



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

August 27, 2019

Rebecca Lindstrom
(312) 463-6217
rlindstrom@polsinelli.com

Via Federal Express-Overnight Delivery

Ms. Courtney R. Avery
Mr. Michael Constantino
Illinois Health Facilities & Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Blessing Hospital ASTC – Project No. 19-029
QMG's Written Comment Submission on Blessing Hospital's Failure to
Include BCS as Co-Applicant

Dear Ms. Avery and Mr. Constantino:

Our firm is legal counsel for Quincy Medical Group ("QMG"). This letter provides QMG's written comments regarding Blessing Hospital's failure to include Blessing Corporate Services, Inc. as a co-applicant in the permit application for Project No. 19-029.

In order to comply with the rules and procedures of the Illinois Health Facilities and Services Review Board ("HFSRB"), a Type A modification to Blessing Hospital's application is required.

I. BLESSING CORPORATE SERVICES, INC. IS A NECESSARY PARTY AND MUST BE LISTED AS A CO-APPLICANT.

Pursuant to section 1130.220(a)(1) of the HFSRB's rules, the following individuals and/or entities are necessary parties to Blessing Hospital's application and must be listed as applicants:

- 1) the person who will hold and who currently (as applicable) holds the license (or Medicare and/or Medicaid certification if licensing is not applicable) for each facility;
- 2) the person who has final control of the person who will hold or who currently holds (as applicable) the license (or Medicare and/or Medicaid certification if applicable) for each facility;

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August 27, 2019

Page 2

- 3) any related person who is or will be financially responsible for guaranteeing or making payments on any debt related to the project; and
- 4) any other person who actively will be involved in the operation or provision of care and who controls the use of equipment or other capital assets that are components of the project, such as, but not limited to, fixed equipment, mobile equipment, buildings or portions of buildings, structures such as parking garages, etc.

77 Ill. Admin. Code § 1130.220(a).¹

Blessing Hospital is correctly listed as an applicant as it currently holds and will hold the license for its proposed new ASTC. See 77 Ill. Admin. Code § 1130.220(a)(1).

Blessing Corporate Services, Inc. ("BCS") is *also* a necessary party to the application under the HFSRB's rules and should be listed as a co-applicant. As reflected in the organization chart submitted with Blessing's application, testimony from the Chairman of BCS' Board of Trustees, and representations made by Blessing Hospital within its application, BCS is the *parent company* of Blessing Hospital.² See Exhibit 3, Organization Chart, p. 40 of Blessing

¹Section 1130.220(a) is applicable to construction or modification projects of one or more existing or proposed health care facilities. Blessing Hospital is proposing to *construct* a new ASTC that will be connected to its hospital; it is not simply relocating its existing ASTC into an already constructed/erected building. Exhibit 1, June 27, 2019 Letter to Illinois Department of Natural Resources ("Blessing Hospital is preparing a Certificate of Need Permit to *build* an ambulatory surgical treatment center on the campus of Blessing Hospital")(emphasis added).

The HFSRB's regulations define "Construction" or "Modification" "as the establishment, erection, building, alteration, reconstruction, modernization, improvement, extension, discontinuation, change of ownership of or by a health care facility, or the purchase or acquisition by or through a health care facility of equipment or service for diagnostic or therapeutic purposes or for facility administration or operation or any capital expenditure made by or on behalf of a health care facility which exceeds the capital expenditure minimum." 77 Ill. Admin. Code § 1130.140.

² Blessing Health System is an assumed name of Blessing Corporate Services. Exhibit 2, Illinois of Secretary of State, Corporation File Detail Report.

August 27, 2019

Page 3

Application; Exhibit 4, p. 157 of January 20, 2019 Public Hearing Transcript (“Blessing Corporate Services is the parent entity of both the Blessing Health System which Blessing Hospital is and [sic] affiliate.”); and Exhibit 5, p. 220 of Blessing Application (“Blessing Health System, of which Blessing Hospital is an affiliate”).

As the parent company of Blessing Hospital, BCS is the entity with final control - as that term is defined under section 1130.140 of the HFSRB’s rules - over the entity who will hold or who currently holds the license (Blessing Hospital). Therefore, BCS must be listed as a co-applicant pursuant to section 1130.220(a)(2).

