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February 22, 2019

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Via Hand Delivery

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

**Re: Project #18-042, Quincy Medical Group Surgery Center
Blessing Hospital Response to Board Staff Report**

Dear Ms. Avery:

Our firm represents Blessing Hospital in connection with the above-captioned project. Please accept this response to the Board's Staff Report in Project #18-042, Quincy Medical Group ("QMG") Surgery Center, as allowed by Section 6(c-5) of the Illinois Health Facilities Planning Act. 20 ILCS 3960/6(c-5). This response is regarding the facts set forth in the review and findings of the Board staff. Blessing Hospital respectfully requests that the Board staff revise its findings to address corrections of the factual matters referenced below pursuant to the Planning Act.

A. Because QMG is Controlled by UnityPoint Health, the Review Board's Regulations Require that UnityPoint be an Applicant

In response to a Board staff inquiry, QMG sent a letter dated February 9, 2019, describing its relationship with UnityPoint Health ("UnityPoint") that contradicts information previously submitted to the Review Board by UnityPoint with regard to the QMG-UnityPoint relationship.

In response to an investigation by the Board staff in 2012, UnityPoint (then known as the Iowa Health System ("IHS")) stated that its stock in QMG would be held by an IHS-employed physician (the "IHS Physician") in order to "comply with Illinois law restricting ownership of medical professional service corporations in the State of Illinois to Illinois-licensed physicians." (Letter dated March 23, 2012 from IHS to Ms. Courtney Avery in **Exhibit A** at page 5.) The

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letter then identifies specific reserve powers that the IHS Physician has over QMG, including the power over “amendment to QMG’s Articles of Incorporation and Bylaws” and “the sale, lease or disposal of a material asset.” **Exhibit A** at page 6.

The Review Board’s regulations specifically define “control” as the power to amend bylaws and the power to approve the use of funds or assets. 77 Ill. Adm. Code 1130.140. Because UnityPoint has both of these powers over QMG, it “controls” QMG for purposes of the Review Board’s regulations. ***This control over QMG requires UnityPoint to be an applicant on the QMG permit application under Section 1130.220 of the Review Board’s rules.*** That section identifies necessary parties to an application as those with final control over the license holder (which for QMG would include UnityPoint, which has control of the use of funds and assets of the facility).

In QMG’s letter to the Review Board dated February 7, 2019 purporting to describe its relation to UnityPoint, QMG made no reference to UnityPoint’s reserve powers over QMG, and also indicated that UnityPoint owned QMG stock directly, raising questions as to whether UnityPoint is now engaged in the corporate practice of medicine in Illinois, in contravention to UnityPoint’s representation to the Review Board in 2012.

UnityPoint owns and operates numerous hospitals, including hospitals in Illinois. However, none of these hospitals are identified in the CON application, nor is there any attestation documenting that no adverse actions have been taken against the hospitals, and neither does the application contain the required approvals authorizing access to UnityPoint information for purposes of verifying information included in the permit application. The inconsistent and incomplete representations by QMG regarding UnityPoint have become a significant source of concern to Blessing and certainly impacts upon the legal sufficiency of the pending application.

For the above reasons, UnityPoint should be added as an applicant to this project. Because the addition of an applicant to the project is a Type A modification under Section 1130.650(a)(6) of the Review Board’s rules, the project is subject to the public hearing requirements of the Planning Act. Blessing Hospital therefore respectfully requests a public hearing on this project upon the addition of UnityPoint as an applicant.

B. Staff Report Does Not Mention Blessing’s Safety Net Impact Statement Response

In accordance with Section 5.4(f) of the Planning Act, Blessing Hospital timely submitted a Safety Net Impact Statement Response on February 13, 2019 that provided additional information concerning the project’s adverse impact on safety net services in the community. Section 5.4(h) of the Planning Act states that the Board Staff Report shall “indicate the names of the parties submitting responses and the number of responses and replies, if any, that were filed.” 20 ILCS 3960/5.4(h). The Staff Report on Project #18-042 does not reference Blessing’s timely filed Safety Net Impact Statement Response. Blessing respectfully requests that the Staff Report reference the response which is included as **Exhibit B** and include it in the materials provided to Review Board members.

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C. The Permit Application Presented Conflicting Information on Surgical Procedures that Were Carried Over Into the Staff Report and Should Be Corrected

Section 1110.120(b) of the Review Board's rules require that the applicant document that by the end of the second year of operation, the project will meet the Board's utilization standards. 77 Ill. Adm. Code 1120.120(b). On page 71 of the permit application QMG states that by the second year of operation it will be performing 12,654 surgical cases totaling 10,650 hours. Based on utilization of 1500 hours per OR and procedure room, the 12,654 cases supported 7.1 rooms, barely justifying the eight rooms (5 ORs and 3 Procedure Rooms) proposed by the project. However, QMG drastically reduced the number of surgical cases when they had to be supported by actual referrals.

Instead of the 12,654 cases QMG used to justify utilization, QMG stated that its physicians would refer only 10,712 surgical cases to the project. (See Staff Report at 17, Permit Application ("Appl.") at 104.) The 10,712 cases would *not* justify the eight surgical rooms requested. Moreover, the higher number of 12,654 used to justify utilization *exceeds* the 11,695 cases that the physicians historically performed in 2017, in violation of the Board's rules. (See Appl. at 106.) Consequently, the project should have received a negative under Criterion 1110.120(b)-Project Services Utilization, because the project only claims 10,712 cases as opposed to the 12,654 cases required to meet target utilization.

In addition, the rules require "*physician* referral letters that attest to the *physicians* total number of patients" – and the QMG application does not contain a single physician letter. The only letter in the application is from a non-physician purporting to commit referrals from 39 physicians who have not themselves committed *any* referrals to the project. This does not comply with the criteria and should have resulted in a negative finding under Criterion 1110.235(c)(3)(A) and (B)-Service Demand, Establishment of an ASTC.

Blessing Hospital respectfully requests that the Staff Report be corrected to show that: (1) QMG presented conflicting information on surgical cases; (2) the claimed physician referrals of 10,712 cases do not justify the eight surgical rooms requested; (3) the 12,654 cases exceed the physicians' historical cases; and (4) QMG provided *no* physician referral letters as required by the criterion.

D. The Board Staff Report Does Not Reference the Joint Venture Proposal that Blessing Submitted to QMG as an Alternative to the Proposed Project

The Review Board's regulations promote, as an alternative, "[p]ursuing 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). QMG initially claimed in its permit application that it had proposed a joint venture to Blessing Hospital and that the "proposal was rejected." (Appl. at 68.) This statement was false, QMG had to retract it, and QMG admitted that it was not true in its replacement page 68 submitted to the Review Board on December 3, 2018.

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The Staff Report quotes QMG's claim that, "to date, QMG has not received positive affirmation from Blessing" regarding a joint venture. To the contrary, Blessing Hospital had in fact submitted a detailed joint venture proposal to QMG on February 11, 2019 and this detailed proposal was timely submitted into the project file on February 13, 2019. To date, QMG has not responded to Blessing Hospital in connection with the joint venture. Instead, QMG went to the media to announce it was summarily rejecting the proposal. (See, Herald-Whig article dated February 13, 2019, "*QMG rejects compromise surgery center plan from Blessing*," Exhibit C.)

Blessing respectfully requests that its detailed joint venture proposal (set forth in Exhibit D) be referenced in the Staff Report and provided in the materials provided to Review Board members.

E. The Cost Savings Claimed in the Permit Application and Reflected in the Staff Report Based Do Not Exist

QMG claims the project will provide cost savings because it will charge ASTC facility fees whereas the existing Blessing ASTC charges hospital outpatient facility fees which, it is asserted, are 53% higher than ASTC facility fees. This is a moot point. As reflected in Blessing's timely submitted written comment on the project, Blessing Hospital has already submitted to the Centers for Medicare and Medicaid Services ("CMS") a notice and application to no longer charge hospital outpatient facility fees at the Blessing ASTC and to charge ASTC facility fees. A copy of the Blessing Hospital Board motion approving this change is included in Exhibit E. Blessing respectfully requests that the Staff Report advise the Review Board of this important information.

