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April 10, 2019

Via Hand Delivery

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

RECEIVED

APR 10 2019

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

**Re: Project #18-042, Quincy Medical Group Surgery Center
Blessing Response to QMG's Additional Information Following Intent-to-Deny**

Dear Ms. Avery:

Our firm represents Blessing Hospital in connection with the above-captioned project. This letter responds to the additional information submitted by Quincy Medical Group ("QMG") following the Intent-to-Deny issued on the project by the Review Board at its March 5, 2019 meeting. In sum, the additional information does not change the fact that there is no need for a second surgery center in Quincy, or change the significant negative impact the project will have on Blessing Hospital and the region's safety net services.

Also, QMG's additional information completely ignored the very serious patient safety concern raised by the Review Board pertaining to the proposed cardiac catheterization service. There are no free-standing cardiac catheterization facilities in Illinois, and QMG has not explained how patient safety will be maintained if an emergency develops during a catheterization procedure that requires acute cardiac surgical back-up.

Further, Blessing Hospital has proposed a 50/50 pure collaboration involving equal ownership, equal board representation and, in addition, involvement of the employer community on the ASTC board. The alternative of a collaboration between QMG and Blessing Hospital on the existing surgery center is best for the Quincy community in that:

1. A joint venture is a less costly proposal that avoids unnecessary duplication;
2. A joint venture avoids the adverse impact of the proposed project on existing providers that cross-subsidize safety net services;
3. A joint venture eliminates the patient safety issues inherent in a remote cardiac catheterization lab; and

4. A joint venture is supported by a large margin of the employer community.

Blessing Hospital is committed to further good faith discussions with QMG on a joint venture, and community leaders favor collaboration by a large margin.

A. All of QMG's Objections to a Joint Venture Proposal have been Positively Addressed by Blessing Hospital Prior to and Since the Intent-to-Deny

As recently as last October, shortly before the CON application was filed, QMG sought a joint venture with Blessing Hospital on the existing ASTC owned by Blessing. On October 5, 2018, Ms. Carol Brockmiller, the CEO of QMG, sent Blessing's CEO, Maureen Kahn, a letter memorializing prior discussions in which QMG sought a joint venture with Blessing relating to Blessing's existing ASTC. At the time, QMG perceived the main sticking point to a joint venture as the provider-based hospital outpatient pricing at the facility, as opposed to ASTC facility fee rates, which were lower. This concern was addressed, and removed, by Blessing in February 2019 when it applied to the Centers for Medicare & Medicaid Services to change the facilities pricing from provider-based hospital outpatient to the ASTC facility fee pricing. A copy of Ms. Brockmiller's letter dated October 5, 2018 is included as **Attachment 1** to this letter.

In its CON application, QMG stated that it desired to share equity in the Blessing ASTC. (See CON application at revised page 68.) Blessing Hospital addressed and removed this issue by offering QMG an equal 50/50 ownership interest in the existing ASTC. This proposal was presented in Ms. Kahn's letter to QMG dated April 5, 2019 and is included as **Attachment 2** to this letter.

In a letter dated February 13, 2019, from QMG's legal counsel to the Review Board, counsel objected to a prior joint venture proposal from Blessing because the proposal offered a minority 40% equity interest in the surgery center to QMG's physicians, as opposed to QMG itself. Blessing Hospital subsequently addressed and removed this concern by proposing an equal 50% ownership interest in the facility to QMG itself. QMG's legal counsel's letter dated February 13, 2019 to the Review Board is in the project file.

QMG raised some operational concerns with the existing surgery center, including QMG's desire to have extended weekday hours and Saturday hours of operation. Blessing Hospital addressed these concerns by extending weekday hours effective April 1, 2019 and opening the facility for Saturday surgeries beginning in April. QMG has acknowledged and expressed its appreciation for this action by Blessing.

Other issues raised by QMG in its CON application relating to the existing surgery center, including medical equipment, medical records, and types of surgeries available, have been raised by Blessing Hospital at its meetings with QMG physicians at a regularly scheduled Medical Consulting Committee meeting on March 15, 2019, and at a special meeting between QMG and Blessing on April 8, 2019.

In a letter to the Review Board dated March 28, 2019, QMG stated that it engaged legal counsel to explore potential joint venture options with Blessing, and legal counsel apparently dissuaded QMG from doing so citing "fraud and abuse implications and risks and anti-trust concerns." As the Review Board knows well, hospital/physician joint ventures in ASTCs are quite common in Illinois and, in fact, are encouraged by the Review Board under both its Alternatives and Service Accessibility regulations.

The Alternatives Criterion requires, as an alternative to a proposed project, that the applicant pursue "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)(B).

The Service Accessibility Criterion provides that the Criterion can be met where the proposed project is "a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital." 77 Ill. Adm. Code 1110.235(c)(6)(D).

QMG's legal counsel has not produced any legal opinion advising that hospital/physician joint ventures are prohibited by fraud and abuse laws and antitrust laws, and it would be quite surprising to see such an opinion published. In any event, Blessing Hospital's own legal counsel, which includes nationally recognized experts in fraud and abuse, and healthcare antitrust, would be happy to meet with QMG's counsel and walk through their apparent concerns in these areas. In this regard, it is worth mentioning again that QMG itself proposed a joint venture with Blessing relating to the existing ASTC shortly before it filed its CON application last October, so it obviously did not see any legal impediments to a joint venture at that time. See **Attachment 1**.

