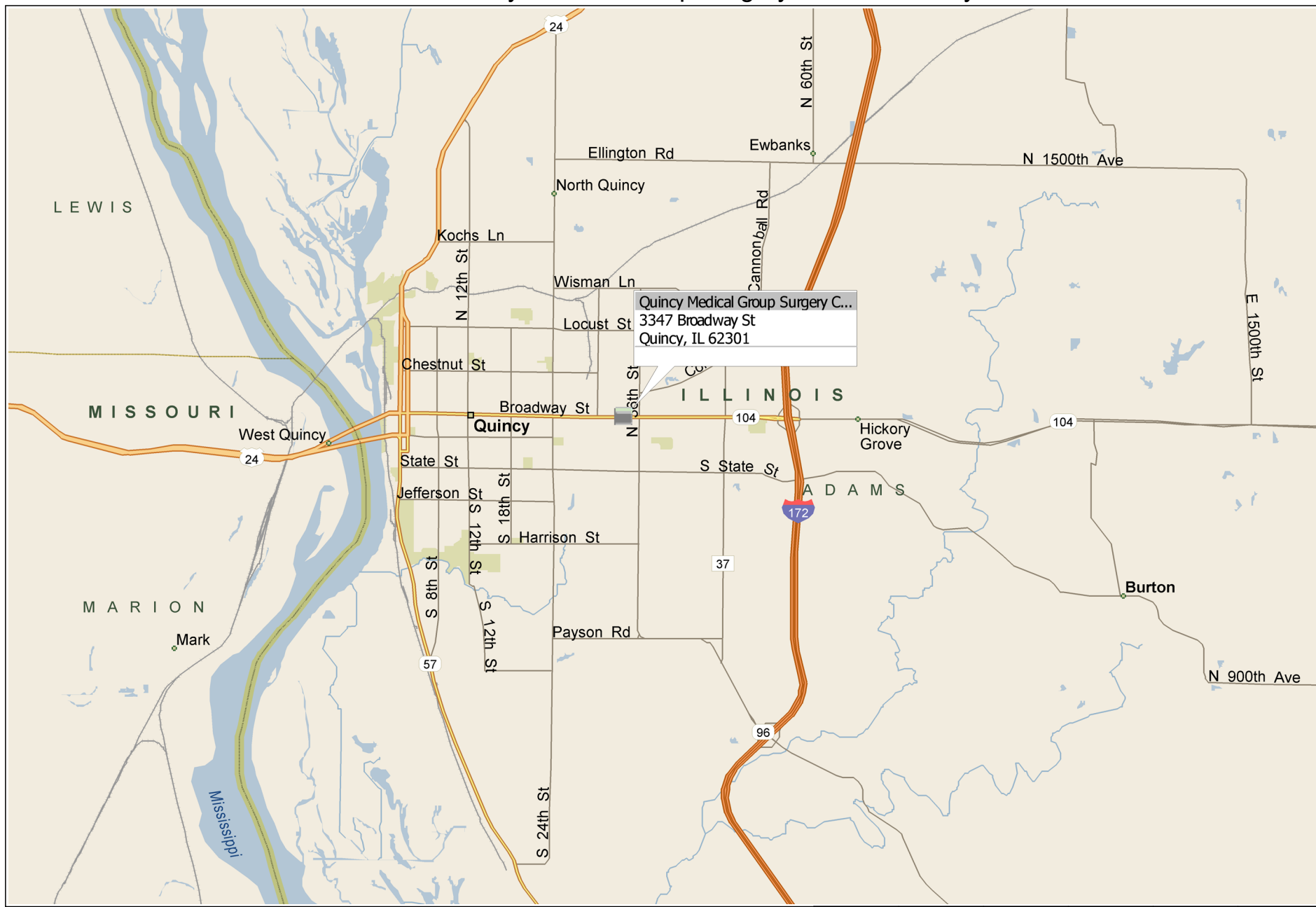
To demonstrate compliance with this criterion an Applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The effect of the project on capital costs is \$104.84. The State Board does not have a standard for these costs. The Applicant has met the requirements of this criterion.

Total Capital Costs	\$19,519,058
Procedures	16,892
Weighted Average Years	14.5
Depreciation	\$1,771,018
Capital Costs per procedure	\$104.84

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION THE EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140 (e))

18-042 Quincy Medical Group Surgery Center - Quincy



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150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606 • (312) 819-1900

February 8, 2019

Tracey Klein
(312) 873-3613
(312) 803-2183 Direct Fax
tklein@polsinelli.com

HFSRB Members
Ms. Courtney Avery
Mr. Michael Constantino
525 West Jefferson Street, 2nd floor
Springfield, IL 62761

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FEB 13 2019

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

**Re: Quincy Medical Group Surgery Center, Project 18-042
Response to Public Hearing Statements**

Dear Members of the HFSRB, Ms. Avery, and Mr. Constantino:

This letter is written on behalf of our client (Quincy Medical Group) and submitted in response to statements made at the January 24 Public Hearing on project 18-042, Quincy Medical Group Surgery Center, that suggest that QMG’s project does not meet applicable review criteria. This letter addresses the following topics:

- I. QMG’s project substantially conforms with all applicable HFSRB review criteria; and
- II. Blessing’s numerous and revised data submissions are highly suspect, demonstrate either a failure to properly maintain and file accurate surgical utilization reports on Blessing’s behalf or raise concerns regarding Blessing’s motive, especially as the reported data has the potential to greatly impact the validity of the HFSRB review process.

I. QMG’S PROJECT SUBSTANTIALLY CONFORMS WITH APPLICABLE REVIEW CRITERIA.

QMG carefully planned the proposed project to be in conformance with all applicable HFSRB review criteria and to comply with the purposes of the Illinois Health Facilities Planning Act (the “Act”). The purpose of the Act is to establish a procedure that promotes the orderly and economic development of health care facilities, avoiding unnecessary duplication of such facilities and promoting planning for and development of facilities needed for comprehensive health care, especially in areas with unmet needs. 20 ILCS 3960/2. The HFSRB is required to approve and authorize the issuance of a permit if it finds, among other conditions, that the project substantially conforms to all applicable HFSRB standards and review criteria. QMG’s project substantially conforms in all respects.