It should be further noted that QMG's "charge commitment" greatly exceeds the ASTC facility fees upon which it claims QMG will offer cost savings over hospital outpatient facility fees. In Appendix B to the permit application, QMG lists various CPT Codes comparing Medicare ASTC facility fees with hospital outpatient fees for the same procedures. The list shows that for colorectal cancer screening codes of G0105 and G0121, the ASTC fees are \$342.25 and hospital outpatient fees are \$643.61. (Appl. at 166.) QMG's charged commitment for these two codes is \$1,882, which is nearly three times the listed hospital rate. (Appl. at 119.) Clearly QMG's proposed cost savings are illusory. Blessing respectfully asks that the Staff Report advise the Review Board of the significant price impact of the QMG "charge commitments."

Conclusion

For the above reasons, Blessing Hospital respectfully requests:

- (a) UnityPoint Health be added as a co-applicant to the application.
 - (i) An opportunity for public hearing based on the Type A Modification be provided.

#18-042 Comment on State Board Staff Report (Blessing Hospital)

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- (ii) Blessing Hospital hereby requests a public hearing on the modified project based upon the addition of UnityPoint Health as a necessary applicant.
- (b) The Staff Report be revised to show that Blessing Hospital submitted a Safety Net Impact Statement Response and that the response be included in the materials provided to Review Board members.
- (c) The Staff Report be revised to show that QMG submitted conflicting numbers on surgical cases (12,654 cases vs. 10,712 cases), and that:
 - (i) 10,712 cases do not justify the eight surgical rooms requested;
 - (ii) QMG does not have physician referral commitments for 12,654 cases;
 - (iii) 12,654 cases exceeds the historical referrals of QMG physicians; and
 - (iv) no physician referral letters were submitted.
- (d) The Staff Report be revised to show that Blessing Hospital submitted a detailed joint venture proposal to QMG and that QMG summarily rejected the proposal through the media.
- (e) The Staff Report be revised to show that Blessing ASTC will be charging ASTC facility fee rates, and not hospital outpatient facility fee rates, and further that QMG's charge commitments far exceed the rates upon which QMG was claiming cost savings.

Very truly yours,



Daniel J. Lawler

DJL:dp
Exhibits

cc: Maureen Kahn, President and CEO, Blessing Hospital
Betty Kasparie, Vice President, Blessing Corporate Services



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March 23, 2012

VIA Email and Overnight Delivery

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services
Review Board
525 West Jefferson Street
Springfield, Illinois 62761

Dear Ms. Avery,

This letter is in response to your February 21, 2012, inquiry regarding a contemplated transaction between Iowa Health System ("IHS") and Quincy Medical Group ("QMG"). We want to thank you for extending our response time to March 26, 2012.

As requested, we have completed the attached CON Assessment Form. We would also like to take this opportunity to explain the nature of the contemplated transaction. As discussed in further detail below, we do not believe either IHS or QMG is a "health care facility" as that term is defined by the Illinois Health Facilities Planning Act. As such, we do not believe the contemplated transaction should require Certificate of Need review. The proposed transaction involves an investment by IHS in QMG. If the transaction proceeds, IHS will hold a minority interest in QMG.

About Iowa Health System

Iowa Health System ("IHS") is an Iowa nonprofit corporation, and is the sole corporate member of entities that are, in turn, sole member entities of hospitals or physician clinics throughout Iowa and Western Illinois. IHS is not a "health care facility" as that term is defined in the Planning Act and on page App 6 of the Assessment Form. IHS controls, directly or indirectly, a regional healthcare delivery system that includes twelve hospitals in ten Iowa

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cities and three hospitals in three Illinois cities. IHS is also the sole corporate member of Iowa Physicians Clinic Medical Foundation, an Iowa nonprofit corporation that employs approximately 350 full time equivalent physicians in several markets in which IHS has affiliate hospitals. Additionally, IHS is the sole corporate member of InTrust d/b/a Iowa Health Home Care, which provides hospice and palliative care, home medical equipment, nursing services, pharmacy and skilled home infusion services, and emergency response services in several communities, including Moline and Rock Island, in which IHS has affiliate hospitals. Presently, IHS is not affiliated with any hospital within the Quincy, Illinois area.

About QMG

Quincy Physicians & Surgeons Clinic, S.C. d/b/a Quincy Medical Group ("QMG") is a for profit, physician-owned multispecialty group practice with over 130 physicians and providers practicing in 33 medical and surgical specialties with comprehensive ancillary services. QMG provides services to a broad population of more than 300,000 people annually through its main Quincy location and ten rural affiliates in Illinois and Missouri. QMG physicians also provide specialty outreach to locations in Illinois, Missouri and Iowa. QMG provides a broad scope of outpatient services to the communities served through its primary care and specialty clinics. If the contemplated transaction proceeds, there will be no change in QMG's status. As set forth in further detail below, it does not fall under the definition of "health care facility" under the Planning Act and on page App 6. It does not own or control any health care facilities or major medical equipment.

For the following reasons, QMG does not fall under any of the descriptions of a "health care facility" in the Planning Act:

1. *An ambulatory surgical treatment center required to be licensed pursuant to the Ambulatory Surgical Treatment Center Act:*

QMG does not own or control an ASTC.

2. *An institution, place, building, or agency required to be licensed pursuant to the Hospital Licensing Act:*

QMG is not a hospital and does not own or control a hospital.

3. *Skilled and intermediate long term care facilities licensed under the Nursing Home Care Act:*

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QMG does not own or control a long term care facility and has no operations covered under this Act.

3.5. *Skilled and intermediate care facilities licensed under the ID/DD Community Care Act:*

QMG does not own or control a skilled and intermediate care facility and has no operations covered under this Act.

3.7. *Facilities licensed under the Specialized Mental Health Rehabilitation Act:*

QMG does not own or control a facility licensed under the Specialized Mental Health Rehabilitation Act.

4. *Hospitals, nursing homes, ambulatory surgical treatment centers, or kidney disease treatment centers maintained by the State or any department or agency thereof:*

QMG is not a government facility.

5. *Kidney disease treatment centers, including a free-standing hemodialysis unit required to be licensed under the End Stage Renal Disease Facility Act:*

QMG does not own or control a kidney disease treatment center, and does not have a free-standing hemodialysis unit required to be licensed under the End Stage Renal Disease Facility Act.

6. *An institution, place, building, or room used for the performance of outpatient surgical procedures that is leased, owned, or operated by or on behalf of an out-of-state facility:*

QMG is a physician office practice to which the physician office practice exception set forth in Section 3 of the Planning Act should apply. Moreover, it is not leased, owned, or operated by or on behalf of an out-of-state facility.

7. *An institution, place, building, or room used for provision of a health care category of service as defined by the Board, including, but not limited to, cardiac catheterization and open heart surgery:*

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QMG's buildings and rooms are not used for the provision of the categories of service defined by the Board in 77 Illinois Administrative Code 1100.220 (2012). It does not provide any of the following:

- Medical-Surgical/Pediatrics
- Obstetrics
- Intensive Care
- Comprehensive Physical Rehabilitation
- Acute Mental Illness
- Neonatal Intensive Care
- Open Heart Surgery
- Cardiac Catheterization
- Selected Organ Transplantation
- Kidney Transplantation In-Center Hemodialysis
- Non-Hospital Based Ambulatory Surgery
- General Long-Term Nursing Care
- Freestanding Emergency Services
- Specialized Long-Term Care (Chronic Mental Illness, Intermediate Care Facilities for the Developmentally Disabled – Adult and Children)
- Subacute Care Hospital Model
- Postsurgical Recovery Care Center Model
- Children's Respite Care Center Model
- Community-Based Residential Rehabilitation Center Model

8. *An institution, place, building, or room used for provision of major medical equipment used in the direct clinical diagnosis or treatment of patients, and whose project cost is in excess of the capital expenditure minimum:*

QMG does not have an institution, place, building or room used for provision of major medical equipment used in the direct clinical diagnosis or treatment of patients whose project cost is in excess of the capital expenditure minimum of \$3,000,550. QMG does own equipment (e.g. MRI and CT), the project cost of which was well below the threshold at the time of installation.