B. Community Leaders and Employers Favor Collaboration by a Large Margin

A large segment of Quincy community leaders and employers fully support collaboration and are in agreement with the comments of the majority of the Review Board members at the March 5th meeting encouraging QMG and Blessing Hospital to pursue an ASTC joint venture. Their letters supportive of collaboration are included in the project file and are signed by the following local business and community leaders:

- Chris Niemann, EVP & CFO, Niemann Foods, Inc.
- Matt Ehrhart, President, Kohl Wholesale
- Debbie Reed, President/CEO, Chaddock
- Allen W. Shafer, President & CEO, First Bankers Trust Company
- Gary Gillespie, VP/GM, Gardner Denver, Inc.
- Jerry Neal, Administrator, Sunset Home
- Ronald L. Brink, President, R. L. Brink Corporation
- Julie A. Brink, Vice President, Thompson, Inc.
- Phillip Conover, President, Quincy University
- Mark Schmitz, Executive Director, Transitions of Western Illinois
- Jason Stratton, President, Advance Physical Therapy
- Michael D. Klingner, President, Klingner & Associates, PC

- Jack Holtshlag, President, JH Concrete Construction, Inc.
- Laura Gerdes, President/CEO, Michelmann Steel, Inc.

The above businesses and institutions employ over 6,700 people in the Quincy area. The employer letters recognize the supportive comments by Review Board members for collaboration between QMG and Blessing Hospital on the existing surgery center and state, "we agree that such an effort at collaboration between QMG and Blessing would be in the best interest of the Quincy community, our employees, and the patients served by QMG and Blessing."

C. QMG's Additional Information does Not Address the Critical Patient Safety Concerns Raised by the Review Board

QMG proposes to add a cardiac catheterization service in the ASTC which would be located over two miles from the nearest hospital with acute cardiac surgical services. **There are no free-standing cardiac catheterization facilities in the State of Illinois.** The one existing free-standing cath lab in the State was voluntarily discontinued last year, and that facility was immediately adjacent to St. John's Hospital campus in Springfield. (See, Prairie Diagnostic Center at St. John's Hospital – Discontinuation, Project #E-021-18.) Blessing Hospital has raised its own patient safety concerns with QMG relating to this aspect of the project, but QMG has not responded to them. See, letter from Maureen Kahn to Carol Brockmiller dated February 12, 2019, included as **Attachment 3**.

More importantly, the Review Board itself has raised patient safety concerns relating to the proposed cardiac catheterization services. The Review Board's *ex officio* member from the Illinois Department of Health and Human Services, Dr. Arvind Goyal, specifically addressed the matter at the March 5, 2019 Review Board meeting:

DR. GOYAL: In this particular instance I have concerns about one of the operating rooms and one of your procedures being dedicated to cardiac catheterization. And the reason I say that to you is you can measure things like ejection fraction in advance. You can measure some things that make a patient inappropriate for outpatient procedures. But what you cannot measure when you take a patient for cardiac cath is if they have a left main disease or if they have a triple coronary disease. And I have seen plenty of cases during my clinical life where patients needed immediate intervention, and this Board heard from another hospital in another town recently where the transfer procedure was not that easy. It may have been a mile or so down the road in that case. In your case it's 2.2 miles I think I heard you say, and you don't have a transfer agreement yet.

I would very strongly urge that even though CMS may be approving on a pilot basis or on a limited basis some of these procedures can be done -- and they'll, of course, want the accountability part, the statistics -- if it worked; if patients died as a result or whatever.

I'm not aware, at least in my personal knowledge -- and if the staff does, I would appreciate the information -- of any other ASTCs doing this. I think if you have your foot on hold, later on, once we have enough data that it is safe for certain procedures and certain members of our community, okay. But at this time, I would strongly urge that you not pursue cardiac catheterization at your ASTC. I would stop at that, Mr. Chairman

See, excerpt of Transcript of Review Board meeting on March 5, 2019, Project #18-042, pages 386-388 included as **Attachment 4**.

There is a legitimate issue as to whether the Illinois Department of Public Health ("IDPH") would license a facility that presents the threat to public safety as articulated by Dr. Goyal. There is precedent for the Review Board to refer projects to IDPH to determine a project's licensability prior to taking Review Board action. (*See, e.g., Progressive Hospital of Southern Illinois, Project #06-027.*) Blessing Hospital has previously requested that the Review Board make such a referral to IDPH and renews that request with this letter. *See*, Blessing Hospital's written request to the Review Board for referral to IDPH dated February 13, 2019, included as **Attachment 5**.

D. QMG's Additional Information does Not Change the Negative Findings in the Staff Report or the Negative Impact of the Proposed Project

Other than shift its CT-Scanner from one cost line item to another, QMG has done nothing to materially address the Review Board Staff's negative findings on the project relating to Service Accessibility, Unnecessary Duplication and Financial Viability. The project remains an unneeded duplication of services that will have a significant adverse impact on existing providers by reducing utilization and impairing Blessing Hospital from cross-subsidizing safety net services.