As the HFSRB is well aware, a project need not satisfy each and every applicable review criterion to justify approval. 77 Ill. Adm. Code 1130.660(a) (“failure of a project to meet one or more of the applicable review criteria shall not prohibit the issuance of a permit”); *Provena Health v. Illinois Health*

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Facilities Planning Bd., 382 Ill. App. 3d 34 (2008). In fact, there is no definitive number of criteria that must be satisfied to demonstrate substantial conformance with the HFSRB's regulations or to justify a project's approval. *Provena*, 382 Ill. App. 3d at 45 (noting that substantial conformity does not mean complete compliance). Rather, it is the responsibility of the HFSRB to evaluate each project as a whole, taking into consideration criteria with which a project does and does not conform, and to balance those findings with the overall need for the project - while exercising its discretion and judgment - in deciding whether to approve a project.

In an effort to assist the HFSRB with its review and answer questions raised at the Public Hearing, we provide the following analysis as to how the project conforms with several review criteria.

A. Service Accessibility – 77 Ill. Adm. Code 1110.235(c)(6).

To satisfy the Service Accessibility criterion, which assesses whether the proposed services are necessary to improve access for residents of the GSA, a project must meet at least one of the four enumerated sub-criteria:

- 1) There are no other IDPH-licensed ASTCs in the GSA of the proposed project;
- 2) Existing ASTC and hospital services are utilized at or above the State's utilization standard;
- 3) ASTC services or specific types of procedures that are components of an ASTC are not currently available in the GSA, or existing underutilized services in the GSA have restrictive admission policies; or
- 4) The project is a cooperative venture with an existing hospital that currently provides outpatient services to the population of the subject GSA.

The proposed project satisfies three of the four Service Accessibility sub-criteria.

1. Lack of ASTC Services in GSA by 2021/2022.

Currently, there is only one other ASTC in the GSA of the proposed project location: Blessing Hospital's ASTC. In September 2018, we understand from a contemporaneous communication received from our client, Blessing's leadership informed QMG that the useful life of the existing ASTC in its current location without more space is only three more years. We understand that Blessing's leadership further informed QMG at that time that it would be performing a full facilities plan in the near future to determine whether it would seek early termination of its lease for the existing ASTC space. The proposed surgery center will open by 2021/2022 – right around the time Blessing expects that the useful life of the surgery center will have expired. Assuming this information correctly assesses Blessing's plan,

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the existing surgery center is likely to cease to exist by 2021, rendering the GSA devoid of an IDPH-licensed ASTC. QMG's proposed surgery center will fill that void. The first sub-criterion is satisfied.

2. Existing ASTC and Hospital Services Utilized At or Above State Utilization Standard.

The second Service Accessibility sub-criterion requires that existing ASTC and hospital services be at or above the State's utilization standard. Blessing's data supports QMG's analysis that Blessing surgery rooms will meet the State's utilization standard in 2021 when the proposed surgery center opens.

QMG's permit application was filed in October 2018 and incorporated Blessing's reported utilization data for 2016 and prior years. 2017 reported data was not available at the time the application was filed. In early November 2018, the State published 2017 utilization data for hospitals and ASTCs. The published data had been submitted by hospitals and ASTCs to the State in March 2018. Blessing's 2017 data (submitted to the State prior to QMG's filing of the application but not published prior to the application submission) showed a dramatic increase in outpatient surgery when compared to prior years' data starting in 2013. This growth in total surgical hours from 2013 to 2017, for Blessing Hospital's OR and ASTC, when used to project future volumes, results in full utilization of Blessing's rooms in 2021, the year QMG's proposed ASTC will open.

In early December 2018, while QMG was in the process of preparing revised application pages to reflect Blessing's reported increased outpatient surgery hours - and, therefore, increased utilization - Blessing suddenly submitted new data changing its numbers for 2016 and 2017. The submission included a significant reduction of 4,812 hours in Blessing's ASTC ORs from the data Blessing previously reported in March 2018 (before QMG's application had been filed).

In January 2019, Blessing again submitted new surgical numbers for 2014 – 2017, noting that it was "correcting" its previous submissions and attesting it had previously misreported the data. (Blessing January 23, 2019 Correspondence, attached as Exhibit 1.) The new data has not yet been approved by the HFSRB.

The table below demonstrates Blessing's numerous data submissions, specifically in relation to Blessing's reported outpatient and inpatient surgery hours for its hospital and ASTC. The

¹This letter presents and analyzes available public data on surgical services in the Blessing Hospital ORs and procedure rooms, and the Blessing ASTC ORs and procedure rooms, for 2013 through 2017. The data used is Blessing's own reported data, provided by Blessing Hospital to the State in its Annual Hospital Questionnaires and Ambulatory Surgical Treatment Center Questionnaires and recorded in the HFSRB profiles. With respect to any data referenced in this communication, we rely on QMG's CON consultant who analyzed the numbers.

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differences in reported hours are significant, with tremendous increases in hours reported by Blessing in March 2018 (before QMG filed its application) and published in November 2018, and drastic reductions in hours reported by Blessing after QMG filed its application.

Blessing Hospital and Blessing ASTC Reported Total Outpatient and Inpatient Surgery Hours

	2013	2014	2015	2016	2017
Data at Application Filing²	15,069	16,706	17,135	18,378	19,172
Data Submitted March 2018/Published Nov. 2018³	15,069	16,706	17,135	16,275	23,832
Data Submitted Dec. 2018⁴	15,069	16,706	17,135	16,464	19,020
Data Submitted Jan. 2019⁵	15,069	14,175	14,786	16,376	18,957

Blessing Hospital and Blessing ASTC Projected Total Outpatient and Inpatient Surgery Hours⁶

	2018	2019	2020	2021
Data at Application Filing	20,476	21,868	23,355	24,943
Data Submitted March 2018/Published Nov. 2018	27,288	31,244	35,775	40,962
Data Submitted Dec. 2018	20,275	21,613	23,040	24,560
Data Submitted Jan. 2019	20,189	21,502	22,899	24,388

An opponent to a project under review by the HFSRB, especially an opponent who controls data used by the HFSRB to assess whether a project conforms with applicable review criteria, should not be allowed to submit subsequent “corrections” to relevant data or to recreate its data during the HFSRB’s review process. Allowing such conduct to occur, especially where the opponent and submitter of data provides little to no justification for the subsequent submission, has the potential to significantly impact the HFSRB’s review process and ultimate approval of a project.

²QMG used Blessing’s reported public data on surgical services in the Blessing Hospital’s ORs and procedure rooms and Blessing’s ASTC ORs and procedure rooms for 2013 – 2016 at the time it prepared and filed its application. Blessing’s 2017 reported data was not available at the time the application was filed in October 2018. As a result, 2017-2021 hours were estimated through a conservative analysis outlined in QMG’s application.