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The Proposed Transaction

Both parties anticipate mutual benefit from the proposed transaction that will ultimately benefit the communities served. QMG anticipates receiving support from IHS including the opportunity to share clinical best practices, to participate in value based contracting and accountable care organization opportunities, to expand the clinical services provided to residents in the area, and to realize savings in service, delivery and overhead costs that can be reduced by a relationship with IHS. IHS believes the proposed transaction will help to assure that the high quality clinical services provided by QMG will continue into the indefinite future and that the services will have the opportunity to be provided as low cost as possible. IHS believes health care reform creates the need for relationships such as the proposed transaction to better enable health care providers to take on the responsibility to manage aspects of the health of given populations of patients. The Medicare Shared Savings Program is such an example. The proposed transaction is a part of IHS's interest and efforts to provide administrative services to providers such that the costs to deliver those services locally can be reduced or that the rate of cost increases can be minimized. If administrative service costs can be reduced, healthcare delivery costs can be reduced. The proposed transaction provides IHS with a greater geographic and revenue base to spread the infrastructure costs necessary to sustain the necessary population management infrastructure. IHS presently has no affiliation with any hospital or health care facility in the Quincy market, so the proposed transaction is not being done by or on behalf of an IHS-affiliated health care facility.

The parties to the proposed transaction contemplate that IHS would purchase a 45% interest in the capital stock of QMG. The purchase price of the stock would exceed the "capital expenditure minimum". The parties contemplate that, at some point in the future, they might enter a second transaction in which IHS would acquire the remaining 55% of the capital stock of QMG.

The minority stock interest that would be purchased in the current transaction would be held on behalf of IHS by an IHS-employed physician (the "IHS Physician"), licensed to practice in Illinois, in order to comply with Illinois law restricting ownership of medical professional service corporations in the State of Illinois to Illinois-licensed physicians. The IHS Physician would serve on the Board of Directors of QMG. QMG would continue to operate its business substantially in the same manner as it operated its business prior to the transaction. QMG's senior leadership would remain the same, it would continue to own the same properties and assets, and it would continue to provide the same health care services it

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provided prior to the transaction. No facilities or categories of service would be established or discontinued.

Upon completion of the minority stock investment, the parties would work together to find efficiencies and business methods that will benefit both QMG and IHS, including, but not limited to, the provision of services by IHS or its affiliates to the Clinic for fair market compensation where such services may be more efficiently provided by IHS (for example, these services might include insurance, purchasing, information technology consulting or other business services). QMG would also participate in the IHS Integrated Care Organization (a network of physician providers) and Accountable Care Organization (ACO) type contracting that IHS affiliated providers may provide to Medicare beneficiaries and managed care providers. Through the ACO, IHS would provide population management tools and support functions to QMG as allowed by law.

The proposed transaction will not alter the operational control of QMG. QMG will continue to direct the day-to-day management and policies of physician offices.

In his position as a shareholder and director of QMG on behalf of IHS, the IHS Physician would have certain limited reserve powers including: (i) amendments to QMG's Articles of Incorporation or Bylaws; (ii) authorization or issuance of equity securities; (iii) redemption of equity securities other than in connection with employment; (iv) material changes to physician compensation methodology; (v) merger with a third party; (vi) sale, lease, or disposal of a material asset; (vii) liquidation, dissolution, recapitalization, or reorganization; (viii); authorization to enter a joint venture; and (ix) any action that would materially affect IHS. Other than the IHS Physician's enumerated rights set forth above, and his right to vote the same as any other shareholder or director, QMG leadership would continue to operate QMG and make all major and minor decisions related to the business. Accordingly, even if one were to conclude that QMG constituted a health care facility, the contemplated transaction does not appear to result in a change of ownership or control of a "health care facility" as that term is defined under the Planning Act.

Conclusion

Because neither IHS nor QMG is a "health care facility" as that term is defined under the Illinois Health Facilities Planning Act, and no Major Medical Equipment is at issue, it is our position that the proposed transaction is not subject to review by the Health Facilities and Services Review Board. We hope you have found the information we have provided to be informative and helpful in your analysis. We would be happy to discuss this proposed

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services
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transaction with you further if you have any additional questions. If you wish, you may communicate with Mr. Brian Hucker, counsel to IHS, with regard to this matter. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Denny Drake", written in a cursive style.

Denny Drake

DD:
Enclosure



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

February 13, 2019

By Hand Delivery

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

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FEB 13 2019
HEALTH FACILITIES &
SERVICES REVIEW BOARD

**Re: Safety Net Impact Statement Response in Opposition to
Project #18-042, Quincy Medical Group Surgery Center**

Dear Ms. Avery,

Blessing Hospital submits the enclosed Safety Net Impact Statement Response in opposition to Project #18-042, Quincy Medical Surgery Center and as provided by Section 5.4(f) of the Illinois Health Facilities Planning Act ("Planning Act"). 20 ILCS 3960/5.4(f). The Planning Act provides that support for safety net services is a "central tenet" of the Certificate of Need process (20 ILCS 3960/2). Contrary to this central tenet, the proposed project will have a profound and permanent negative impact on safety net services in the Quincy region as addressed more fully in the enclosed Response. The project should therefore be denied.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Gerveler', is written over a horizontal line.

Patrick M. Gerveler
Executive Vice President/Chief Financial Officer
Blessing Hospital

Enclosures

**Safety Net Impact Statement Response of Blessing Hospital
In Opposition to
Project #18-042, Quincy Medical Group Surgical Center**

Pursuant to Section 5.4(f) of the Illinois Health Facilities Planning Act, Blessing Hospital submits this Safety Net Impact Statement Response to the application of Quincy Medical Group ("QMG") to establish an ambulatory surgical treatment center ("ASTC") in Quincy with five operating rooms, three procedure rooms, a cardiac catheterization service and a CT scanner.

Blessing Hospital is the primary supporter and provider of safety net services in Adams County, and the adverse financial impact of the proposed project on Blessing Hospital will have a direct, profound and permanent adverse impact on the safety net services that Blessing Hospital provides and subsidizes.

QMG's permit application reveals that QMG intends to redirect 12,654 surgical cases and 629 cardiac catheterization cases from Blessing's ASTC and hospital to the proposed facility, totaling 13,283 cases. (Appl. at 71-72.) This will dramatically reduce the utilization of the two existing facilities in direct contravention of Review Board's regulations. In 2017, the Blessing ASTC had a total of 10,804 cases. QMG's proposed facility would require *all* of the Blessing ASTC 10,804 cases plus an additional 2,479 surgical and catheterization cases from Blessing Hospital.¹ To make matters worse, QMG is likely to refer the higher paying patients to its own facility while leaving Blessing with the higher-risk and underinsured patients. QMG's for-profit status and its investors require such behavior.

The 13,094 cases QMG proposes to redirect from Blessing's not-for-profit facilities to QMG's for-profit ASTC will result in lost revenue of \$41 million *annually* and the permanent loss of at least 400 jobs, many of which will be workers providing safety net services. Blessing's subsidy of safety net services, in dollar terms only, totals \$17 million annually and this subsidy will be impossible to maintain after QMG draws \$41 million out of the existing health care system annually for the benefit of QMG's for-profit investors.

QMG claims that the proposed ASTC, as a for-profit entity, will pay \$64,000 per year in taxes. (CON Application "Appl." at 56.) That is small recompense to the community for the staggering damage the project will inflict on needed safety net services provided by Blessing and relied on by the community.

Public Act 96-0031 – Protection of the Safety Net

In 2009, the Illinois General Assembly substantively amended the Illinois Health Facilities Planning Act (Planning Act), 20 ILCS 3960/1 *et seq.*; Public Act 96-0031. The amendment implemented many of the recommendations of the Task Force on Health Planning Reform ("Task Force"), especially those related to the support and protection of safety net services in Illinois. In its Final Report to the Illinois General Assembly, the Task Force noted:

¹ For 2018, the Blessing ASTC caseload (ORs and procedure rooms) to 10,208 cases. In addition, the outpatient OR and procedure room cases at Blessing Hospital also *declined* in 2018 to 4,428 cases (compared to 4,630 cases in 2017). These numbers absolutely refute QMG's ridiculous claim that Blessing's outpatient caseload will nearly double in the next four years.

"In order to increase support for safety net services, recommendations drafted jointly by the Attorney General's Office and the Illinois Hospital Association were accepted." (Final Report at 11.) Section 5.4(a) of the Planning Act now requires an applicant for permit to submit a Safety Net Impact Statement detailing the impact the project will have on safety net services. The statute further invites affected health care providers to "provide additional information concerning a project's impact on safety net services in the community." 20 ILCS 3960/5.4(f).