1. The Project Still Does Not Meet the Service Accessibility Criterion

The project does not meet the Service Accessibility Criterion because none of the four need factors for a new ASTC exist in Quincy. The applicant has not shown that: (1) there are no other ASTCs in the area; (2) all hospital and ASTC operating/procedure rooms are at target utilization; (3) the project proposes services that are not currently available within the service area, and; (4) the project is a cooperative venture with a hospital. The Staff Report found that none of these criteria was met. Nothing QMG has submitted subsequent to the Intent-to-Deny demonstrates compliance with any of these criteria.

QMG has relied on unfounded speculation to claim that patient volume at existing facilities will miraculously double by 2023. The Review Board Staff refuted and rejected this speculation in the original Staff Report, and QMG has presented nothing to invalidate the Staff's assessment. Moreover, the Service Accessibility criterion clearly requires *current* utilization to be at target utilization ("all hospital and ASTC operation/procedure rooms are at target utilization"), so all speculation regarding *future* utilization is completely irrelevant.

As for current utilization, QMG has simply misrepresented undisputed facts to the Review Board. In its submission in response to the Intent-to-Deny dated March 25, 2019, QMG acknowledges on page 2 that the 2017 surgical hours at the existing ASTC totaled 7,377 hours (consisting of 4,810 OR hours and 2,567 procedure room hours). Dividing 7,377 hours by the utilization standard of 1,500 hours/room results in utilization of only 4.9 rooms, which rounds up to five rooms. Given that the ASTC has six rooms (3 ORs and 3 procedure rooms), it is underutilized and *not* at the State's utilization target. Notwithstanding these undisputed numbers, QMG states on page 2 of its submission that all surgical facilities in the area "are utilized at or above the State's utilization standard." The statement is as inexplicable as it is unjustified.

QMG's submission of March 25th also demonstrates that Blessing Hospital is also underutilized. QMG correctly notes that Blessing Hospital had a total of 11,580 surgical hours in 2017. Dividing those hours by the State standard of 1,500 hours/room results in 7.72 rooms, which rounds up to eight rooms. As Blessing Hospital has 10 surgical rooms, it is not at the State utilization standard. Again, QMG's claim that both facilities "are utilized at or above the State's utilization standard" is simply not true and defies the facts.

2. The Project Still Does Not Meet the Unnecessary Duplication Criterion

The Unnecessary Duplication/Maldistribution Criterion requires an applicant to document that the proposed project will not lower the utilization of existing facilities. The Original Staff Report found that the proposed project would result in reduced utilization at both the Blessing Hospital and Blessing ASTC. The Report made a negative finding on the Unnecessary Duplication Criteria stating: "Based upon the Staff's analysis the proposed ASTC will impact the two Blessing facilities." Original Staff Report, page 24.

QMG's additional information in response to the Intent-to-Deny attacks the Staff's analysis under this Criterion and asserts that it "overstates the impact on Blessing's surgical facilities." QMG claims that volume at the Blessing facilities will not be reduced because it will grow at an annualized 6.5% between 2017 and 2023. The facts belie this claim.

Beginning with Blessing's total 2017 surgical hours of 18,957, and based on QMG's over-inflated growth rate of 6.5%, Blessing's total surgical hours for 2018 would have been 20,189 hours, and its 2019 annualized hours would have been 21,501. The *actual* numbers are 18,405 for 2018 and 15,306 for 2019 annualized. Rather than the 6.5% annual *increase* which QMG *projected*, Blessing *actually experienced* a 10% annual *decline* in surgery hours. The following table illustrates the significant disparity between QMG's projections and Blessing's actual numbers:

YEAR	QMG Projection (Assumes 6.5% average annual increase)	Actual Hours (Actual 10% average annual decrease)
2017	18,957	18,957
2018	20,189	18,405
2019 (annualized)	21,501	15,306

The actual numbers refute QMG's projected growth rate, and the adverse impact on the utilization the utilization of the two existing facilities will be even greater than calculated in the Staff's analysis.

3. The Project Still Does Not Meet the Financial Viability Ratios

The Original Staff Report found that the project failed to meet *fifteen* financial viability measures. Including the Days Cash on Hand (for 2014 through 2017 and 2023); Net Margin Percentage (for 2014 through 2017 and 2023); Cushion Ratio (for 2015 through 2017 and 2023), and; Projected Debt Service Coverage for 2015.

QMG's additional information in response to the Intent-to-Deny does not improve its financial viability. First, QMG says it will " earmark" \$1.8 million to satisfy the Days Cash on Hand criterion. QMG does not claim it ever had the \$1.8 million in cash on hand, and regardless of what it intends to " earmark" in the future, it cannot meet either the historical or projected criteria *now*. Moreover, the \$1.8 million only provides about *four* days of cash on hand. QMG would need over 10 times that amount to meet the State Standard of 45 days cash on hand. This severe shortfall demonstrates that the project is not financially viable.

QMG next argues that *none* of the Review Board's financial viability ratios should apply to QMG because it is a physician group and not a hospital or ASTC. Of course, the Review Board's financial viability ratios *are for* an ASTC, and if the applicant wants to operate an ASTC, it should comply with the applicable Review Board criteria. While the Review Board's regulations provide exemptions from the financial viability ratios, being a physician group is not one of those exemptions. Consequently, QMG should not be exempted from the criteria merely because it is a physician group.