Blessing Hospital’s application also contains numerous references to both BCS and Blessing Health System (the assumed name of BCS), including, but not limited to the following:

- June 10, 2019 Letter from BCS’ Trustees acknowledging that the new ASTC will be on **BCS’ campus** and enable **BCS’ Board** to continue to provide certain services to the community. Exhibit 6, June 10, 2019 Letter, p. 63 of Blessing Application (“The proposed relocation . . . to a hospital-owned facility **on our campus** . . . will also enable **this** Board to be able to continue mission critical safety net services.”)(emphasis added).
- Assurance that Blessing Hospital will submit a Certificate of Need application to the HFSRB when it seeks to develop and utilize the proposed shell space, regardless of the capital thresholds in effect at the time of the category of service involved, signed by Ms. Maureen Kahn as President and CEO of **Blessing Health System**. Exhibit 7, p. 107A of Blessing Application.
- The S&P Global Ratings report incorporating BCS in its analysis. Exhibit 8, p. 210-214, of Blessing Application.
- Attestations regarding debt financing and reasonableness of financing arrangements prepared and executed on Blessing Health System cover letter,³ and Blessing’s February 11, 2019 joint venture proposal submitted on Blessing

³ While the attestations were executed by Mr. Patrick M. Gerveler in his capacity as Treasurer of Blessing Hospital, Mr. Gerveler also serves as Chief Financial Officer for BCS.

August 27, 2019

Page 4

Health System cover letter. Exhibit 9, p. 218-219 of Blessing Application; Exhibit 10, February 11, 2019 Letter, p. 86 of Blessing Application.

While not included with Blessing Hospital's application, Blessing's April 5, 2019 joint venture proposal was also submitted to QMG on a Blessing Health System cover letter and stated that the proposal had "been **approved** by Blessing's Health System's Board of Trustees[.]" and was written "[o]n **behalf of** Blessing's Health System's Board of Trustees." Exhibit 11, April 5, 2019 Letter (emphasis added).⁴ These actions signify Blessing Health System/BCS' control over its affiliate, Blessing Hospital. In the event Blessing Hospital's new ASTC is approved by the HFSRB, QMG anticipates that BCS' Board would also need to authorize and approve of any future sale of the ASTC and that BCS would be included as a party to any corresponding purchase agreement (as was the case when the existing ASTC was purchased from QMG in 2006).

In its role as the parent company of Blessing Hospital, BCS' Board presumably has the authority to direct the management and policies of Blessing Hospital, whether through the voting of securities, corporate membership, contract, or otherwise. Such authority indicates that BCS has final control over Blessing Hospital, as that term is defined under the HFSRB's rules. See 77 Ill. Admin. Code § 1130.140. Additionally, BCS may be financially responsible for guaranteeing or making payments on debt related to the project and/or may control the use of equipment or other capital assets that are components of the project. In that context, section 1130.220(a)(3)-(4) would also mandate the inclusion of BCS as an applicant to Blessing Hospital's application.

Blessing Hospital is not exempt from the HFSRB's rules, and this HFSRB should mandate its compliance with the rules -- particularly when those same rules are enforced against other applicants.⁵

⁴ As QMG articulated during the recent public hearing, on May 6, 2019, Blessing withdrew the joint venture proposal despite previously informing QMG the proposal would not expire and was not contingent upon the HFSRB's decision on QMG's ASTC. Exhibit 12, May 6, 2019 Letter. In the spirit of collaboration, QMG again reached out to Blessing to propose further joint ownership discussions regarding surgery centers in Quincy. Exhibit 13, May 14, 2019 Letter. Blessing has yet to respond.

⁵ See, e.g., Project No. 17-054, Ann & Robert H. Lurie Children's Hospital of Chicago (parent: Children's Hospital of Chicago Medical Center); Project No. 18-024, Advocate NorthShore Pediatric Partners, LLC (parents: NorthShore University Health System and Advocate Aurora Health, Inc.); Project

August 27, 2019

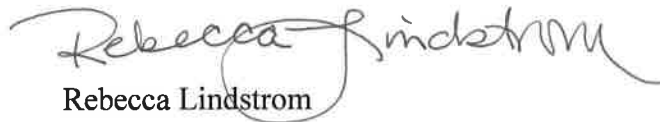
Page 5

II. A TYPE A MODIFICATION IS REQUIRED TO REMEDY BLESSING'S NON-COMPLIANCE.

Blessing Hospital's failure to include BCS as a co-applicant requires a Type A modification to its pending application. See 77 Ill. Admin. Code § 1130.650(a)(6) ("Type A modifications consist of . . . [a] change in the person who is the applicant, including the addition of one or more co-applicants to the application."). As set forth in section 1130.650(a), Type A modifications are subject to the public hearing requirements of the Illinois Health Facilities Planning Act, and QMG reserves the right to request a public hearing following Blessing Hospital's modification of its application.