The Planning Act defines "safety net services" as 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(b). Safety net service providers include hospitals. *Id.* Blessing Hospital is a safety net service provider within the meaning of the Planning Act. The proposed project will have a severe negative impact on the hospital and the safety net services it provides.

About Blessing Hospital

Blessing Hospital is a not-for-profit, 327-bed, full-service, acute care hospital in Quincy, Illinois. Blessing Hospital has served the community for more than 140 years. Blessing Health System, of which Blessing Hospital is an affiliate, is the largest employer in the county with more than 3,400 employees. Blessing Hospital is the only hospital in Adams County, and is the only full-service acute care hospital with 100-miles in every direction. Blessing Hospital is a true community hospital with a community board; its facilities and income are devoted to the Quincy region and dedicated to its stated mission to improve the health care of the communities we serve.

Improving the Health of our Communities – Together

Blessing Hospital is proud of the level of support it receives from the residents of the communities it serves. During Fiscal Year 2018, the Hospital experienced more than 313,000 patient encounters. Through that support, Blessing Hospital not only provides safety net services, but invests to enhance current services and bring new types of care to the communities it serves. Blessing is committed to improving access to care so residents do not have to leave their home communities and support systems to receive the care they need.

In 2015, Blessing invested \$66 million to build an additional patient tower on the 11th street campus. The opening of the Moorman Pavilion met two needs: Addressing the public's demand for more single bed rooms – 52 were added through the project – and consolidating the hospital's inpatient care by moving behavioral care from a facility located two blocks from the 11th Street campus. Two of the original four floors of Moorman Pavilion house three units built specially to meet the unique needs of those requiring inpatient behavioral care. The three inpatient behavioral units have a total of 41 beds available to adults and children. This investment was made at a time when other hospitals in the region were closing their inpatient behavioral units. Today, Blessing remains the only provider of inpatient behavioral care in a 100-mile radius.

Blessing Hospital is a team-player, working side-by-side with employers, community organizations, area high schools and colleges, and other healthcare providers to improve the

health of our communities. Blessing has a history of working with QMG to provide them with an environment to be successful in providing care for our community. When access to robotic surgery technology was important to them for recruitment, Blessing invested in the technology and the training of the existing medical staff by a physician we recruited. As the surgical world moved to minimally invasive surgery, it was important to build a hybrid operating room. Blessing undertook the project so physicians would have the space and equipment needed to provide this leading-edge care to the residents of the communities we serve and to recruit physicians to practice in our community. The hybrid OR and the robotic technology represent a \$9.5 million investment in the surgery department. In addition, Blessing invested \$374,162 in 2018 and has a budget of \$730,000 for 2019 in equipment for the Blessing ASTC that is managed by QMG and at which QMG physicians treat their patients.

These investments paint two pictures. Firstly, the support Blessing receives from the residents of the communities it serves has allowed for investment in leading-edge care and services, as well as providing Safety Net services for the region. Secondly, Blessing is prepared to discuss and partner with our physicians on future needs and transformation of our existing ASTC.

Another example of partnership between Blessing Hospital and QMG involved addressing the needs of those battling for their lives against cancer. The two organizations led a community fundraising campaign to build a cancer center on the Blessing Hospital campus. The goal was to build a center where patients in our community could receive cancer care, regardless of provider. The cancer center consolidated radiation oncology, medical oncology, patient education resource center, cancer registry and support functions in a more than 49,000 square foot building, allowing patients to find the care they need in one place.

QMG has leased space in the cancer center since it opened. Attached is a copy of the letter QMG sent to the Review Board in 2001 from its chief administrator at the time, William Sullivan, indicating the group's 85 physicians supported the construction of this comprehensive cancer center. (See Attachment 1.) The community donated \$8.3 million of the \$12,166,300 needed to make the cancer center a reality.²

Safety Net Services Provided and Subsidized by Blessing Hospital

Blessing Hospital's total contribution to the region's safety net, in terms of dollars only, amounts to approximately \$17 million annually, and this amount does not include government-pay shortfalls and bad debt (at cost) which totaled \$46 million in 2018 alone. (See Attachment 2.) Blessing's safety net services directly affected over 33,000 patients last year

² While not included as part of QMG's permit application, Blessing understands QMG plans to relocate its current cancer services and add radiation therapy to the space it intends to use at the Quincy Mall for the ASTC project. This would be an affront to the many generous donors in the communities we serve, who dug deep into their pockets because they believed the message its two major healthcare providers brought to them about challenges faced by cancer patients in accessing care conveniently as a very difficult time in their lives. Such a move would also be an insult to patients who today find all the services they need, conveniently, under one roof. While Blessing does not clearly understand QMG's motivation, if the reason is additional space, the Blessing-Rieman College of Nursing and Health Sciences is moving from Blessing's 11th Street campus during 2019, creating plenty of expansion capability that is adjacent to the center. This alternative would continue to fulfill QMG's commitment to the community and to so many who donated to make this center happen.

through Blessing's trauma and emergency departments and financial assistance program. Consider all the families of these patients, and the number of impacted lives rises significantly.

In many cases, people do not plan to be a recipient of safety net services. Due to life events, they suddenly face a need they cannot handle alone. No one knows when their life will take them there, either as a patient or a family member/loved one. That is the value Blessing brings to the communities it serves - always there, always open, always ready to provide the care to those in need regardless of ability to pay.

Driving that commitment are the volunteers who make up Blessing's Board of Trustees. They work diligently to address community need by hearing the voice of the community and with a razor sharp focus on the Blessing mission, improving the health of our communities. Blessing is certified to care for pediatric emergencies. Currently a number of emergency room and pediatric nurses are training to become certified Sexual Assault Nurse Examiners, to support the Illinois Attorney General's program to provide high-level of care for victims of sexual abuse.

Blessing provides the certification to care for traumas occurring in the Blessing regions in Illinois, Iowa and Missouri. When families need these emergency trauma services, like 448 families did in 2017 and 348 in 2018, Blessing is there. Ninety-eight percent of our traumas have survived their emergency room stay. This is a high quality program that has required a strong collaboration with Quincy Medical Group physicians. The Medical Director of the program is a Quincy Medical Group physician. Blessing not only provides the space, technology and emergency room to physicians and staff to provide trauma care around-the-clock every day of the year, the hospital also guarantees the salaries of four QMG trauma surgeons and provides call pay stipends to three neurosurgeons who are vital to this safety net service.

Blessing is a certified stroke and chest pain center. The hospital helped form a regional network with other hospital providers and pre-hospital providers to improve care to heart attack victims and cardiac health in general. When a patient suffers a STEMI (ST-elevation myocardial infarction) — the most deadly form of heart attack — prompt, seamless delivery of appropriate treatment can make a life-or-death difference.

The Blessing Emergency Center is the front door for 70% of our mental health patient volumes. Suicide is a topic that is difficult to talk about yet 34,000 Americans die by suicide each year and one million Americans attempt suicide every year. A person dies by suicide in the U.S. every 16 minutes which makes it the 11th leading cause of death for all ages and the 2nd to 3rd leading cause of young people aged 15-24. Between 2015 and 2017, 29 residents in Adams County alone lost their lives to suicide with 2 of the 29 being deaths of teens between 13 and 19. The Center for Disease Control estimates 17% of 9-12 graders in the U.S. seriously considered attempting suicide in the past 12 months and 14% of 9-12 graders made a plan as to how they would take their life in the past 12 months. Based on the CDC statistics, we can estimate just in the four Illinois Counties in Blessing's service area, more than 1200 students in the past 12 months in the 9-12 grade have seriously thought about suicide and 970 youth have made a plan about how they would attempt suicide. The mental health services provided by Blessing both inpatient and outpatient make a difference in the lives of all residents in the region. The 2018 Adams County United Way Community Needs Assessment identifies mental illness as the third

biggest problem in the community behind drug abuse and poverty which all create the need for safety net services.

At a time when other providers in the region ended their inpatient behavioral care service, Blessing recommitted to the people who need this care to regain their health and quality of life. Blessing offers 41 licensed behavioral beds in two adult units (with 10 and 16 beds each), and one child and adolescent unit (with 15 beds). The hospital has the only child and adolescent unit within a 100-mile radius and the only adult program within 80 miles in Illinois, Missouri and Iowa. There are no inpatient behavioral health adult or adolescent units in northeast Missouri, and only one 10-bed adult unit in southeast Iowa. Behavioral health services are rare and precious resources that should be protected, not sacrificed in order to create a second and duplicative ASC in Quincy.