4. QMG Prompted a Staff Review of Blessing's Utilization Data, and Now Complains about Corrections Resulting from that Review

Throughout the pendency of this project, QMG has not ceased to complain about corrections made to Blessing's utilization data. What QMG has not disclosed is that QMG itself prompted the Staff review into the data last September in anticipation of filing the present CON application. When it turned out that the actual utilization was *lower* than reported, QMG falsely

alleged that Blessing improperly manipulated the data in response to QMG's permit application. The truth is, as QMG well knows, that Blessing corrected the data after discrepancies were brought to its attention by the Review Board's Staff *at the behest of QMG*. The emails from QMG's CON consultant to Staff reflecting QMG's inquiries relating to Blessing's utilization are included as **Attachment 6**.

E. The Cost Savings Claimed in the Permit Application Are Based On Rates that the Existing ASTC Will No Longer be Charging

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. As reflected in Blessing's previously submitted written comment, 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.

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. 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 charge 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.

Conclusion

Project #18-042 should be denied for the following reasons:

1. A joint venture with Blessing Hospital is a least costly alternative, has been encouraged by Review Board members, is desired by community leaders and employers, will avoid the unnecessary duplication and adverse impacts of a second ASTC in Quincy, and a 50/50 joint venture has been proposed to QMG by Blessing.
2. Review Board Staff has found the project to be an unnecessary duplication of services that will not improve service accessibility under the Review Board's Criteria.
3. Review Board Staff has found the project will adversely impact existing facilities by reducing utilization and constitutes a maldistribution of services under the Review Board's Criteria.
4. Review Board Staff has found the project fails to meet multiple criteria for financial viability in operating an ASTC. The applicant seeks to be exempted from the criteria because it is a physician group, but the Review Board's Criteria contain no such exemptions.

Courtney R. Avery
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5. The project will not provide cost savings as the existing ASTC is already transitioning to ASTC facility fee pricing and will be charging the same rates as the proposed ASTC. Consequently, the community gains no benefit from the project, but will suffer the adverse impact of the project on existing providers.
6. The proposed free-standing remote cardiac catheterization service is unprecedented in Illinois, presents possible danger to patient safety, and should be reviewed by IDPH for licensability prior to any further Review Board action.

Very truly yours,

BARNES & THORNBURG LLP



Daniel J. Lawler

DJL:dp

Attachments

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



October 5, 2018

SENT BY E-MAIL

Ms. Maureen A. Kahn
President / CEO
Blessing Health System
P.O. Box 7005
Quincy, IL 62305

Dear Maureen:

I have been asked by Quincy Medical Group's board to summarize the status of our recent alignment discussions. You and I recently spoke on these issues on September 27, 2018, and I anticipate that our meeting today will include further discussion on these issues. I have provided below a summary of my understanding to date.

On June 25, 2018, Quincy Medical Group ("QMG") put forth a comprehensive proposal to Blessing Health System ("Blessing") regarding alignment opportunities. The proposed opportunities for alignment included, without limitation, shared governance, joint venture opportunities, and clinical alignment through shared service lines. It is my understanding that Blessing is not interested in any of the alignment opportunities at this time.

When you and I met on July 11, 2018, we discussed Blessing's interest in exploring a potential collaboration with QMG pertaining to oncology, cardiology, and orthopedic services. As I noted in my July 31, 2018 correspondence, QMG's board was interested in and excited to further explore a more limited collaboration as soon as feasible. In the course of our subsequent discussions, you raised various questions and/or comments regarding the strength of QMG's service lines. First and foremost, I want to re-emphasize that QMG is committed to maintaining and further developing its robust cardiology practice. As I have expressed, QMG will ensure that two board-certified cardiologists - potentially, three - are on staff at all times. With respect to oncology, as you know, QMG employs five oncologists, along with two Advanced Practice Providers, and maintains an extremely well-regarded oncology practice. With respect to orthopedics, QMG maintains a strong, specialized orthopedic program. As you are aware, QMG currently employs four specialized orthopedic surgeons, and QMG continues to recruit subspecialists. While QMG remains open to collaboration with Blessing regarding these service lines, QMG feels strongly that the onus is on Blessing to put forward concrete proposals at this juncture with respect to service line collaboration.

You and I also discussed several options relating to the Surgery Center of Quincy ("Surgery Center"), including, but not limited to, early termination of the lease, allowing QMG to purchase back the Surgery Center, and/or entering into a joint venture. It was evident to me from our in-



TO: Maureen Kahn, President/CEO
October 5, 2018
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person meeting last week that none of these proposed options are of any interest to Blessing at this time. It also appears to me that as long as Blessing is able to take advantage of the higher reimbursement rates (i.e., hospital outpatient billing rates), Blessing will continue to utilize the Surgery Center and have no interest in exploring alternative options with QMG – even if those options may better serve the Quincy community. You further mentioned during our meeting last week that you felt the “useful life” of the Surgery Center in its current location, without more space, was approximately 3 more years. After that time, you indicated you may seek to build a new surgery center next to your medical office building or at 48th & Maine and seek early termination of the current lease. In all scenarios, it appears that Blessing will not contemplate any joint venture or co-ownership opportunities with QMG in the foreseeable future.