The HFSRB should require that Blessing Hospital comply with its rules and procedures and undergo a Type A modification of its application to include BCS as a co-applicant.

Sincerely,



Rebecca Lindstrom

Enclosures – Exhibits 1-13

cc: Carol Brockmiller, CEO, Quincy Medical Group

No. 18-023, Rush University Medical Center (parent: Rush System for Health); and Project No. 17-055 CDH-Delnor Health System (parent: Northwestern Memorial Healthcare).

June 27, 2019

Ms. Rachel Leibowitz, Ph.D.
Deputy State Historic Preservation Officer
Illinois Department of Natural Resources
One Natural Resources Way
Springfield, IL 62702-1271

Dear Dr. Leibowitz,

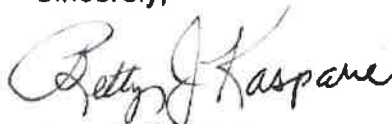
Blessing Hospital is preparing a Certificate of Need Permit to build an ambulatory surgical treatment center on the campus of Blessing Hospital in Quincy, IL. The project will be located in an area that is currently a parking lot on 11th Street. There currently are dorms on that lot that were built in early 1970s that are to be taken down separate from this project as the dorms have been vacated. I am attaching documents to show the surrounding area.

Attached is a map of the location. The current address is 1112 Spring Street.

Please provide me with a letter concerning the applicability of the Preservation Act to the proposed project.

Thank you for your attention to this request.

Sincerely,



Betty J. Kasparie
Vice President of Corporate Compliance

BJK/elc

Attachment 6



Office of the Secretary of State Jesse White
CYBERDRIVEILLINOIS.COM

Corporation/LLC Search/Certificate of Good Standing

Corporation File Detail Report

File Number 52957451

Entity Name BLESSING CORPORATE SERVICES, INC.

Status
ACTIVE

Entity Information

Entity Type
CORPORATION

Type of Corp
NOT-FOR-PROFIT

Incorporation Date (Domestic)
Thursday, 30 December 1982

State
ILLINOIS

Duration Date
PERPETUAL

Agent Information

Name
MAUREEN A KAHN

Address

1005 BROADWAY
QUINCY , IL 62301

Change Date
Wednesday, 19 November 2014

Annual Report

Filing Date
Wednesday, 14 November 2018

For Year
2018

Assumed Name

ACTIVE
PALMYRA CLINIC

INACTIVE
THOMAS J DAVIS, MD

ACTIVE
HAMILTON-WARSAW CLINIC NFP

INACTIVE
BLESSING PHYSICIAN SERVICES

ACTIVE
BLESSING HEALTH SYSTEM

ACTIVE
BODY MOTION CENTER NFP

ACTIVE
BLESSING PHYSICIAN SERVICES

ACTIVE
BE WELL ONLINE

ACTIVE
BE WELL WITH BLESSING HEALTH SYSTEM

ACTIVE
BE WELL WITH DIABETES

ACTIVE

BE WELL FOR LIFE

ACTIVE

BE WELL AT WORK

ACTIVE

BLESSING CARE ON DEMAND

ACTIVE

PERFORMANCE SPINE AND SPORTS CENTER

ACTIVE

PARIS FAMILY MEDICAL CLINIC

ACTIVE

KAHOKA MEDICAL CLINIC

[Return to Search](#)

[File Annual Report](#)

[Adopting Assumed Name](#)

[Change of Registered Agent and/or Registered Office](#)

(One Certificate per Transaction)

Blessing Health System Organizational Chart

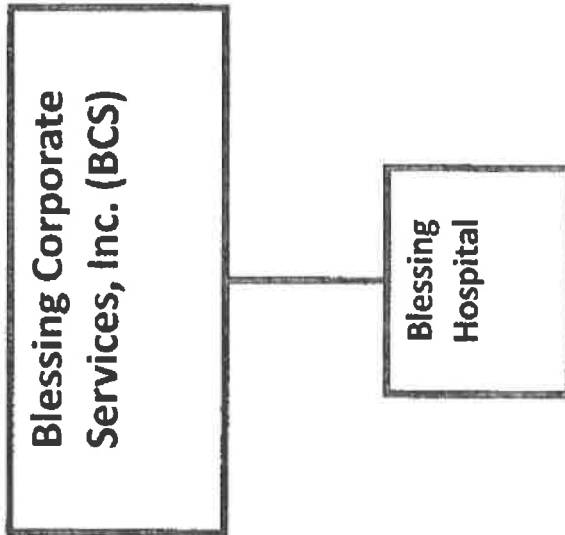


Exhibit 3

Attachment 4

1 able to provide not only to our community but to
2 the entire tri-state area.