Over 50% of Blessing behavioral health admissions are referred by hospitals, mental health centers, and social service agencies outside of Adams County. While other hospitals in Hannibal, Missouri and Keokuk, Iowa closed their adult units, Blessing Hospital made a commitment to continue its inpatient and outpatient behavioral health programs. Behavioral health admissions have increased from 1622 in 2010, to 2080 in 2018. Average daily census increased from 25.95 in 2010, to 34.12 in 2018. In other words, the need for this rare and precious resource is increasing. In 2018, Blessing had 84% occupancy with no bed availability on many occasions.

Blessing also provides mental health services in its Emergency Center. Because the inpatient behavioral units often are at capacity, patients sometimes require an extended stay in the Emergency Center. To ensure safety for these patients, Blessing has established a three bed unit in the Emergency Center as a safe holding area for mental health patients awaiting inpatient admission. It is a locked area and staffed by mental health staff supporting the patient until placement can be made either in our facility or for transfer to another provider. This space is no longer large enough to handle the volume. Currently we are seeing as many as six patients a day rather than the 2.5 patients per day when we first opened the area. The need for mental health services continues to grow.

A detailed list including additional safety net services and community benefits provided by Blessing Hospital that will be adversely impacted by the QMG project is enclosed as Attachment 3.

The Proposed Project will Devastate Safety Net Services in Adams County

QMG provides a mere two sentence response to the Planning Act's directive that an applicant address the project's impact on the ability of another provider to cross-subsidize safety net services. Page 37 of the permit application states:

"As noted in Attachment 24, the applicant does not believe the project will reduce the outpatient surgical volume at the local hospital or its ASTC below the current (2016) level. The applicant does not believe the project will impair the local hospital's ability to subsidize safety net services."

#18-042 Comment on State Board Staff Report (Blessing Hospital)

By QMG's own admission, it plans to redirect 13,283 cases from Blessing's hospital and ASTC to the proposed project. (Appl. at 71-72.) To then turn around and claim that QMG does not believe it will reduce surgical volume at these facilities is ludicrous.

Based on QMG's *admitted* redirection of surgical volume, the corresponding financial and economic impact on Blessing is an annual \$41 million revenue loss and the permanent elimination of at least 400 full-time employees, many of whom work to provide safety net services. See Attachment 4. This project will tear gaping holes in the system's safety net that could never be repaired. It is distressing, to say the least, that the driving force behind this project is a wealthy real estate developer from Peoria who is trying to minimize losses at his failing Quincy shopping mall "due to the recent departure of Bergner's department store." See Attachment 5.

For the above reasons, Blessing Hospital respectfully requests that the Health Facilities and Services Review Board deny Project #18-042, Quincy Medical Group Surgery Center.



QUINCY MEDICAL GROUP

April 24, 2001

Illinois Health Facilities Planning Board
525 West Jefferson Street
Springfield, IL 62761

RE: Blessing Hospital CON Application for Cancer Center

Dear IHFPB Members:

Quincy Medical Group and its 85 physicians representing 23 medical specialties including oncology/hematology have given full support to Blessing Hospital for the development of a new 40,000 S.F. comprehensive cancer center to be located on the hospital campus. We look forward to working with Blessing Hospital to help implement and plan this quality healthcare service that is significantly needed in our region.

Sincerely,
QUINCY MEDICAL GROUP

William P. Sullivan, CMPE
Chief Executive Officer

WPS/je

Where every patient is important

1025 Maine • Quincy, Illinois 62301 • (217) 222-6350 • (800) 222-6350 • FAX (217) 228-6891

ATTACHMENT 1



Community Benefit Totals (Form 990)
Following AHA Guidelines
Fye 9/30/2018

Charity Care				
1	Charity Care at Cost	\$ 6,439,604	1.5%	safety net
Government Sponsored Healthcare				
2	Medicare Shortfalls	\$ 42,056,060	9.9%	
3	Medicaid Shortfalls	\$ -	0.0%	
Community Health Improvement Services				
4	Adams County Health Department Dental Program	\$ 100,000	0.0%	safety net
5	SIU Patient Centered Medical Home	\$ 62,434	0.0%	safety net
6	Health Screenings and Education	\$ 41,822	0.0%	safety net
7	Support Groups	\$ 22,710	0.0%	safety net
8	Mental Health Educational Programs	\$ 7,335	0.0%	safety net
9	Medical supplies/services for patients	\$ 36,886	0.0%	safety net
10	Charity Pharmacy Prescriptions	\$ 54,152	0.0%	safety net
11	Patient Transportation and Lodging	\$ 79,936	0.0%	safety net
12	Medical Interpreting Services	\$ 7,280	0.0%	safety net
13	Psych Services to SIU, Chaddock, and Transitions	\$ 422,766	0.1%	safety net
Health Professionals Education				
14	SIU Residency Program	\$ 4,188,601	1.0%	safety net
15	Blessing-Riemann College of Nursing	\$ 1,150,333	0.3%	safety net
16	Preceptors	\$ 893,304	0.2%	safety net
17	Radiology School	\$ 300,042	0.1%	safety net
18	Lab School	\$ 64,285	0.0%	safety net
Subsidized Health Services				
19	Care Coordination	\$ 1,789,283	0.4%	safety net
20	Skilled Nursing Unit	\$ -	0.0%	safety net
21	Home Healthcare	\$ 935,171	0.2%	safety net
22	Hospice	\$ -	0.0%	safety net
23	Blessing FastCare	\$ 288,239	0.1%	safety net
24	I/P Rehab	\$ 43,126	0.0%	safety net
In-Kind Contributions/Donations				
25	Meeting Space	\$ 12,023	0.0%	
26	Donations/Sponsorships	\$ 12,000	0.3%	
27	Donations/Sponsorships	\$ -	0.0%	
28	Donations/Sponsorships	\$ 85,532	2.3%	
29	Adams County Ambulance Service	\$ -	0.0%	
Community Benefit Operations				
30	Community Health Needs Assessment	\$ 49,184	0.0%	
Bad Debt (at cost)				
31	Bad Debt (at cost)	\$ 3,788,300	0.9%	
Total Community Benefits		\$ 62,940,408	14.8%	
Total Net Patient Revenue		\$ 425,000,363		

**List of Safety Net Services and
Community Benefits Provided by Blessing Hospital**

- Blessing Hospital provided over \$6 million in Charity Care at cost during Fiscal Year Ended 9/30/2017.
- Blessing Hospital provided support in the amount of \$6.9 million for the education of health professionals including the Southern Illinois University residency program, Blessing-Rieman College of Nursing, Radiology School, and a medical laboratory training program.
 - Approximately 60% of all nurse graduates remain in the local area and several SIU Family Medicine graduates have remained in the community.
- Blessing funds over \$500,000 in EMS training annually.
- In total, Blessing Hospital provided nearly \$67 million in Community Benefit during Fiscal 2017 which represented 17.8% of total revenues.
- Blessing Hospital funds over \$700,000 in losses for Medicaid patients in its ASTC on an annual basis.
- The Blessing Hospital Emergency Room provides Trauma Services for the region up to 75 miles out in some directions with smaller hospitals transferring their trauma cases to Blessing. Blessing not only provides the 24/7/365 Emergency Room physical plant and Emergency department Physicians, but also hires the trauma surgeons which is a critical safety net service as well.
 - In 2018, Blessing treated 32,263 patients of whom 13,755 were admitted to the hospital.
- The Blessing ED has achieved Stroke Certification, functions as a stemi-receiving center to ensure residents are receiving quality care as close to home as possible.
- Blessing provides inpatient mental health adult and adolescent units. In 2018, Blessing had 84% occupancy with no bed availability on many occasions.
- Blessing's Emergency Department sees many mental health patients. Blessing has created a safe holding area for mental health patients staffed by mental health professionals for when patients are waiting for beds to open either in our facility or somewhere else in the state.
- Blessing meets EMTALA requirements so that no ER patient goes without care.
- The Blessing Emergency Department holds a qualifying sexual assault survivor's emergency treatment plan status with IDPH which serves both adult and pediatric patients who arrive at the ED after being sexually assaulted. Blessing has seven

trained SANE nurses.