³ In March 2018, Blessing submitted 2017 data, along with corrected 2016 data, to the HFSRB. That data was published by the HFSRB in November 2018.

⁴ Blessing submitted and received HFSRB approval of new data in December 2018.

⁵ In January 2019, Blessing submitted new data to the HFSRB. That data has not yet been approved by the HFSRB.

⁶ Blessing’s projected hours for 2018-2021 were calculated using historic utilization data submitted by Blessing and the following historic annual average rates of growth: 6.8% analyzing data available at the time the application was filed, 14.5% analyzing data submitted in March 2018, 6.6% analyzing data submitted in December 2018, and 6.5% analyzing data submitted in January 2019.

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Even if Blessing's most recently reported and HFSRB accepted data is used, however, the analysis reveals that by 2021, when the proposed project opens, Blessing's surgical utilization will meet the State utilization standard. The enclosed table presents surgical utilization for the Blessing Hospital ORs and procedure rooms, and the Blessing ASTC ORs and procedure rooms. Using the data highlighted in the section of the table colored tan (the most recent Blessing data accepted by the HFSRB on December 4), total hours of surgeries and procedures (for inpatient and outpatient cases) increased from 15,069 hours in 2013 to 19,020 in 2017. This is an average annual increase of 6.6%. Applying this historic rate of growth to forecast future volumes, utilization of the rooms will be at 24,560 hours in year 2021. Using the State standard of 1500 hours per room per year, 16.4 rooms are needed, or 17. As a result, the existing rooms are already approaching full utilization. Planning for additional capacity required in year 2021 needs to be underway now. The proposed project will open in year 2021, and will provide additional needed capacity. The use of projections based on historic data is justified, and was used by Blessing in its recent CON permit application (# 18-013) for bed modernization, which was approved by the HFSRB in July, 2018.

During the public hearing, Blessing's senior leadership reported that current utilization of Blessing's ORs at the existing ASTC is 82% using HFSRB criteria. This is an increase from 2017 reported data and supports the historic realized growth rate utilized to compute Blessing 2021 utilization levels. Blessing's own data, using HFSRB criteria, supports the finding that Blessing's operating rooms will meet or exceed the State utilization standard by 2021.

The number and types of procedures performed in an ambulatory setting are increasing. This continuing trend supports the case that Blessing's outpatient growth will continue. Not included in our conservative analysis, but an additional supporting factor, is the expected increase in outpatient hours due to physician growth and correction of current outmigration cases. Blessing's recent permit application (# 18-010) promoted its recent and projected physician growth, with Blessing stating "Last year Blessing recruited 28 new physicians and a plan to recruit that many more in 2018-19." (Blessing Permit Application, Project No. 18-010, p.65, attached as Exhibit 2.) Like Blessing, QMG is growing. In 2017, QMG recruited 7 physicians and 5 advanced practice providers. In 2018, QMG recruited 10 physicians and 3 advanced practice providers. QMG expects to recruit a similar number of physicians and advanced practice providers in 2019, with six new providers signed to date. Additionally, the proposed surgery center will help to correct outmigration issues, as patients who might otherwise leave the Quincy area to receive lower cost procedures or procedures not currently performed in the existing surgery center will now have an incentive to receive care locally. As Blessing stated in a recent public hearing, "the biggest area that we have identified outmigration is in orthopedics, and we are watching 750 and above cases leaving the marketplace due to access, due to *service accessibility*" and "[w]e see about 20 to 30 million – not on cases but we look at a dollar amount – that migrate out of the region." (Public Hearing Transcript for Project 18-010, p. 117 - 118, attached as Exhibit 3.) The proposed surgery center will greatly help to remedy these outmigration issues.

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The project satisfies the second Service Accessibility sub-criterion.

3. Specific ASTC Services and Types of Procedures Are Not Currently Available in the GSA and Existing ASTC has Restrictive Policies.

The third criterion requires that either ASTC services or specific types of procedures that are components of an ASTC are not currently available in the GSA, or that existing underutilized services in the GSA have restrictive admission policies. Both situations are present and will be addressed by the proposed surgery center.

First, as noted in QMG's application, specific types of procedures and/or operations that are components of an ASTC are not currently available in the existing ASTC but will be performed in the new surgery center – including, but not limited to, urology procedures, certain ENT-related procedures, certain neurosurgery procedures, certain orthopedic procedures, and cardiac catheterization services.

Second, it is our understanding that the local hospital is charging facility fees based on HOPD rates for procedures performed in its existing ASTC, and we understand this results in a facility fee that is 30 – 50% higher than the fee that will be charged in the proposed non-hospital based ASTC. The higher costs are such an issue that we understand that Quincy area employers have gone so far as to encourage their employees to “shop around” for cost effective quality health care services. Also due to cost reasons, we further understand that area residents have chosen to have procedures performed in Columbia, St Louis, and Springfield in order to obtain lower out-of-pocket costs and savings to their employers. Given the information we have received, the unnecessary HOPD rates are a de-facto restrictive condition or policy. As Blessing's ASTC is the only ASTC in HSA 3 outside of Springfield, a distance of over 100 miles, it is our client's position that Blessing Hospital has been able to keep its restrictive conditions or policies in place without competitive pressure. A new provider to the area is greatly needed to increase patient choice and lower costs.

4. A Cooperative Venture with Local Hospital is Not Feasible or in Best Interest of Patients or the Community.

A cooperative venture with the local hospital is not what patients or the community needs nor would it be a workable venture. The only existing hospital providing outpatient services to the population of the GSA is Blessing Hospital. A cooperative venture with Blessing Hospital – which we understand currently chooses to charge high facility fees based on hospital outpatient department (“HOPD”) rates for the same services that can be performed at lower ASTC rates - is not what the community needs. The community needs an additional, independent provider bringing lower cost incentives and competitive pricing to the Quincy area.