Last, but not least, we discussed the continuing issues with Blessing’s website. As the website currently reflects, QMG physician phone numbers and locations are not listed, whereas the phone numbers and locations for other non-Blessing physicians are listed. Your explanation for the discrepancy was that Blessing is not in the business of “unduly benefiting someone else.” I discussed this issue with legal counsel, and I am not aware of any valid reason that Blessing cannot list the phone number and locations for QMG physicians, particularly when Blessing chooses to list both for other non-Blessing physicians. QMG again respectfully requests that Blessing add the appropriate contact information for QMG physicians on its website.

Please let me know if I have misunderstood any aspect of our alignment discussions and/or Blessing’s position on the various issues. QMG has been serving the Quincy community for over 80 years, and QMG is committed to providing its patients with high-quality, cost-effective health care. We believe strongly that the alignment opportunities QMG has presented and discussed in great detail with Blessing would provide significant benefit to the Quincy community and both organizations for years to come.

Very truly yours,



Carol E Brockmiller, CMPE
Chief Executive Officer
217-222-6550, ext. 6455
217-242-5323, cell

cc: Todd Petty, MD, Chairman – Quincy Medical Group Board of Directors
Tim Koontz, Chairman – Blessing Corporate Services, Inc. Board of Trustees
Chris Niemann, Chairman – Blessing Hospital Board of Trustees

BLESSING Health System

P.O. Box 7005, Quincy, IL
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April 5, 2019

Via Hand Delivery & Email Communication

Carol Brockmiller, CEO
Quincy Medical Group
1025 Maine Street
Quincy, Illinois 62301

Todd Petty, MD, Chair Board of Trustees
Quincy Medical Group
1025 Maine Street
Quincy, Illinois 62301

Re: Joint Venture Proposal for the Existing Surgery Center in Quincy - Pure 50/50 Collaboration

Dear Dr. Petty and Ms. Brockmiller:

In connection with our ongoing discussions regarding a Blessing-QMG ownership collaboration on the Surgery Center of Quincy located at 1118 Hampshire Street in Quincy Illinois (the "Quincy ASTC"), I am very pleased to provide the following proposal which has been approved by Blessing's Health System's Board of Trustees. You will see that this new proposal addresses the concerns raised in your letter to me, dated February 25, 2019, in response to the earlier joint venture proposal Blessing presented to QMG on February 11, 2019 – a proposal that was intended as a starting point for discussions.

Specifically, Blessing Hospital proposes to Quincy Medical Group ("QMG") a joint venture between the parties consisting of the following key terms and otherwise in accordance with applicable laws:

- a. A 50/50 shared ownership of the Quincy ASTC by QMG and Blessing.
- b. Equal board representation by QMG and Blessing for the Quincy ASTC.
- c. A mutually acceptable "tie breaker" Community/Employer representative on the Quincy ASTC Board.

We sincerely believe this is the purest possible form of collaboration, and well reflects what was encouraged of both QMG and Blessing by members of the Illinois Health Facilities and Services Review Board ("IHFSRB").

Blessing believes this joint venture with QMG would benefit the entire community. Not only would it avoid the negative impacts of a second surgery center in Quincy, as described in testimony before the IHFSRB, but also it will give both of our organizations a completely equal stake in assuring excellence in patient care, operational efficiency, and cost control with the existing Quincy ASTC. We can get there through a framework that brings together the best of both of our organization.

We have a strong history of working together – from Blessing's non-opposition to QMG's original surgery center CON, to Blessing stepping up to purchase that surgery center when QMG faced financial pressures, to QMG continuing its involvement in the Quincy ASTC as the manager and landlord. This joint venture proposal would make that collaboration fully complete.

On behalf of Blessing's Health System's Board of Trustees, we look forward to our meeting with you on April 17 to further discuss this joint venture proposal.

Sincerely,



Maureen A. Kahn, President & CEO
Blessing Hospital

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FEB 13 2019

P.O. Box 7005 Quincy, IL
217-223-8400
HEALTH FACILITIES &
SERVICES REVIEW BOARD
www.blessinghealthsystem.org

February 12, 2019

By Personal Delivery
Carol Brockmiller, Chief Executive Officer
Quincy Medical Group
1025 Maine Street
Quincy, Illinois 62301

Re: Request for Transfer Agreement, Project #18-042, Quincy Medical Group Surgery Center

Dear Ms. Brockmiller:

I am in receipt of your letter dated February 1, 2019, which contains a mischaracterization of our prior oral conversations relating to the request of Quincy Medical Group ("QMG") for a transfer agreement with Blessing Hospital. To be clear, in those discussions Blessing Hospital had both clinical and legal concerns relating to the proposed transfer agreement. The legal and clinical issues must be satisfactorily addressed.