- Blessing's has employed six full time and two part time psychiatrists' staff to support the mental health needs of the region. The regional mental health centers are served by these psychiatrists through contract arrangements as none of the centers could sustain a full time psychiatrist on their own.
- Chuck Johnson, Blessing staff member is Chairman of Mental Health Authority Education Committee which works with community agencies to coordinate 5 major mental health workshops, Blessing donates the use of Blessing Conference Center to host these workshops, Blessing Health Education department coordinates the workshops and is able to provide CMEs for participants, Blessing Public Relations puts together workshop registration brochures. The workshops are provided at no cost to 8 mental health centers. The Mental Health Authority has agreed to a pilot with area school counselors and social workers who can apply for an educational grant to attend the MHA workshops.
- Blessing works with the Adams County Suicide Prevention Coalition who works with community agencies, schools and community individuals to promote suicide prevention in Adams County. The Coalition has created a web site acsuicideprevention.org, raised \$40,000 through local fashion show, obtained grant through DOT Food and funding from Hy-Vee Celebrity Pour; works with local media consultant have 2 general PSA and specific PSA focusing on the holidays, senior citizens, youth and farmers; letters to the editor, letter to clergy/churches, community speaker training to ER staff, clergy and physicians.
- Adams County Mental Health Children's Partnership were one of four sites approved in Illinois for funding mental health services to children, set up mental health screening in public school, Blessing Hospital, Blessing Physician Services, QMG, and SIU Family Practice with therapists in pediatrician offices. CME training was provided for physician and mental health counselors, coordination and training with churches, etc. Recognized as a model program and is in the process of being taken out to other Illinois communities.
- Provides Teen Depression and Suicide programs to health classes at area high school, 14 per year at QHS, 4-6 at QND and 4-6 at Palmyra High School
- Provide outreach visits to mental health centers, hospital and schools in the tri state area provide training materials, best evidence practices and on-site training session. Have flash drives that are provided at no charge with training resource materials.
- Staff member serves on the Preferred Family Health Care Community Advisory Board.
- Staff members serves on the United Way Community Health Solutions Team.

#18-042 Comment on State Board Staff Report (Blessing Hospital)

- Staff member is Chairman of Woodland Home which provides shelter and funding to QUANADA, Quincy Area Network against Domestic Abuse.
- Blessing Hospital, Transitions of Western Illinois, Area Agency on Aging and Preferred Family participated with the Illinois State Police in a week long CIT (Crisis Intervention Training Program) for officers from Adams County Sheriff, Quincy Police and Illinois State Police.
- Blessing views training future health care providers as part of its mission. The organization is in the rural part of Illinois and there is a limited supply of new caregivers. Blessing's commitment to education has been critical to meet the health care needs of the region. Blessing offers the following programs:
 1. SIU School of Medicine Family Practice Residency
 2. Blessing-Rieman College of Nursing and Health Sciences (both BSN/MSN)
 3. John Wood Community College (ADN)
 4. Culver-Stockton College (BSN)
 5. Quincy University (BSN)
 6. School of Radiology
 7. Emergency Medical Services-train area paramedic staff
 8. Pharmacy Tech program
 9. Respiratory Therapy program
 10. Surgical Tech program
 11. Preceptors
 12. Lab technician program
 13. Health Information Management degree

#18-042 Comment on State Board Staff Report (Blessing Hospital)

Blessing Health System has been carefully calculating the financial impact of QMG's CON application. One big component of this is the revenue which Blessing Hospital will lose. This revenue loss comes from 4 areas GI, Outpatient ASTC, Outpatient at 11th and Cath Lab. Blessing is able to identify the actual patients that had services at these locations, which were performed by Quincy Medical Group surgeons. Our assumption is Quincy Medical Group will take all of the services performed by its surgeons to its new ambulatory surgery center.

Based on the criteria above, Blessing can accurately tally up the total payments received for these services. Via our cost accounting system, the direct cost to provide these services can also accurately be calculated. So, the sum of total payments less direct cost equals \$41,231,361.

Service Area	Total Payments	Total Direct Costs	Revenue Loss
GI	\$ 30,812,328	\$ 14,506,637	\$ 16,305,691
Outpatient ASTC	\$ 20,629,161	\$ 9,273,542	\$ 11,355,620
Outpatient at 11th	\$ 10,600,587	\$ 2,395,777	\$ 8,204,810
Cath Lab	\$ 8,616,774	\$ 3,251,533.4	\$ 5,365,241
Total	\$ 70,658,850	\$ 29,427,489.4	\$ 41,231,361

Blessing originally stated a range of revenue loss between \$25 and \$41M. The high-end of \$41M was calculated if QMG planned to siphon off surgery business from Blessing's 11th Street outpatient surgery location. Blessing has confirmed that QMG plans to go after these services. Therefore, the confirmed total impact to Blessing Hospital is \$41M.

This loss of revenue would have multiple impacts to Blessing. One material impact would be a loss of jobs, which is conservatively estimated to be at least 400 jobs. In order to reduce 400 FTEs, services provided to the community will have to be reduced.

Behavioral Services alone provides more than 100 jobs to the community. With an annual subsidy of approximately \$6,000,000 per year, Blessing Hospital will need determine whether this is a sustainable service that can provided to the community. Blessing has provided Behavioral Health to the community for decades. With the shift to outpatient surgeries (which QMG plans to poach from Blessing), declining reimbursements, and growth in the need for behavioral health services, Blessing Hospital will be forced to evaluate its ability to provide these service if QMG is approved for it CON for an ambulatory surgery center.



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HEALTH FACILITIES &
SERVICES REVIEW BOARD

January 17, 2019

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

RE: Quincy Medical Group Surgery Center

Dear Ms. Avery:

I write to express Cullinan Properties' support of CON Project No. 18-042. I urge the Board's approval of the project at its March 2019 meeting.

Quincy Medical Group is a preeminent multi-specialty physician group that provides high quality care to its patients in Illinois, Iowa, and Missouri. QMG is dedicated to and has served the Quincy community for many years. The proposed project is yet another example of QMG investing in Quincy and working to improve the health of its patients, along with the economic viability and longevity of the Quincy community.

As noted in the permit application, QMG is seeking to obtain Board approval of a proposed surgery center and cardiac catheterization lab that will be located at 3347 Broadway Street in Quincy, Illinois, in the Quincy Mall. Quincy Mall is the primary shopping destination for residents of Quincy and surrounding communities. QMG's prudent location selection will fill a major vacancy in Quincy Mall that resulted from the recent departure of the Bergner's Department Store. The proposed project will re-purpose and utilize vital space in the mall and contribute to its continued economic success.

Cullinan Properties owns and manages Quincy Mall, along with numerous other mixed-use properties in Illinois, including Grand Prairie Developments in Peoria, the Leves District in East Peoria and East Court Village in Pekin. Cullinan Properties also partners with the medical community to develop state-of-the-art facilities and offices and has significant experience renovating properties for medical use, including, among others, Illinois Cancer Care in Peoria, OSF Pekin Center for Health, OSF Normal and the Long Term Acute Care Hospital in Peoria. QMG has committed to lease the property from Cullinan Properties pending Board approval of its permit application, and Cullinan Properties will lead the renovations of the property.

Cullinan Properties is excited for the opportunity to partner with QMG and strongly recommends that the Board approve the proposed project.

Best regards,

David Oberhelman
Founding Partner and Chairman

DO/agb

420 NORTH MAIN ST., EAST PEORIA, IL 61611 | P. 309.999.1700 | F. 309.999.1701
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February 13, 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Quincy News

QMG rejects compromise surgery center plan from Blessing

By Jason Lewton Herald-Whig

Posted: Feb. 13, 2019 3:50 pm

QUINCY -- A last-minute compromise proposal from Blessing Hospital to Quincy Medical Group to halt the clinic's plan to build an ambulatory surgery center in the former Bergner's building at Quincy Mall will not stop QMG's plans to move forward.

Blessing CEO Maureen Kahn said the plan was presented to representatives of the QMG board late Monday.