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It is our understanding that our client, QMG, and the local hospital have a history of friction on various issues. Our client has informed us that failed alignment efforts to date have created a condition where a cooperative venture is simply not workable. Dating back to June 2018, we were informed by our client that months before our application was filed, QMG proposed numerous alignment and partnership opportunities to Blessing. The opportunities for collaboration proposed by QMG included, without limitation, shared governance, joint venture opportunities, and clinical alignment through shared service lines. Prior to filing the application, QMG carefully considered a joint venture with Blessing for the proposed surgery center. No formal proposal was made to Blessing, and the alternative was not pursued further by QMG, as the joint venture would require that QMG be a majority owner and that services not be billed at hospital outpatient billing rates. Based on our client's prior discussions with Blessing, QMG understood that Blessing was not interested in a joint venture under those terms. Further, because Blessing had previously rejected proposals by QMG for various alignment opportunities, it appeared that Blessing was not interested in pursuing any ASTC joint venture with QMG. Even after filing the application, we understand that QMG has continued to meet with Blessing regarding potential collaboration opportunities, including discussions regarding the proposed surgery center. In this regard, we understand Blessing has confirmed it has no interest in pursuing a joint venture for the surgery center at the proposed location.

As required in the HFSRB's review criteria, QMG sought and obtained transfer agreements with area hospitals that have open heart surgery capabilities. St. John's Hospital of Springfield and UnityPoint-Peoria agreed to enter into a transfer agreement with QMG without hesitation, recognizing the importance of having a coordinated plan in place in the event a transfer may be needed. To date, despite QMG's request, it is our understanding Blessing has not entered into a transfer agreement with QMG. Our client believes that Blessing's refusal is further evidence of Blessing's rejection of any aspect of collaboration, even when the collaboration is undeniably in the interest of patient safety.

As Blessing stated during the Public Hearing, Blessing's response to QMG's filing of the permit application was to issue a letter threatening to terminate the management agreement for the existing ASTC. In other clinical service areas, our client has informed us that Blessing has already issued two termination notices pertaining to QMG's medical administrative contractual relationships at Blessing Hospital and QMG physicians are concerned that Blessing may limit their ability in the future to exercise privileges in certain services at Blessing Hospital, specifically noted was the ICU. In short, it is our client's position that Blessing is engaged in a strategy to thwart competition in the marketplace by not collaborating with local providers it perceives as competition to its financial bottom-line.

QMG physicians believe that they have been good partners to Blessing over the years. QMG has never opposed, nor put forth any obstacles, to Blessing's growth in the Quincy community. QMG physicians have sought to maintain a collaborative relationship with Blessing, evidenced by the many Blessing department leadership positions held by QMG physicians, the majority of admissions to Blessing by QMG physicians, and the reputational strength that QMG physicians have helped Blessing

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Hospital build over the decades. Blessing is QMG's hospital. Despite Blessing's continued opposition to this project, QMG will continue to be a good partner to Blessing when partnerships are feasible and in the best interest of patients and the community.

A cooperative venture with Blessing Hospital is simply not feasible for the proposed surgery center, nor is it in the best interest of patients or the community.

Three of the four sub-criterion are satisfied by the proposed project. Given that at least one of the four sub-criteria are satisfied, the proposed project satisfies the Service Accessibility criterion.

B. Projected Utilization – 77 Ill. Adm. Code 1110.120(b).

The proposed project complies with the Projected Utilization criterion. To demonstrate compliance with this criterion, QMG must demonstrate that by the end of the second year of operation of the surgery center, the annual utilization of the clinical service areas or equipment will meet or exceed State utilization standards. The utilization standard for an ASTC is 1,500 hours per operating/procedure room.

QMG's plan for 8 rooms (5 ORs and 3 procedure rooms) is supported by historic and projected surgical cases and procedures and cardiac catheterizations. As set forth in great detail in our application (see Attachment 15 of Permit Application), the conservative projections made by QMG's CON consultant reveal that by the end of the second year of operation of the surgery center, or by 2023, the proposed surgery center will have a case volume of 12,654 cases or 10,650 hours (using a .84 conversion rate). The State utilization standard is 1500 hours per OR or procedure room. Therefore, the projected hours support or justify 7.1 rooms for surgical cases and procedures. The 8th OR will be dedicated to cardiac catheterization services, and, as noted in our application (see Attachment 15 of Permit Application), QMG projects 629 cases by the end of the second year of operation. 629 cases exceed the State standard of 200 cases.

Not included in our conservative analysis, but an additional supporting factor, is the expected increase in outpatient hours due to QMG physician growth and correction of current outmigration cases as discussed in greater detail under Section I.A.2 and Section I.C below.

As a result, the proposed project satisfies the Projected Utilization criterion.

C. Service Demand – 77 Ill. Adm. Code 1110.235(c)(3)(A)-(C).

The proposed project complies with the Service Demand criterion. To demonstrate compliance with this criterion, QMG must demonstrate that the proposed project is necessary to accommodate the service demand, as evidenced by historical and projected referrals.

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As noted in our application, the projected patient volume for the proposed surgery center demonstrates that the project is necessary to accommodate service demand in the GSA. QMG has attested to a commitment of 10,712 surgical cases for the proposed surgery center. This commitment is based on historical outpatient surgical cases that have been conducted by QMG physicians and which would be appropriate for treatment at the proposed ASTC. The commitment supports the projection of 12,654 cases for year 2023 (two years after project completion). The projected patient volume meets the requirement that the project serves residents of the GSA.

The numbers above are conservative and do not take into account QMG physician growth. QMG, like Blessing, is actively recruiting physicians. In 2017, QMG recruited 7 physicians and 5 advanced practice providers. In 2018, QMG recruited 10 physicians and 3 advanced practice providers. QMG expects to recruit a similar number of physicians and advanced practice providers in 2019 (six new providers signed to date) and 2020. The prospect of the proposed surgery center has only increased recruitment interest and efforts. The increased number of physicians will allow for additional procedures to be performed and surgical case volumes will increase.

D. Unnecessary Duplication, Maldistribution, and Impact to Area Providers – 77 Ill. Adm. Code 1110.235(c)(7)(A)-(C).

To demonstrate compliance with the Unnecessary Duplication/Maldistribution/Impact to Area Providers criterion, an applicant must document that the project will not result in an unnecessary duplication, mal-distribution of services, or adversely impact area providers.

As the HFSRB is aware, the establishment of an ASTC almost always results in a finding of duplication of service. Here, however, the proposed ASTC is necessary and, due to QMG's careful planning, will not adversely impact Blessing.

There is only 1 other ASTC located in the GSA, and our client informs us that the ASTC does not:

- Offer lower, competitive ASTC rates;
- Allow surgical cases to be performed after 3 or 3:30 p.m. or on weekends;
- Offer outpatient urological procedures or a broad range of ENT-related, neurosurgery, and orthopedic-related procedures;
- Have the capacity to accommodate future projected volumes;
- Have the capability and equipment to perform various types of surgical procedures; and
- Offer cardiac catheterization services.