3 So I encourage to you ask yourselves this
4 question. I currently have the options to have
5 surgery in town, but do I need more options, or
6 does there need to be access to acute inpatient
7 psychiatric health care in case my family member
8 tries to kill themselves?

9 I stand in opposition of QMG's CON. Thank
10 you.

11 MR. ROATE: Timothy Koontz?

12 MR. KOONTZ: Good afternoon. My name is
13 Tim Koontz. I'm the Chairman of the Blessing
14 Corporate Services Board of Trustees. Blessing
15 Corporate Services is the parent entity of both the
16 Blessing Health System which Blessing Hospital is
17 and affiliate.

18 I respectfully oppose this CON application.

19 Blessing had made tremendous progress over
20 the past 20 years growing from a solid community
21 hospital to a strong regional health care provider.
22 Along the way we have remained dedicated to
23 convenient local access to the widest variety of
24 care possible.

Safety Net Impact

Blessing Hospital is the primary supporter of Safety Net Services in Adams County. Blessing Hospital revenue made from all of its services is part of the ability for Blessing to provide safety net services. The proposed project plays an important part in being able to provide such services.

Blessing Hospital is a not for profit, 327 bed, full service acute care hospital in Quincy, Illinois. Blessing has served the community for more than 140 years. Blessing Health System, of which Blessing Hospital is an affiliate, is the largest employer in Adams County with more than 3400 employees. Blessing Hospital is the only hospital in Adams County and is the only full service acute care hospital within 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.

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 several 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 projects – 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.

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

Attachment 37

B BLESSING Health System

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

June 10, 2019

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

RE: Letter of Support for Blessing Hospital's CON Application of an Ambulatory Surgery Treatment Center

Dear Ms. Avery:

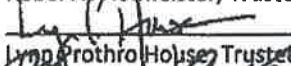
As a Board member, employer and business leader of the Quincy and surrounding communities, I sign this letter in support of Blessing Hospital's request to relocate its existing Ambulatory Surgery Treatment Center ("ASTC") to a new location on the Blessing Hospital campus.

Blessing Hospital's current ASTC is located in a building owned by Quincy Medical Group ("QMG") which was recently awarded a Certificate of Need ("CON") permit to establish a second competing ASTC in Quincy. The proposed relocation of the Blessing ASTC from the leased space in QMG's building to a hospital-owned facility on our campus has short and long term cost benefits, will allow Blessing to compete in the ASTC market on a level playing field with QMG's newly approved ASTC, and will also enable this Board to be able to continue mission critical safety net services.

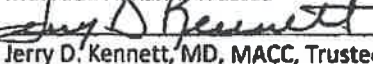
Please accept this letter as our support and endorsement of this CON.

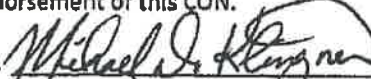

Julie A. Brink, Trustee

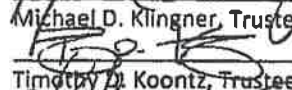

Robert J. Holmeister, Trustee

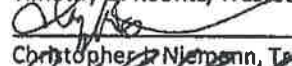

Lynn Prothro House, Trustee


Maureen A. Kahn, Trustee


Jerry D. Kennett, MD, MACC, Trustee


Michael D. Klingner, Trustee


Timothy D. Koontz, Trustee


Christopher L. Niemann, Trustee


Jack R. Sharkey, Trustee


Mary Oakley Winters, Trustee

BEING ALL THE TRUSTEES
BLESSING CORPORATE SERVICES, INC.

Blessing Hospital • Illini Community Hospital • Blessing Physician Services • Blessing-Rieman College of Nursing & Health Sciences
The Blessing Foundation • Denman Services • Blessing Corporate Services

Assurances

1. Blessing Hospital will submit to the HFSRB and CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time of the category of service involved.
2. Blessing expects to submit a CON within 2 years of completion of the projected CON.
3. The completion date be one year after.