Under the nonbinding plan, the surgery center now owned by Blessing in the QMG building would be converted into an ambulatory surgery center that would be held in a new LLC. Blessing would retain 60 percent ownership of the company, with shares of the remaining 40 percent to be sold to "eligible physician owners." Physician owners would be required to sign noncompete agreements that would prevent those physicians from owning or managing another ambulatory surgery center within 30 miles of Quincy for three years after termination or withdrawal of ownership.

In addition, the plan called for a third-party management agreement. Kahn said that would address concerns QMG had expressed regarding management of the current center. "Even though they now manage the center," Kahn said.

Kahn also said the plan would ensure the facility would be able to "treat all comers, regardless of their ability to pay."

Kahn viewed the plan as beneficial to local health care consumers as it would maintain a local ownership model.

"I personally think this is a big win-win for both of us and a huge win for the community," she said.

In a statement released Wednesday afternoon, QMG CEO Carol Brockmiller acknowledged receiving the Blessing proposal "offering a minority ownership stake to a select group of QMG physicians in the existing Surgery Center of Quincy currently wholly-owned by Blessing."

The statement said the outreach was welcomed and that QMG "will continue to dialogue" with the hospital.



"At this late stage however, we do not plan to withdraw our proposal, as requested by Blessing, for a standalone surgery center or to enter into an agreement not to compete against the hospital," Brockmiller's statement read. "We continue to believe there is a need for additional outpatient surgical facilities in the community, especially as we consider the recruitment of new physicians to the area, the growing trend toward outpatient care, the cost efficiency provided to patients and the aging population of our region."

Other caveats in the Blessing proposal would allow physician owners to "hold primary discretion" over naming a medical director for the facility and appointing a quality committee that would maintain standards and protocols.

Kahn said another benefit in enacting the plan would be that most of the work could be done in two to three months, compared with the 18- to 24-month startup time that she said the QMG plan would require.

Lower costs to patients also would come from converting the current center into a freestanding ambulatory surgery.

In a letter to the Illinois Health Facilities and Services Review Board, Tracey Klein, an attorney representing QMG, outlined the clinic's rejection of the Blessing proposal, but said the clinic remains open to other options.

"Even if Blessing proceeds with its designation change and, once obtained, begins charging lower facility fees based on ambulatory surgery center rates rather than hospital outpatient department rates, the need for a new surgery center remains," Klein wrote.

The letter said that increasing access to various procedures, improving quality of care and increasing patient choice, among other reasons, all are driving the plan.

Brockmiller said competition already is proving beneficial.

"What is clear from these 11th-hour overtures is that competition is already at work," her statement read. "We welcome it and ultimately know access and choice is in the best interest of the Quincy community."

Wednesday was the final day for public comments to be submitted to the HFSRB, which ultimately will decide whether to issue a certificate of need for the QMG's planned ambulatory surgery center.

More In Quincy News



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

February 11, 2019

Hand-Delivery

Quincy Physicians & Surgeons Clinic, S.C.
1025 Maine Street
Quincy, Illinois 62301

Re: **Joint Venture of the Quincy ASC**

Dear Board of Directors:

This letter sets forth a starting point for discussions with physicians of Quincy Physicians & Surgeons Clinic, S.C., d/b/a the Quincy Medical Group ("QMG"), and the Blessing Health System ("Blessing") regarding a joint venture of the Surgery Center of Quincy located at 1118 Hampshire Street in Quincy, Illinois (the "Quincy ASC"), a wholly-owned clinical operating component of Blessing. In creating this starting point, Blessing has considered best practices in ambulatory surgery center operations as well as legal compliance requirements for physician-hospital joint ventures. We believe a joint venture with the local providers would benefit the entire community by helping us further standardize and enhance patient care, control costs, increase quality, and provide even greater efficiency of and access to ambulatory surgical services.

1. **Quincy ASC**

In order to allow for the Quincy ASC to be jointly owned with physicians, the Blessing will form a new legal limited liability company ("NewCo"). Blessing will transfer the operating assets and any related liabilities of Quincy ASC to NewCo. Blessing will transfer the ASTC license to NewCo. In addition, Blessing will assign relevant contracts (including its real estate lease) to NewCo and, as applicable, establish new contracts where necessary (including a hospital transfer agreement with Blessing Hospital, and any necessary contracts for Blessing to provide IT and revenue cycle services). Active employees of Quincy ASC will be established at NewCo, preserving their current levels of compensation and benefits. Finally, NewCo will establish a medical staff governance structure and quality assurance oversight (discussed further under Governance).

As you are aware, Blessing is in the process of designating the status of the Quincy ASC from a hospital outpatient department to a freestanding ambulatory surgery center. Blessing will also assign the Medicare provider number to NewCo in order to ensure continuous operation of Quincy ASC.

Quincy Physicians & Surgeons Clinic, S.C.
February 11, 2019
Page 2

2. Valuation and Ownership Structure

Blessing will engage a qualified valuation firm with experience in ASC valuation assignments in order to determine the fair market value of Quincy ASC. The fair market value of the Quincy ASC will substantively determine the appropriate valuation the equity of NewCo.

Blessing (or a controlled affiliate of Blessing) will retain the majority (no less than 60%) of NewCo's equity. Once NewCo is established, Blessing plans on syndicating up to 40% ownership in NewCo to eligible physician owners who may purchase equity ownership interests for cash at fair market value. Individual physician investors will be offered equity ownership interests of 1.0% to 3.0% to accommodate the surgeons and other providers who use the Quincy ASC and are most likely qualified investors.

3. Eligible Physician Owners

NewCo will have an operating agreement (the "Agreement") that would describe the eligibility of physicians to qualify and maintain equity ownership in NewCo. In addition to being licensed physicians in good standing and eligible to participate in Medicare, in order to ensure consistency with Blessing's quality assurance efforts all physicians must be members in good standing on the medical staff of Blessing Hospital and to meet all credentialing requirements to be on the medical staff of Quincy ASC. In addition, all physician must be considered active surgeons (i.e., at least one-third of medical practice income for 2018 must be derived from the physician's performance of surgical procedures in an ASC or a hospital) and be in a position to perform at least one-third of his or her surgical procedures at the Quincy ASC.

4. Offer to QMG Physicians

Blessing welcomes the participation of QMG surgeons meeting physician eligibility in the NewCo joint venture. Given the clinical and operational need to focus the Quincy ASC on certain procedures, we will want to discuss which QMG physicians make the most sense as investors in NewCo. However, we believe most of the QMG physicians currently active at Quincy ASC would be invited to be physician investors.

5. Corporate Partner

Blessing is in the process of exploring potential management company partners to manage and potentially invest in NewCo, i.e. a "corporate" partner. Blessing believes such corporate partners offer best practices and state-of-the-art expertise in running ambulatory surgery centers. In order to make substantive performance improvement at Quincy ASC and better ensure future success for Blessing and its physician partners (including any QMG physicians), we believe the corporate partner must serve as the exclusive manager of Quincy ASC.

6. NewCo Governance

The Agreement entered into by Blessing, its physician partners, and any corporate partner will describe the governances of the NewCo joint venture. Blessing envisions there will be a

Quincy Physicians & Surgeons Clinic, S.C.
February 11, 2019
Page 3

governing board of NewCo (the "Governing Board") that would consist of Blessing and physician representatives. Representation and voting on the Governing Board would reflect proportional ownership interests in NewCo.

Certain actions of NewCo would require a super-majority approval, including a majority of physician owners. These actions would include (i) decisions to dissolve NewCo or discontinue operation of the Quincy ASC; (ii) a capital call to NewCo equity owners; (iii) amending the Agreement, (iv) NewCo entering into a line of business other than the ownership of Quincy ASC; (v) the merger, consolidation or sale of substantially all of the assets of NewCo or the Quincy ASC; (vi) borrowing or guaranteeing any indebtedness or granting a lien or other encumbrance on any assets of the NewCo or the Quincy ASC; (vii) the transfer of interests in the NewCo by an equity investor; (viii) admitting additional physician equity investors in NewCo; and (ix) establishing policies for distributions of NewCo's cash to its equity owners.

Blessing also envisions physician equity owners to hold primary discretion over (i) appointing a medical director for the Quincy ASC (which may be a QMG physician); and (ii) appointing a quality committee charged with delineating the clinical protocols and clinical decision-making standards at the Quincy ASC.