I understand you are under direction from your legal counsel to create a "paper record" for use with the Illinois Health Facilities and Services Review Board ("Review Board") in connection with the Review Board's requirement for a transfer agreement on your Project #18-042, Quincy Medical Group Surgery Center. Significant creative liberties with the truth have been taken in the creation of that "paper record." This is presumably the same legal counsel that had you certify under oath to the false statements in QMG's Certificate of Need ("CON") application that "QMG proposed a joint venture arrangement" to Blessing Hospital and that the "proposal was rejected," (CON Application at page 68) and which you properly retracted after we brought them to your attention. These same attorneys presumably also had you certify under oath that "UnityPoint Health will have approximately 40% ownership interest in Quincy Medical Group Surgery Center" (CON Application at page 38), and then proceeded before a packed room, that included officers of the Review Board, when your CON attorney Tracy Klein expressly denied UnityPoint's interest in the proposed facility "despite what might be in the application." Public Hearing Transcript, page 171.

For the above reasons, I must now insist that any future communications between you and me that are in any way connected to QMG's CON application be conducted in writing or before reliable witnesses. Blessing Hospital and QMG have long had a better relationship and historically enjoyed more trustworthiness in our communications, so I can only assume that the above aberrations are attributable to the legal advice you are now receiving in connection with QMG's CON application.

As for the transfer agreement, I have previously told you that there were several legal and clinical issues that were being reviewed on our side. I also shared with you that I was unclear as to how Blessing Hospital could give QMG's proposed ambulatory surgical treatment center ("ASTC") a transfer agreement as the entity did not currently exist, had no operating catheterization service or licensed services, and it was not clear as to how the ASTC would be operated, what safety measures would be undertaken, how anesthesia would be delivered to the patients and by whom. This information is not in your application.

Attachment 3

Blessing Hospital • Illini Community Hospital • Blessing Physician Services • Blessing-Riemann College of Nursing
The Blessing Foundation • Denman Services • Blessing Corporate Services

Carol Brockmiller, Chief Executive Officer
Quincy Medical Group
February 12, 2019
Page Two

In addition, it has now come to our attention that what QMG is proposing has never been approved before in the State of Illinois, that is, a remote cardiac catheterization service that is not on or adjacent to a hospital campus with acute cardiac services. 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 discontinued last year. Blessing Hospital has very legitimate concerns of patient safety and clinical issues regarding a remote cardiac catheterization service in Illinois of the type currently being proposed by QMG. These concerns are exacerbated by the fact that QMG did not fully and adequately address the CON Board's regulations regarding the establishment of a new cardiac catheterization service. Among other things, QMG's permit application: (a) does not contain a detailed mechanism for adequate peer review of the program; (b) provides no information regarding how peer review information will be recorded, maintained and stored; (c) does not explain how the technical aspects of providing cardiac catheterization services will be evaluated (e.g., film processing, equipment maintenance, etc.); (d) does not detail the metrics, best practices and various registries that will be implemented; (e) does not identify any on-site support services or explain how each of the support services will be available when needed; and (f) fails to identify the required personnel, with appropriate credentials, for the cardiac catheterization laboratory team, among other things. I would request that you provide me with additional information relative to the ASTC operations, accreditations, certifications, safety measures, anesthesia, as well as catheterization lab information and accreditations and/or certifications.

You asked me in your February 1st letter that "Blessing revisit its stated mission and take into consideration the needs and wants of its patients and residents of the Quincy area," then in the same paragraph (and again in a manner that is uncharacteristic of our two organizations' long and positive relationship) accuse Blessing of a desire to "monopolize the market." My concern for the safety of cardiac patients in a remote cardiac catheterization lab is fully consistent with the Blessing Hospital mission to improve the health of our communities. As for the allegation of a desire to monopolize the market, the drafter of your letter appears to have been unaware that Blessing Hospital did not oppose QMG's original application for a surgery center in 2000, and it was QMG who later sold that facility to Blessing Hospital to "raise funds" as stated on page 67 of the CON application.

Finally, you mentioned to me in the past week that QMG had a "deadline" of February 6th to produce a transfer agreement. If that was the case, you certainly should not have waited until January 9, 2019, to first ask Blessing Hospital for a transfer agreement. Moreover, QMG's CON application was filed in October 2018, and a transfer agreement was required to be submitted with that application. I note that page 91 of the application stated, in October 2018, that QMG "is pursuing the required referral agreement with an area provider of cardiac surgery for the transfer of seriously ill patients" and the "final agreement will be submitted during the review process." Of course, this was not true as QMG did not propose a transfer agreement to Blessing Hospital until I received your email dated January 9, 2019 with QMG's proposed transfer agreement. The above statements in the permit application are yet additional misrepresentations that I can only presume your legal counsel had you certify under oath as "complete and correct" to the Review Board notwithstanding the absence of any basis in truth or fact, and again inconsistent with the conduct I would have expected from QMG based upon our mutual dealings prior to the filing of QMG's permit application.

Sincerely,

Maureen A. Kahn, President & CEO
Blessing Hospital

Draft



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Transcript of Open Session

Date: March 5, 2019

Case: State of Illinois Health Facilities and Services Review Board

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Transcript of Open Session
Conducted on March 5, 2019

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1 CHAIRMAN SEWELL: We know what you meant.