Sincerely,



Maureen Kahn
President/CEO
Blessing Health System

Attachment 17

107A

Quincy, Illinois Blessing Hospital; Hospital

Credit Profile

Quincy, Illinois
Blessing Hosp, Illinois

ser 2007

LongTerm Rating

A/Stable

Affirmed

Rationale

S&P Global Ratings affirmed its 'A' long-term rating on Quincy, Ill.'s series 2007 revenue refunding bonds, issued for Blessing Hospital (Blessing). The outlook is stable.

The 'A' rating reflects our view of Blessing's leading business position in the region, healthy unrestricted reserves, and solid operating performance supported in recent years by growing inpatient utilization trends as well as robust coverage. More specifically, we assessed Blessing's enterprise profile as strong, characterized by a solid market position in a limited service area, good medical staff, and favorable payer mix, with Blessing management reporting a stable relationship with QMG following the UnityPoint investment in 2012. We see the competitor investment as less of a risk after Blessing signed an affiliation with Hannibal Clinic, another regional provider in early 2017. We also assessed its financial profile as strong, reflected by healthy operations and good financial flexibility offset by a modest debt and high contingent liabilities. Although no specific debt issuance is expected, Blessing has room at the rating for nominal additional debt. We will continue to monitor affiliation relationships, but expect ongoing stable performance and maintenance of balance sheet metrics. Combined, these credit factors lead to an indicative rating of 'a' and a final rating of 'A'.

The 'A' rating further reflects our view of Blessing's:

- Good operating margin of 6.4% in fiscal 2016 as a result of improving volumes and a focus on expenses, contributing to solid maximum annual debt service (MADS) coverage of 4.7x, with similar results through the first unaudited 11 months of fiscal 2017;
- Good unrestricted reserves equaling 229 days' cash on hand at Aug. 31, 2017; and
- Leading and stable business position of 60% in the region.

Partly offsetting the above strengths, in our view, are Blessing's:

- Location in a more limited rural service area but with a broader population of 166,000 and a fairly stable economy; and
- Moderately aggressive debt structure, with approximately 70% of debt categorized as contingent liabilities, although overall debt levels are in line with rating medians.

Our analysis incorporates the entire Blessing Corporate Services (BCS) organization, which consists of Blessing, a

Attachment 33

not-for-profit, 302-staffed-bed acute care hospital; an employed physician group with about 80 employed physicians; The Blessing Foundation Inc., which engages primarily in fundraising to benefit the not-for-profit subsidiaries of BCS; Denman Services Inc., which sells and rents medical equipment and operates a commercial laundry service for hospitals; and Blessing Care Corp. (doing business as Illini Community Hospital), a rural 25-bed critical access hospital.

The figures cited in this report refer to the system as a whole. The rating is based on our view of BCS' group credit profile (GCP) and the obligated group's (Blessing) core status. Accordingly, the long-term rating is at the level of the GCP and this analysis is based on the consolidated system. Gross revenue of Blessing Hospital secures the bond of the system, Blessing represented about 82% of total assets and 84% of total revenue.

Outlook

The stable outlook reflects our expectation of Blessing's continued solid operations, leading business position, and MADS coverage of close to 5x for the past few years. Management continues to invest in its facility, physicians, and secondary market as well as health care reform initiatives.

Downside scenario

We could consider a negative rating action in the event that unrestricted reserves decline such that cash-to-debt and cash-on-hand metrics are no longer appropriate for the rating. We could also consider a negative outlook or rating action if operations decline such that coverage falls to consistently less than 4x. Finally, although we are unlikely to do so, we would consider a negative rating action if Blessing's market position declines or if market share decreases significantly.

Upside scenario

We believe that the 'A' rating is suitable for the hospital and thus that a higher rating is unlikely within the two-year outlook period. However, we could consider raising the rating over time if Blessing is able to significantly improve its business position and increase its market share.

Enterprise Profile

Industry risk

Industry risk addresses our view of the health care sector's overall cyclical risk, competitive risk, and growth through application of various stress scenarios and evaluating barriers to entry, the level and trend of industry profit margins; risk from secular change and substitution of products, services, and technologies; and risk in growth trends. We believe the health care services industry represents an intermediate credit risk compared with other industries and sectors.