Further, if it is true that Blessing Hospital believes that the useful life of the existing ASTC is only three years, then by 2021/2022, the GSA will be devoid of access to an ASTC. QMG's proposed

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surgery center will fill that void. At that point, there will not be any duplication, let alone an unnecessary one.

As noted above, before QMG filed its application, QMG's consultant informs us that Blessing submitted utilization data for its hospital and ASTC to the State, correcting 2016 reported data and providing 2017 data. QMG first became aware of this data when the State published it in early November 2018, shortly after QMG filed its application. The data showed a dramatic increase in outpatient surgery for 2016 and 2017 and demonstrated that the proposed surgery center would not have an adverse impact on Blessing. However, within weeks of the publication, Blessing submitted new data to the State for 2016 and 2017 significantly reducing Blessing's outpatient surgery hours.

Even with the reduced hours, however, an analysis of the data reveals that the proposed surgery center will not have an adverse impact on Blessing. The data on the enclosed page (submitted by Blessing to the State on December 4) shows an increase in outpatient surgery hours at Blessing Hospital and its surgery center from 2013 to 2017 (increasing from 9984 hours in 2013 to 13,636 hours in 2017). This 37% increase is an average annual increase of 9.25%. The increase from 2016 to 2017 was 14.8%, more than double the average annual increase for the previous three years, and justifying a weighting of 10% for projections. Projecting a 10% annual increase through year 2023 (two years after project completion) results in a projected 24,157 hours of outpatient surgery/treatments at Blessing Hospital and the Blessing ASTC in year 2023. Allowing for QMG's projected 10,650 hours at the proposed ASTC results in a volume of 13,507 hours remaining at Blessing Hospital and its ASTC in year 2023. ($24,157 - 10,650 = 13,507$) 13,507 hours is substantially the same as the 13,636 hours reported by Blessing at its hospital and ASTC in year 2017.

This calculation specifically refutes Blessing's claims that the project is an unnecessary duplication of service or that Blessing will be adversely impacted by the project. As the data demonstrates, the project will not adversely impact Blessing.

In Blessing's testimony at the public hearing and its press conference on February 4, Blessing alleged that the project will have a devastating impact on its market share and profitability. Blessing specifically claimed that it will lose \$25 - \$41 million per year in revenue and need to lay off 400 employees and stop providing safety net services. QMG's consultant's projections show that Blessing's volumes will be approximately the same in 2023 as they are now. Further, and importantly, it is not the responsibility of the HFSRB to maintain Blessing's market share or profitability or to shield Blessing from competition. *Provena*, 382 Ill. App. 3d at 48. Further, the purpose of the Act is not to project jobs. *Id.* It is the HFSRB's responsibility to determine whether access for the residents of a planning area will be enhanced by the addition of a proposed facility. The proposed facility will undeniably increase and enhance accessibility to residents of the Quincy area.

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Blessing's claims are further refuted by its own proclaimed physician growth (recruitment of 28 physicians last year and a plan to recruit 28 more in 2018-19), its institutional growth and related expenditures (including, but not limited to, Blessing's recently approved application to construct a \$40 million medical office building in Quincy), and QMG's own physician growth (recruitment of 17 physicians and 8 advanced practice providers in 2017-2018 and a plan to recruit a similar number of physicians and advanced practice providers in 2019-2020). Moreover, while Blessing stated it will need to lay off 400 employees - of which it would appear Blessing has already selected will be nurses based on the opposition testimony and letters Blessing has encouraged its employees to submit to the HFSRB - Blessing is also simultaneously proclaiming a nursing shortage in the area. One might question why, even if Blessing's claims of loss of revenue were true, Blessing would choose to lay off its nursing staff when a nursing shortage exists.

The evidence reveals that the proposed project satisfies the Unnecessary Duplication/Maldistribution/Impact to Area Providers criterion. The proposed surgery center will deliver high quality, cost-effective services to the community, meet the increased need for outpatient surgery, increase community access to various procedures not currently available or performed in the existing ambulatory surgery center, and further QMG's strategic mission - all while not adversely impacting area providers.

II. BLESSING'S DATA IS POTENTIALLY UNRELIABLE AND MAY IMPACT THE HFSRB REVIEW PROCESS.

In order to appropriately review a project for compliance with the HFSRB's applicable review criteria, the HFSRB must have reliable, accurate data. The HFSRB relies upon providers to timely submit accurate data. If a provider submits unreliable and inaccurate data, that data can significantly impact whether a project receives a positive or negative finding in relation a particular review criterion. While a project need not satisfy all review criteria, or even a specific number of criteria, to justify approval, this fact does not minimize the importance of the HFSRB having accurate data when it performs its review of a project and prepares its Staff Report.

As discussed above in great detail (see Section I.A.2), and as QMG's consultant has informed us, Blessing has submitted differing volume reports for its inpatient and outpatient hours. The evolving data demonstrates significant changes without valid justification. Relevant submissions are noted below:

- In March 2018 (prior to QMG's application being filed), Blessing submitted 2017 data in its Annual Hospital Questionnaire. The data was published in November 2018 (after QMG's application was filed);
- On December 4, 2018 (after QMG's application was filed), Blessing submitted and the HFSRB approved revised data for 2016 and 2017; and

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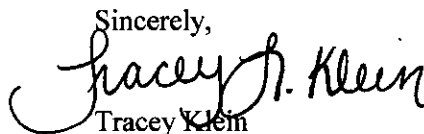
- On January 23, 2019 (one day before the Public Hearing requested by Blessing), Blessing submitted recreated data for 2014 – 2017. The data awaits HFSRB approval.

In one correction, it appears Blessing reduced its recorded ASTC OR hours from 9,622 to 4,810, a reduction of 50%. In another correction, Blessing corrected its failure to report any hospital procedure room cases in 2016 and 2017. It is our client's position that these mistakes have the potential to significantly impact a project and should have been apparent and corrected in a quality review of the data by Blessing before it was submitted to the State.

A provider opposing a project cannot be allowed to recreate, revise, and submit data for a particular service while a project addressing the same service is in the review process. Such conduct raises concerns that the data is no longer reliable and that there has been an inappropriate manipulation of the data in an attempt to affect the review outcome. Here, Blessing, as a local provider challenging the proposed project, has submitted numerous data changes to the State – data that addresses outpatient surgeries and procedures. This data is incredibly relevant to the proposed project and the HFSRB's review.