2 MS. KLEIN: I am licensed in Illinois.

3 MR. WEBER: She's on the board of regents
4 of the University of Wisconsin, and she blanks out
5 once in a while.

6 CHAIRMAN SEWELL: She's a bigger deal than
7 just Illinois.

8 Do Board members have any questions or
9 comments?

10 Yes, Doctor.

11 MEMBER GOYAL: Thank you, Mr. Chairman.

12 My name is Arvind Goyal, and I'm a
13 nonvoting Board member. You may have heard this
14 earlier.

15 And first of all, I want to say that your
16 passionate testimony -- which, in my opinion, was
17 longer than necessary -- was very useful for my
18 understanding.

19 Having said that, I'm concerned about one
20 item, and I need to put it out straight: Anything
21 that is considered today or any other time,
22 I think as a physicians group you recognize that
23 safety -- patient safety is the most important
24 item that we consider at all times.

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1 In this particular instance I have
2 concerns about one of the operating rooms and one
3 of your procedures being dedicated to cardiac
4 catheterization. And the reason I say that to you
5 is you can measure things like ejection fraction
6 in advance. You can measure some things that make
7 a patient inappropriate for outpatient procedures.
8 But what you cannot measure when you take a
9 patient for cardiac cath is if they have a left
10 main disease or if they have a triple coronary
11 disease.

12 And I have seen plenty of cases during my
13 clinical life where patients needed immediate
14 intervention, and this Board heard from another
15 hospital in another town recently where the
16 transfer procedure was not that easy. It may have
17 been a mile or so down the road in that case. In
18 your case it's 2.2 miles I think I heard you say,
19 and you don't have a transfer agreement yet.

20 I would very strongly urge that even
21 though CMS may be approving on a pilot basis or on
22 a limited basis some of these procedures can be
23 done -- and they'll, of course, want the
24 accountability part, the statistics -- if it

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1 worked; if patients died as a result or whatever.

2 I'm not aware, at least in my personal
3 knowledge -- and if the staff does, I would
4 appreciate the information -- of any other ASTCs
5 doing this. I think if you have your foot on
6 hold, later on, once we have enough data that it
7 is safe for certain procedures and certain members
8 of our community, okay. But at this time, I would
9 strongly urge that you not pursue cardiac
10 catheterization at your ASTC.

11 I would stop at that, Mr. Chairman.

12 CHAIRMAN SEWELL: Any other comments by
13 Board members?

14 Yes.

15 MEMBER MC NEIL: Well, I would like to
16 thank you for your presentation, as long as it was.

17 But in reading the material earlier, it
18 was confusing, somewhat, what was going on, but it
19 became clear through the time. As the Quincy
20 Medical Group, you're obviously passionate.
21 You're providing services to Quincy, a relatively
22 small area from a population, but you blend over
23 into Missouri, Iowa, whatever. So does Blessing.
24 And you're somewhat intertwined.

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1 But as a licensed psychologist in the
2 past, it's interesting. And I've lived in
3 West Virginia. It's like the Hatfield and McCoys,
4 and we have heard that.

5 And these are the things that need to be
6 dealt with because that bleeds over -- if it -- to
7 us, and these records are public of everything
8 everybody has said. Patients will hear about it.

9 So I am concerned about the patients on --
10 wherever they go. And I think services are being
11 offered. It's how to do that best from a clinical
12 and a procedural manner. So while I appreciate
13 it, I think there's needs -- there's all of
14 that -- it's this passion like -- wow. And I felt
15 like I was dealing with my kids again -- or my
16 grandchildren now.

17 And it's interesting. That's what we --
18 we need to be focused on the patients, how we deal
19 with those issues, and it's the two groups that
20 really need to deal with one another and come to
21 some agreements on how we work together. It's
22 been done in the past, but there's this force
23 that's going on.

24 But I appreciate everything that's been



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

February 13, 2019

VIA HAND DELIVERY

Michael Constantino
Lead Project Reviewer
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

RECEIVED

FEB 13 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

**Re: Request for Referral to IDPH Prior to Review Board Action on
Project # 18-042, Quincy Medical Group Surgery Center**

Dear Mr. Constantino:

Blessing Hospital has recently been approached by Quincy Medical Group ("QMG") seeking a transfer agreement for its proposed new cardiac catheterization service and ambulatory surgical treatment center. Blessing Hospital promptly responded with questions regarding patient safety, detailed peer review mechanisms, service delivery and quality control matters. QMG has not yet responded to our inquiries.

QMG is proposing a unique and unprecedented service in Illinois, namely, a remote free-standing cardiac catheterization lab that is not on or adjacent to a hospital with acute cardiac surgery back-up. In fact, the *only* free-standing cardiac catheterization lab in the State was closed last year, and that facility was adjacent to the St. John's Hospital campus in Springfield. (See, Prairie Diagnostic Center at St. John's Hospital - Discontinuation, Project # E-021-18.) QMG's proposed catheterization lab will be located three miles from the acute cardiac surgery back-up at Blessing Hospital.

There is precedent for the Review Board's staff to seek guidance from the Illinois Department of Public Health ("IDPH"), prior to Review Board action on a project, as to whether IDPH would license the facility. In Progressive Hospital of Southern Illinois, Project # 06-027, the Supplemental State Agency Report for the project noted as follows:

"During the review of this application, the State Agency requested clarifying information from the applicants regarding the project. Based on this supplemental information, the Illinois Department of Public Health's ("IDPH") Office of Healthcare Regulation determined the facility cannot be licensed under the Illinois Hospital Licensing Act." See Attachment 1; Emphasis added.