Economic fundamentals

Blessing Hospital is in Quincy, the main retail and industrial city in Adams County and for the wider area. The service area is on the western edge of Illinois, south of the Iowa border and just north of the St. Louis area. Overall population in the primary service area (PSA) is stable with 186,000 people and some employment growth is projected, although less than for the U.S. as a whole. In addition, per capita income is just above the national average. The region has many employers and does not depend on any particular one. The area's economy is based largely on manufacturing

Attachment 33

and services, with major employers including the hospital (2,000 employees); Knapheide Manufacturing, a distributor of motor truck bodies and hoists (1,000); and the corporate headquarters for Titan International, a maker of steel wheel assemblies and tires for heavy equipment (900). As the seat of Adams County and the largest community in the area, Quincy is the retail and service hub for a 60-mile radius with an unemployment rate that is less than that of the state. The population is slightly older and the overall payer mix includes a slightly high governmental payer exposure, with about 33% of net revenue from Medicare and 14% from Medicaid.

Market

Blessing (together with Illini Community Hospital) holds the leading business position in its PSA, with a 59.8% market share, and Hannibal Regional Hospital in Missouri is next with 15.4%. Quincy and Adams County's regional population of 67,000 compared with the PSA population of 166,000 reflects Blessing's broad regional draw as a regional provider in a largely rural area. Tertiary and quaternary patients that Blessing cannot accommodate usually go either to St. Louis or to Columbia. To better serve its community, Blessing continues to expand services, with much recent focus on behavioral health and local retail operations. By working with a children's treatment program and another not-for-profit mental health care agency, Blessing has expanded outpatient behavioral health services.

Blessing employs about 80 physicians, and the largest independent physician group in the service area is QMG with over 100 physician members (70 active medical staff), accounting for around 50% of Blessing's revenue. (Overall revenue percentages for QMG have declined as BHS-employed physicians have increased.) Although UnityPoint Health (formerly Iowa Health System) purchased a minority interest in QMG, management reports no significant changes to how QMG directs and manages its patients in the service area. Management reports that the relationship with QMG is stable and sound. As mentioned above, Blessing signed a non-ownership affiliation with Hannibal Clinic in February 2017. While the group is the primary physician base for Hannibal Regional Hospital, Blessing and Hannibal plan to work together to fill service gaps in some specialties and provide on-call coverage.

The greater service area and industry have experienced a declining inpatient admission trend during the past few years, but Blessing has seen some growth over the past few years as a result of physician recruitment and replacement as well as a focus on key service lines and partnerships with providers in the region. Acute care admissions increased almost 8%, to 12,374 in 2016. Through the first 11 months of fiscal 2017, inpatient admissions are 11,963 and are on pace to increase over the 2016 result. Management is projecting fairly flat inpatient admissions hereafter with modest growth in outpatient volumes given the industry trends.

Management and governance

Blessing's management team has been stable and is implementing strategies to maintain its organizational strength. Management continues to review and analyze the large competitive landscape as well as how health care reform and reimbursement trends might affect the organization. To that end, it has focused on expense controls and on investing in its physician base, and has historically focused on care coordination strategies that continue to evolve. Blessing joined the BJC Collaborative to help the organization prepare for some of the changes related to health care reform. Blessing is working with the BJC Collaborative to establish Collaborative Care Management Resources, which will help members explore risk-based contracting and value-based reimbursement models. In furthering community relationships and managing cost of care, Blessing formed Current Health Solutions, which helps manage health plan costs for employers by managing total cost of care of covered lives. The organization has four clients, and will add five

more at the beginning of 2018. Management has also effectively strengthened its balance sheet during the past few years to maintain some flexibility for challenges that may arise from reimbursement and from the shifts in the broader industry.

Table 1

Blessing Corporate Services Inc. and Affiliates Utilization				
	~11-month interim ended Aug. 31~		~End year ended Sept. 30~	
	2017	2016	2015	2014
PSA population	N.A.	166,000	166,000	166,000
PSA market share %	N.A.	59.8	58.1	57.4
Inpatient admissions*	11,963	12,374	11,481	11,203
Equivalent inpatient admissions	31,071	31,521	29,860	30,262
Emergency visits	39,459	45,731	41,339	41,339
Inpatient surgeries	2,558	2,857	2,518	2,520
Outpatient surgeries	13,797	13,825	13,291	12,353
Medicare case mix index	1.6100	1.5400	1.5400	1.4800
FTE employees	2,064	1,860	1,878	2,019
Active physicians	182	193	212	214
Top 10 physicians admissions %				
Medicare %†	32.0	33.3	33.2	34.8
Medicaid %†	15.1	13.8	9.7	6.7
Commercial/blues %†	49.9	51.2	54.6	54.5

*Excludes newborns, psychiatric, and rehabilitation admissions. †Based on net revenue. FTE Full-time equivalent. N.A.—Not available.
PSA—Primary service area.