The timing of the data submissions is also concerning because prior to receiving QMG's application, Blessing had submitted data to the State self-reporting a dramatic increase in outpatient surgeries and procedures. Suddenly, after receiving QMG's application, Blessing submitted new data significantly reducing its outpatient surgeries and procedures. Then, after formally opposing the project and requesting a public hearing, Blessing again submitted new data. How can the HFSRB and QMG be certain that this new data is correct, especially when Blessing is now stating that its prior submissions were inaccurate? The accuracy and reliability of Blessing's data should be questioned, particularly in light of the timing associated with the same. Reliance on changing and evolving data threatens the validity of the HFSRB review process and is likely to lead to inaccuracies and, ultimately, legal errors.

Your consideration of this letter is appreciated. Please do not hesitate to contact us with any questions or concerns you may have in relation to the proposed project.

Sincerely,

Tracey Klein

Enclosures – Exhibits and Table
cc: Ralph Weber



P.O. Box 7005 Quincy, IL
217-223-8400
www.blessinghealthsystem.org

RECEIVED

February 13, 2019

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

By Hand Delivery

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: **CON Application #18-042**
Quincy Medical Group Proposed Surgery Center
Analysis of Rules Non-Compliance in Human Terms

Dear Ms. Avery,

Blessing Hospital is located in Quincy, Illinois and is the only hospital in Adams County – indeed, it is the only full-service acute care hospital with 100-miles in every direction. We are a true community hospital with a community Board. Our facilities and income are devoted to the Quincy region and dedicated to improve the health care of the communities we serve. While we have a longstanding and positive relationship with the physicians who comprise Quincy Medical Group (“QMG”), Blessing strongly opposes the QMG proposal to establish a second ambulatory surgical treatment center (“ASTC”) in Quincy due to the profound and permanent negative impacts such a duplicative facility would have on the greater Quincy community. Betty Kasparie is submitting our technical analysis of the permit application’s substantial non-conformance with applicable Review Criteria. I am supplementing that document with this letter to describe the adverse impacts in more human terms.

At the outset, I must emphasize that Blessing Hospital believes it is in the best interests of the greater Quincy community, and consistent with the applicable laws and regulations, for the Illinois Health Facilities and Services Review Board (“Review Board”) to **defer action on this Certificate of Need (“CON”) application until QMG and Blessing Hospital fully explore a cooperative venture as a means of avoiding the substantial negative impacts that would result from a second surgery center in Quincy; if final action is instead deemed necessary, then Blessing Hospital respectfully urges denial of Project #18-042 as an unnecessary duplication of health care facilities.**

As specified by QMG in its permit application, *all of the patient volume for this proposed new ambulatory surgical treatment center ("ASTC") will come from Blessing Hospital and the existing surgery center in Quincy (now owned by Blessing and managed by QMG) – the very type of "duplication of services" that the CON process is designed to avoid.* The broad range of services that QMG seeks to redirect away from Blessing Hospital and the existing ASTC include outpatient surgeries, cardiac catheterization procedures, and (as QMG has now acknowledged to the Review Board staff) oncology radiation treatments.

Why the QMG Proposal Is Not In the Best Interests of the Greater Quincy Community

For these reasons and others, a second, unneeded ASTC in Quincy is not in the best interests of the community:

- **\$41 Million Annual Negative Financial Impact:** The 13,283 annual cases (not counting oncology radiation cases) that QMG's application says it will redirect from Blessing to the proposed new ASTC will have a \$41 million *annual* negative financial impact on Blessing and severely impair its ability to cross subsidize and maintain safety net services. Over a 20 year period this has an impact of over \$800 million, with a crippling impact on safety net services. Clearly something must give – and the human price of QMG's proposal will be significantly diminished health care services in Quincy by the existing hospital and ASTC, especially in areas of health care that are most heavily subsidized. This will significantly impact people who live within a 50 to 100-mile radius of Quincy.
- **Subsidizing of Safety Net Service Severely Impacted:** Blessing's total contribution to the region's safety net, in terms of dollars, amounts to approximately \$17 million annually, not including government-pay shortfalls and bad debt (at cost) which totaled \$46 million in 2018 alone. Blessing's safety net services directly benefitted over 33,000 patients last year through its trauma and emergency departments and financial assistance program. Each of those patients each represents a family, and collectively they comprise many communities. This impacts the quality of life for the greater Quincy area. **QMG, as a for-profit entity, does not and will not provide or subsidize such safety net services.**
- **400 Permanent Job Losses:** A second ASTC in Quincy will result in at least 400 permanently lost jobs within the Blessing Health System; many of these workers currently provide safety net services, and every one of our employees represents a family. This permanent job loss will be felt throughout the greater Quincy area, forever.
- **Behavioral Health Services Jeopardized:** Among the safety net services that will be put at risk is inpatient behavioral care – Blessing is the only provider of such care in a 100-mile radius. Patients who need these services will be forced to travel long distances, and be away from the support of their families during treatment. Some will never get the care they need. People of every age group will be impacted.
- **Trauma, Emergency, Obstetrics and AMI Services Threatened:** Blessing is the sole hospital in Adams County and the region's only provider of emergency, trauma, inpatient obstetric, and inpatient mental health services. Blessing is certified to care for pediatric emergencies, victims of sexual assault, and stroke and chest pain victims, among other things. Blessing annually provides over \$6.0 million in charity care for more than 9,000 area residents; more than \$6.0 million annually in support for the education of health care professionals; and more than

\$500,000 annually for Emergency Medical Services ("EMS") training. All this is put at risk by the proposed new ASTC. Every lost service to an individual will impact a patient, employee, family member and friend, and collectively a large community. **As a for-profit entity that does not provide safety net services, QMG will not fill the void – whatever is lost will not be replaced.**