Finally, Quincy ASC will continue to further Blessing's healthcare mission. Quincy ASC will participate in Medicare and Medicaid and continue to offer charity care consistent with Blessing's policies. The Agreement will provide that Blessing may take any unilateral actions in the event NewCo is engaging in activities that potentially compromise Blessing's tax-exempt status.

7. Other Terms

As common in these types of joint ventures, all physician equity owners in NewCo will agree to non-competition and non-solicitation provisions in the Agreement. This provision will require a physician owner cannot own or manage another ASC within 30 miles of Quincy ASC, and that this covenant not to compete will extend three (3) years following any physician equity owner's withdrawal or termination from NewCo. The transactions contemplated by this letter are subject to all applicable legal and regulatory requirements.

If QMG is interested in pursuing the proposal outlined in this letter, then Blessing respectfully requests the certificate of need application for the ASTC be withdrawn at this time to provide the parties with the opportunity to explore an arrangement. Also, Blessing requests QMG to form a working group of physicians active at Quincy ASC. This working group would begin meetings with Blessing (and potentially a corporate partner) to begin planning the launch of NewCo. Blessing will retain the services of a consulting firm and law firm to assist in this effort.

This letter is intended to be a non-binding expression of interest and act only as an invitation for further discussion between the parties. If Blessing does not receive a written expression of interest to pursue the proposal by 5pm on March 4, 2019, then Blessing will assume QMG is not interested and the proposal will be deemed withdrawn.

Quincy Physicians & Surgeons Clinic, S.C.
February 11, 2019
Page 4

We look forward to hearing from you. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Maureen A. Kahn". The signature is fluid and cursive, with the first name "Maureen" being more prominent and the last name "Kahn" following in a similar style.

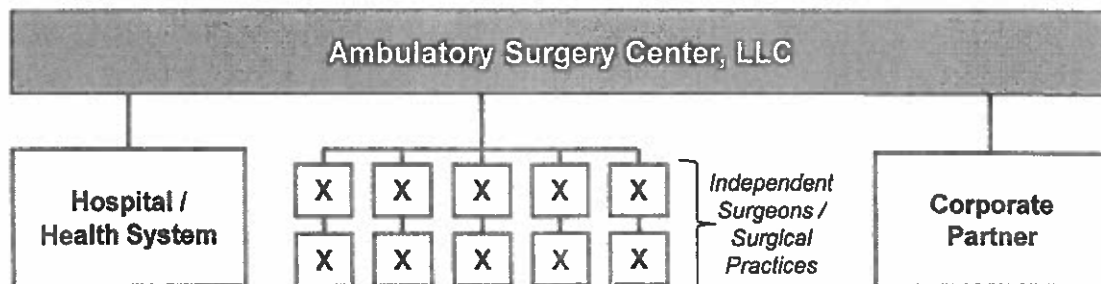
Maureen A. Kahn
President/CEO

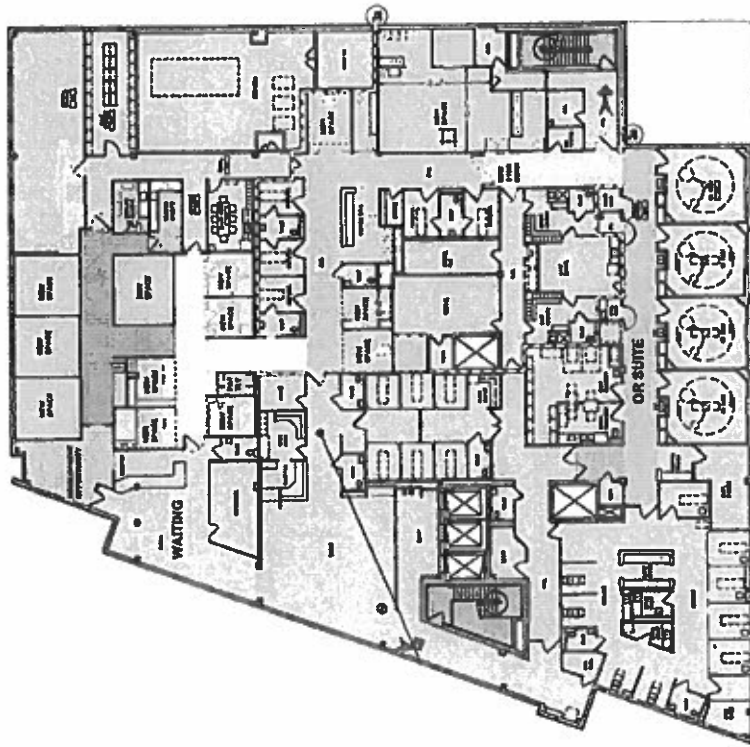
MAK/sem

HOSPITAL-PHYSICIAN-CORPORATE PARTNER MODEL

Strategic Rationale: *Incorporates a corporate partner (a third party manager) that brings development and operational expertise to the joint venture*

- This is a very common ASC joint venture model; preferred structure for industry leaders USPI and SCA
- Main focus of the corporate partner will be recruiting impactful physician investors
- Corporate partners provide management services to the ASC in return for a fee of 5% to 7% of net revenue (or net collections)





CONCEPT REMODEL PLAN-THIRD FLOOR

AMBULATORY SURGERY CENTER REMODEL

QUINCY, ILLINOIS

ERDMAN

JANUARY 16, 2019

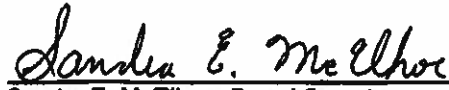
Certificate of Board Secretary

I, Sandra E. McElhoe, the Board Secretary of Blessing Corporate Services, Inc. ("Blessing"), do hereby certify that the following is a true and accurate excerpt of the minutes of the meeting of the Blessing Corporate Services, Inc. Board of Trustees held on Wednesday, January 30, 2019 in the Administrative Board Room of Blessing Hospital at 11th and Broadway, for which proper notice was given and at which the following trustees were present in person or by telephone and together constituted a quorum - Timothy D. Koontz (Board Chair), Julie Brink, Robert Hofmeister, Lynn House, Jerry D. Kennett, MD (via phone), Michael D. Klingner, Chris Niemann, Jack R. Sharkey, and Maureen A. Kahn:

"As part of its ongoing strategic planning, Maureen Kahn and the rest of the senior Blessing leadership team have discussed over the last several months the need for more competitive pricing for in- and out-patient services provided by Blessing and have formulated initial steps to effect such changes subject to Board approval. Part of that planning involves reducing Blessing's operating costs as well to take into account the loss in operating revenue from pricing changes. More competitive pricing has also been a focus of recent discussions between Blessing leadership and community business leaders and employers. Based on the preexisting internal planning and the community's recent input, Blessing leadership recommends Blessing accelerate its plans to introduce a new pricing model for Blessing's ASC located at 1118 Hampshire, Quincy, Illinois. Specifically, Blessing leadership recommends Blessing terminate the hospital-based status of Blessing's ASC and seek treatment of the ASC as a free-standing ASTC including related changes in pricing effective as soon as the necessary documentation can be submitted to the Centers for Medicare & Medicaid Services and other applicable federal and state authorities on this matter.

AFTER DISCUSSION, A MOTION WAS MADE, SECONDED AND UNANIMOUSLY APPROVED THAT AUTHORIZED BLESSING HEALTH SYSTEM LEADERSHIP TO EXECUTE, AND TO DIRECT BLESSING HOSPITAL LEADERSHIP TO EXECUTE, ALL NECESSARY DOCUMENTS AND TAKE ALL OTHER NECESSARY ACTIONS WITH THE CENTERS FOR MEDICARE & MEDICAID SERVICES AND OTHER APPLICABLE FEDERAL AND STATE AUTHORITIES TO TERMINATE THE HOSPITAL-BASED STATUS OF BLESSING'S AMBULATORY SURGERY CENTER LOCATED AT 1118 HAMPSHIRE, QUINCY, ILLINOIS, AND INSTEAD SEEK TREATMENT OF THE ASC AS A FREE-STANDING AMBULATORY SURGICAL TREATMENT CENTER, INCLUDING THE RELATED CHANGES IN PRICING, EFFECTIVE AS SOON AS POSSIBLE. (Kahn/Niemann)"

Dated: February 21, 2019


Sandra E. McElhoe, Board Secretary