Financial Profile

Financial policies

Our neutral assessment reflects our opinion that financial reporting and disclosure, investment allocation and liquidity, debt profile, contingent liabilities, and legal structure are appropriate for an organization of its type and size and are not likely to impair the organization's ability to pay debt service.

Financial performance

Operating performance remained strong in fiscal 2016, primarily because of ongoing successful expense management and increased volumes, as described above. Net patient revenue grew to \$379 million in 2016, from \$364 million in 2015. Excluding investment income, joint venture income, and unrestricted contributions, Blessing generated a healthy \$26.3 million in operating income (6.4% margin) in 2016 compared with \$17.5 million (4.4% margin) in 2015. Through the first unaudited 11 months of fiscal 2017 ended Aug. 31, operating income was a strong \$33.3 million (8.2% margin) and tracking slightly ahead of budget as a result of growth in revenue and volumes.

With the continued solid operations but somewhat weaker investment returns, Blessing's excess income totaled \$29.5 million (7.1% margin) in 2016 compared with \$23.4 million (5.8% margin) in 2015. In conjunction with a modest debt burden of 2.5%, MADS coverage was a robust 4.7 in 2016 and 6.3x through interim 2017. We anticipate that MADS

Attachment 33

WWW.STANDARDANDPOORS.COM/RATINGSDIRECT

OCTOBER 30, 2017 5

coverage will improve as debt service decreases during the next several years.

Liquidity and financial flexibility

Liquidity and financial flexibility remain sound for the organization, following some spending of unrestricted reserves in the second half of fiscal 2015 for the completion of the patient tower. Unrestricted reserves have grown through the first 11 months of fiscal 2017 to \$242.6 million, surpassing the previous record of \$222.2 million in 2014. Cash on hand was 228.7 days' as of Aug. 31, 2017, improved from the 214.8 days (\$216.9 million) at fiscal year-end 2016.

Blessing Foundation Inc., a sole purpose foundation dedicated to supporting the not-for-profit subsidiaries of BCS, holds about \$22 million of the total unrestricted reserves, which is included in the above unrestricted cash calculations. Unrestricted reserves to long-term debt was very good at 214.8% at Sept. 30, 2016, and has improved to 228.7% in fiscal 2017 to date with some rebound in unrestricted reserves.

Following the completion of Blessing's master facility plan identified in 2011, Blessing budgets about \$35 million in capital spending over the next five years. Capital plans include some smaller provider facilities, main building renovations, and routine improvements.

Debt and contingent liability profile

Overall leverage and debt-related metrics are modest and well within rating medians. Leverage (debt to capitalization) was strong at 22% at Aug. 31, 2017, showing slight improvement from 25% in 2016. Total debt outstanding was about \$98.5 million, of which approximately a third was fixed rate and two-thirds variable rate. However, over 70% of Blessing's total debt outstanding is considered contingent and although unrestricted reserves are enough to cover the contingent liabilities, we view the contingent liabilities as moderate given the balance sheet characteristics. Blessing has no puttable debt. As of January 2017, Blessing froze its pension plan to new benefit accruals. The plan was previously frozen to new entrants in 2010, but the benefit freeze will save Blessing approximately \$11.8 million in net periodic pension costs. Management expects to contribute \$858,000 in 2018, with an overall goal of contributing \$4.5 million to reach a funded status of 85%.

The series 2012A and 2012B bonds are Blessing's largest contingent debt. The two series amortize over 22 and 18 years, respectively, but the current terms are for seven years, with JPMorgan Chase Bank representing some medium-term renewal or refunding risk. And although risk is somewhat heightened for immediate acceleration around certain covenants (both financial and nonfinancial), most of the financial covenants are measured on particular dates, which would allow Blessing some time to plan for a way to fund the payment of debt if a covenant violation becomes likely.