- **Unprecedented and Questionable Remote Cath Lab Proposed:** QMG proposes a first-ever cardiac catheterization facility that is not located within a hospital or adjacent to a hospital campus; this will put patients who end up needing immediate open-heart surgery at extreme risk due to unavoidable delays in getting to surgery. Such a remote cardiac catheterization service has never before been proposed or approved in Illinois. In fact, the only cardiac catheterization facility not in a hospital (Prairie Diagnostic Center at St. John's Hospital in Springfield) was permanently closed last year (Exemption #E-18-21). QMG delayed for three months after the filing of its CON application to request a transfer agreement with Blessing Hospital. Instead of responding to Blessing's clinical and legal concerns about the remote cardiac cath lab, QMG went out and obtained transfer agreements with hospitals over 100-miles away from the proposed ASTC (one is about two hours away, and the other about 2-1/2 hours away). Certainly the absence of ASTC cardiac cath facilities in Illinois reflects serious concerns over patient safety and liability.
- **Betrayal of Commitment to Quincy Community Regarding Cancer Center:** Upon questioning by Review Board staff, QMG has acknowledged its intention to eventually redirect oncology radiation treatments away from the Blessing Cancer Center and to its for-profit ASTC. The Quincy community donated \$8.3 million of the \$12 million needed to make the cancer center a reality. It is an affront to the many generous donors in our community – who dug deep into their pockets because they believed the message of QMG and Blessing about cancer patients needing convenient care in Quincy – if this investment were demised in the interest of a for-profit ASTC. Letters have been submitted to the Review Board in opposition to this CON application that include pictures of QMG and Blessing leadership at the dedication of the Blessing Cancer Center, with these leaders acknowledged as having led the community fundraising drive. They promised something different than what is now before the Review Board. Our community deserves better than to retroactively make that worthy cancer center effort meaningless.

Why the QMG Proposal Does Not Satisfy the Legal Requirements for Approval

In some ways, the QMG application represents a textbook example of why the CON process exists. Among the clear deficiencies of CON Application 18-042 are these:

- **Unnecessary Duplication of Services:** Contrary to legal requirements, this CON application represents a definitive duplication of services. There is no improved access for area residents (the proposed new ASTC is less than three miles from the current one), and no new services for the Quincy area that have been proposed (all are presently provided in the current ASTC and hospital). The proposed new facility would have more restrictive admission policies than the current facilities (as a for-profit enterprise, the new ASTC has no obligation to accept the uninsured or under-insured, and is unlikely to treat them). The essence of the QMG proposal is to redirect and cannibalize, not to create something new.
- **Excessive Reduction of Utilization at Existing Facilities:** By rule, a CON applicant must document that it will not lower the utilization of existing facilities. QMG states that, to meet

target utilization, it must redirect a combined 13,283 surgical and catheterization cases from the two existing facilities in the area to the proposed project – significantly reducing utilization at both facilities, contrary to Review Board requirements. In 2017, the existing Blessing ASTC only had 10,804 such cases. QMG’s proposed facility would require the *entire* case load of the Blessing ASTC plus an additional 2,479 cases from Blessing Hospital. Consequently, in order for QMG’s new ASTC to be viable, the existing Blessing ASTC would have to close.

- **Sufficient Surgical Capacity Already Exists in the Service Area:** There is no demonstrated need for a second ASTC in Quincy, particularly because the existing surgery center is operating *below* the State of Illinois utilization standard.
- **Failure to Disclose UnityPoint’s Interest in Illinois Hospitals:** On a transparency level, the CON application fails to make required disclosures about QMG’s 40% equity owner, the Iowa-based UnityPoint Health, which owns and operates numerous hospitals, *including hospitals located in Illinois*. We at Blessing well understand that the technical requirements of a CON filing are not optional, and must be fulfilled.
- **Failure to Meet Approximately 20 CON Review Criteria:** A review of the QMG’s permit application for Project #18-042 reveals that it fails to satisfy some 20 Review Board regulations for a new ASTC and cardiac catheterization. This substantial non-conformance with Review Board’s criteria is addressed in detail under separate cover that is being submitted by Ms. Kasparie contemporaneously with this letter.

Pattern of Misleading in the QMG Proposal

While Blessing has long had a positive relationship with QMG, we do feel disappointed over the pattern of misleading information contained in the CON application, including:

- **QMG’s False Representation Regarding Joint Venture:** QMG falsely represented in its CON application that it had proposed an ASTC joint venture with Blessing that had been rejected (Appl. at 68). QMG was thereafter compelled to retract that false statement via formal amendment to its application (Replacement Page 68, submitted on Dec. 3, 2018). Clearly QMG recognized the importance of a front-end, good-faith effort at collaboration – something that Blessing has formally commenced and believes is in the best interest of the greater Quincy community. Indeed, such collaboration reflects the letter and spirit of the Planning Act and its regulations. Until those efforts are fully pursued, we respectfully suggest, this CON application is premature and should be deferred.
- **QMG Complains of Management Deficiencies for which QMG itself is Responsible:** in its application, QMG describes purported management deficiencies with the existing ASTC, even though *QMG itself* is under contract to manage that facility. Having first become aware of these concerns (over scheduling of surgeries, availability of equipment, care coordination, and medical records) by reviewing the CON application, Blessing served on QMG a “notice to cure.” QMG responded by asking for a discussion/negotiation process to resolve these matters, and Blessing readily agreed. That process should be allowed to occur, especially since a favorable resolution will eliminate much of the purported basis for this CON application. Again, Blessing respectfully suggests that this CON application is premature and should be deferred.
- **QMG Equivocates on UnityPoint’s Ownership of the ASTC:** QMG has submitted conflicting information regarding UnityPoint’s ownership interest in the proposed ASTC: the CON application states that UnityPoint will have a 40% interest in the ASTC, while QMG provided

public hearing testimony denying that UnityPoint, an Iowa-based corporation, will have a 40% interest in the ASTC. QMG submitted a letter reconfirming that UnityPoint is an equity owner (with preferred stock) yet continues the confusion by suggesting that this equity interest should be understood as debt. Certainly more clarity is warranted.