Michael Constantino
February 13, 2019
Page 2

The Second Supplemental State Agency Report on the project stated:

"Also, the State Agency contacted IDPH's Office of Health Care Regulation ("HCR") on April 6, 2007 regarding the licensing issue of the proposed facility. According to HCR, 'the applicants cannot be licensed unless the applicants upgrade the current facility to a new hospital building requirements. If the applicants meet all of the new hospital building requirements and all of the other requirements of the Hospital Code, they could be licensed. The State Agency's architects did a walk through and there would be a tremendous amount of work to do and it would be very expensive.'" See Attachment 2; Emphasis added.

Finally, the Review Board's Vote Tally Sheet for May 2007 stated with regard to the Progressive Hospital project: "Null & Void (Declaratory Ruling denied application validity)." See Attachment 3.

Given the patient safety and public health issues raised by a remote, free-standing cardiac catheterization lab, the process employed by the Review Board's staff in the Progressive Hospital project would be particularly appropriate here. We would further note that in the days of mobile cardiac catheterization labs, the requirement for approval of such labs was that there was open heart surgery back-up immediately available "on-site." QMG's proposed remote free-standing cardiac catheterization lab does not even meet the standards that were applied for mobile cath labs.

For these reasons, Blessing Health respectfully requests that Review Board staff refers QMG's project to IDPH for a ruling on whether IDPH would license a remote, free-standing cardiac catheterization laboratory under the circumstances proposed by Project #18-042, Quincy Medical Group Surgery Center.

Thank you very much for your attention to this matter.

Sincerely,



Betty J. Kasparie
Vice President, Corporate Compliance
Blessing Corporate Services

Enclosures

From: Ralph Weber [mailto:rmweber90@gmail.com]
Sent: Friday, September 21, 2018 10:03 AM
To: Constantino, Mike <Mike.Constantino@Illinois.gov>
Subject: Re: [External] Quincy Medical Group CON

Mike, thank you for handling the inquiry to Blessing Hospital about surgical data the way you did. We still want to keep it confidential until filing, and your approach helps that.



I have a few other questions for you:

1. Does a transfer agreement in support of the catheterization service need to be in the application, or in can it be under development so that it can be submitted during the review process? I am quite sure they cannot work anything out, especially with Blessing, before filing.
2. Our preference would be to not include an audited financial statement, if not doing so would be OK with you. Quincy Medical Group is concerned that Blessing Hospital would use it inappropriately. Do you need the audited financial statement?

3. We will provide the financial viability ratios for section 1120.130. Appendix A of 1120 does not have viability standards for physician groups, but I am assuming the ASTC standards will apply. Correct?

4. For letters to area hospitals to invite them to demonstrate the impact of the project on their facilities, it appears that the following will apply:

- for cardiac cath: Planning Area is HSA 3. The two Springfield hospitals are more than 90 minutes distant, so they would not get letters from QMG. Correct? Blessing Hospital will get a letter.

- for ambulatory surgery, Blessing is the only hospital within 21 miles, and will get a letter.

Thank you, Mike, for your continuing technical assistance.

Ralph Weber

847-791-0830

From: rmweber90 [mailto:rmweber90@gmail.com]
Sent: Wednesday, September 19, 2018 9:24 AM
To: Constantino, Mike <Mike.Constantino@Illinois.gov>
Subject: RE: [External] Quincy Medical Group CON

Hi Mike. Have you had a chance yet to check if Blessing Hospital had submitted any updates of their outpatient hospital and ASTC surgery hours and cases? I am assuming that they have not, so I should probably use what they have in the profiles.



Ralph Weber

847-791-0830

Sent from my Galaxy S8III

From: Ralph Weber [<mailto:rmweber90@gmail.com>]
Sent: Friday, September 14, 2018 9:32 AM
To: Constantino, Mike <Mike.Constantino@Illinois.gov>
Subject: [External] Quincy Medical Group CON

Hello, Mike. You and I had discussed the possibility of having caths performed in the ASTC instead of in a traditional cath lab as part of the project. I believe you said that can be done. I understand that the project would have to meet both ASTC and all the specific requirements related to cath labs.

1. Can you confirm that performing caths in the ASTC is acceptable for CON?
2. If we pursue this, should caths be counted as part of the cardiology listed service in the ASTC, or should it be separated in its own category, such as "other - cardiac catheterization." Let me know how you would like to see this.

I also have some questions about Blessing Hospital's reporting of its surgery cases - both at the hospital and at its ASTC. I have prepared and attached a table, showing cases and hours as reported in the HFSRB's website for the hospital data profiles. See the attached page. Has Blessing sent in any updates, or should we use the attached information as accurate? For example, 1) procedure room cases in the hospital ORs showed 141 outpatient cases in 2013, then 4615 cases in 2014. That seems strange. 2) Then there are no procedure room cases reported in year 2016. In order for us to estimate what an impact may be on Blessing's ORs, we need to have good information. Let me know if you have other data on them, please.

Best regards,

Ralph Weber

847-791-0830