- **QMG's Implausible Growth Projections:** QMG makes fantastical claims that "growth" will make up for all of the lost volume at both the hospital and ASTC over the next four years, but never explains how surgical volume will purportedly double in the next four years. By contrast, the Review Board's latest Inventory of Health Care Services shows that the population of Adams County is projected to *decline* by nearly 2.5 percent by 2020. QMG assumes what it refers to as a "conservative" 10% annual growth rate in surgeries at Blessing Hospital and the exiting ASTC; by contrast, the average growth rate from FY 14 to FY 17 was only 5.5%, and in FY 18 there was a 5% *drop* in surgical cases. Real lives are at stake – from patients to employees to their respective families – suggesting that realistic projections be used, not fantastical ones.
- **QMG's Illusory "Cost Savings":** QMG touts cost savings that are illusory, speculative and temporary at best and, at worst, will impose tremendous losses to the community by redirecting \$41 million annually away from not-for-profit health care services and the safety net to QMG's for-profit investors. QMG claims that its proposed facility will provide an average 30% cost savings per procedure compared to Blessing Hospital (Appl. at 58.), while failing to account for several relevant factors. *First, Blessing has formally committed to move from provider-based reimbursement to an outpatient center payment for Medicare at the existing ASTC by this summer* – as a result, the existing ASTC will be charging equivalent rates as those proposed by QMG (yes, the very same 30% reduction). *Second, QMG has not accounted for duplicate costs of labor in the community due to a duplicative and unnecessary surgical facility. Third, QMG's cost commitment is only valid for two years (and limited to only a small fraction of the total services for which QMG physicians are currently performing).* Given QMG's for-profit status and 40% out-of-state equity owner, QMG can be expected to raise prices to maximize profits as soon as possible.
- **QMG's Undervaluation of Proposed Cancer Center to Avoid CON Requirements:** Upon questioning by Review Board staff, given the vague statements in the CON application, QMG has finally acknowledged its intention to include oncology radiation treatments *in the same building as the proposed new ASTC*. QMG submitted a Determination of Reviewability that has a cost for the cancer center, including a linear accelerator, vault and installation of only \$3,394,648, which is a mere \$121,000 under the capital threshold that would require a CON permit. QMG submitted no documentation from any vendors indicating that the linear accelerator and vault could be installed for the amount claimed (Blessing has done some quick research which indicates these cost estimates are grossly below normal and expected charges). In addition, radiation treatments require a CT scanner, which QMG did not appear to include in the Determination of Reviewability. Inclusion of the CT scanner would put the project cost well over the capital threshold. It may be that QMG intends to use the CT scanner in the proposed ASTC (costing \$666,375), in which case the two projects are programmatically related and should be combined in a single CON application per the Review Board's rules against splitting projects to avoid CON regulation.

The CON Application Should be Deferred until QMG and Blessing Fully Explore a Collaboration

I respectfully return to the topic raised at the outset of this “compliance analysis in human term”: namely, why this CON application should be deferred until a collaboration between QMG and Blessing is fully explored. In that regard, we respectfully ask that the Review Board consider the following:

- **Blessing Hospital has Proposed a Joint Venture to QMG:** In pursuit of a mutually beneficial and cooperative endeavor to providing health care services to the community, the board of Blessing Health System has approved, and Blessing’s CEO has conveyed to QMG, an ASTC joint venture proposal. This joint venture proposal was formally given to QMG on February 11, 2019.
- **The Review Board’s Rules Promote Joint Ventures as an Alternative:** The Review Board’s regulations promote, as an alternative to a proposed project, “pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project’s intended purposes.” 77 Ill. Adm. Code 1110.110(d)(1). This provision is particularly appropriate here, and a cooperative venture between QMG and Blessing Hospital would be far superior outcome to what is currently being proposed by QMG alone in Project #18-042.
- **The Planning Act Promotes the Use of Existing Facilities as an Alternative:** The Illinois Health Facilities Planning Act allows the Review Board to consider the “availability of facilities which may serve as alternatives or substitutes” to a proposed project. 20 ILCS 3960/12(4)(d). The existing Blessing ASTC and Blessing Hospital currently provide all of the services proposed by QMG, and all of the patients relied on by QMG to support utilization of the project are already being well-served at the existing facilities, which are just three miles from the proposed project.
- **Elected Official Support for a Joint Venture:** State Representative Randy Frese submitted a public comment letter after the public hearing that noted the divided sentiment over the project. While stating that he remained neutral, Rep. Frese requested that “the Review Board very carefully weigh any adverse impact of this project,” and he expressed the hope that QMG and Blessing Hospital “could find a way to collaborate now, since a joint venture or partnership may be the best for all concerned.”

Blessing and QMG Have a Long History of Collaboration

A joint venture collaboration would reflect the long history of Blessing and QMG working well together to serve the health care needs of the greater Quincy community. Consider the following:

- **Blessing Did Not Object to QMG’s Original ASTC Proposal:** In 2000, when QMG applied for a CON to establish a new ASTC in Quincy, Blessing Hospital did not object. QMG opened its ASTC in 2003 at a cost of \$5.8 million.
- **Blessing Stepped Up at a Time when QMG was In Need of Funds:** When QMG became cash-strapped just a few years after it opened the ASTC and sought to sell the existing ASTC “in order to raise funds” (CON Appl. at 67), Blessing stepped up and purchased it in 2006 for \$13 million. Blessing contracted with QMG to manage the facility and kept it within the QMG building; accordingly, in addition to the \$13 million sale price, QMG has made an additional \$17 million from Blessing in facility lease and management payments.
- **Blessing Provided QMG Surgeons with Access to State-of-the-Art Robotics Technology:** Blessing has a long history of working with QMG physicians to provide them with an environment to be successful in providing care for our community. When access to robotic surgery technology became important to QMG for recruitment, Blessing invested in the

technology and trained its medical staff. As the surgical world moved to minimally invasive surgery, Blessing built a Hybrid operating room so that QMG physicians would have the space and equipment needed to provide this leading-edge care – to provide better care for Quincy-area residents, and to assist QMG in its recruitment of physicians. The hybrid OR and the robotic technology represent a \$9.5 million investment in the surgery department.

- **The Community Funded Cancer Center:** Another example of partnership between Blessing Hospital and QMG involved the two organizations leading the community fundraising campaign to build a cancer center on the Blessing Hospital campus.
- **Ongoing Negotiations to Address Issues Raised in the CON Application:** In response to the Blessing “notice to cure” certain management deficiencies first communicated in the CON application, QMG responded as follows: “QMG requests that the parties meet and confer in good faith and enter into good faith negotiations to resolve the concerns”; in the spirit of collaboration, Blessing has agreed – correcting these concerns will eliminate much of the rationale expressed by QMG for its proposed second surgery center.

Conclusion

Thank you for considering this “human terms” analysis of the rules compliance of the CON Application 18-042. We at Blessing sincerely look forward to exploring a collaboration outcome with QMG, and would welcome Review Board encouragement by way of deferring this matter until those discussions fully occur. In the event that action is taken on this CON application at the March 5 meeting of the Review Board, we would respectfully ask the project be denied.

Sincerely,



Maureen Kahn,
President & CEO
Blessing Hospital and Health System