Table 2

Blessing Corporate Services Inc. and Affiliates Financial Summary				
	~11-month interim ended Aug. 31~	~Fiscal year ended Sept. 30~		
	2017	2016	2015	2014
Financial performance				
Net patient revenue (\$000s)	380,139	378,530	364,323	328,077
Total operating revenue (\$000s)	408,491	411,020	395,579	357,154
Total operating expenses (\$000s)	375,218	384,863	379,075	341,777

Table 2

Blessing Corporate Services Inc. and Affiliates Financial Summary (cont.)				
	-11-month interim ended Aug. 31-	Fiscal year ended Sept. 30-		
	2017	2016	2015	2014
Operating income (\$000s)	33,275	26,357	17,504	15,377
Operating margin (%)	8.15	6.41	4.41	4.31
Net nonoperating income (\$000s)	4,161	3,085	5,924	11,454
Excess income (\$000s)	37,436	29,462	23,428	26,831
Excess margin (%)	8.07	7.11	5.82	7.28
Operating EBITDA margin (%)	37.6	11.07	10.27	10.04
EBITDA margin (%)	14.83	11.73	11.59	12.83
Net available for debt service (\$000s)	60,385	48,587	46,653	47,298
Maximum annual debt service (MADS, \$000s)	10,352	10,352	10,352	10,352
MADS coverage (x)	6.36	4.69	4.51	4.57
Operating-lease-adjusted coverage (x)	4.91	3.38	3.42	3.47
Liquidity and financial flexibility				
Unrestricted reserves (\$000s)	242,814	216,852	205,245	222,193
Unrestricted days' cash on hand	228.7	214.8	209.0	250.2
Unrestricted reserves/total long-term debt (%)	246.4	213.2	195.9	206.1
Unrestricted reserves/contingent liabilities (%)	351.4	333.6	285.6	324.4
Average age of plant (years)	10.4	13.1	12.7	13.8
Capital expenditures/depreciation and amortization (%)	112.5	194.3	253.2	266.4
Debt and liabilities				
Total long-term debt (\$000s)	98,475	101,711	104,784	107,797
Long-term debt/capitalization (%)	21.9	25.3	29.2	28.3
Contingent liabilities (\$000s)	68,043	70,644	71,870	68,503
Contingent liabilities/total long-term debt (%)	70.1	68.5	68.8	63.5
Debt burden (%)	2.30	2.50	2.57	2.81
Defined benefit plan funded status (%)	N.A.	64.82	58.09	72.80

N.A.—Not available



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

June 10, 2019

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

Re: Blessing Hospital Project Application

Per Section 1120.140 (B.) "Conditions of Debt Financing", of the Blessing Hospital Project Application. I attest that the selected form of debt financing for the project will be at the lowest net cost available.

By:

A handwritten signature in black ink, appearing to read 'Patrick M. Gerveler', is written over a horizontal line. Below the line, the text 'Patrick M. Gerveler, Treasurer' is printed.

State of Illinois
County of Adams

Signed before me on June 10, 2019 by Patrick M. Gerveler

A handwritten signature in blue ink, appearing to read 'Sandra E. McElhoe', is written over a horizontal line.

Signature of notary public



Attachment 36



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

June 10, 2019

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

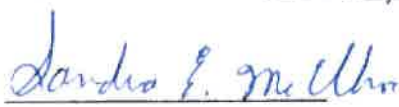
Re: Blessing Hospital Project Application

Per Section 1120.140 (A.) "Reasonableness of Financing Arrangements", of the Blessing Hospital Project Application. I attest that the total estimated project costs and related costs will be funded in total or in part by borrowing because borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

By: 
Patrick M. Gerveler, Treasurer

State of Illinois
County of Adams.

Signed before me on June 10, 2019 by Patrick M. Gerveler.


Signature of notary public



Attachment 36

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 ASC 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.



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

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 organizations.

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

MAK/sem



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

May 6, 2019

Via Hand Delivery & Email Communication

Carol Brockmiller, CEO
Quincy Medical Group
1025 Maine St.
Quincy, Illinois 62301

Todd Petty, MD, Chairman Board of Directors
Quincy Medical Group
1025 Maine St.
Quincy, Illinois 62301

Re: Termination of Joint Venture Proposal for the Surgery Center of Quincy

Dear Dr. Petty and Ms. Brockmiller:

As you know, Blessing Hospital submitted a proposal for a joint venture dated April 5, 2019 between Blessing Hospital and Quincy Medical Group ("QMG") in connection with the Surgery Center of Quincy located at 1118 Hampshire Street in Quincy, Illinois ("Joint Venture Proposal"). Inasmuch as QMG rejected the Joint Venture Proposal, this letter is to confirm that the Joint Venture Proposal is now terminated and is of no further force or effect. This letter is also to confirm that any and all other proposals by Blessing Hospital or Blessing Health System for a joint venture with QMG in connection with any surgery center have been previously terminated.

Sincerely,

A handwritten signature in black ink that reads 'Maureen Kahn'. The signature is fluid and cursive, with the first and last names being clearly legible.

Maureen Kahn, President & CEO
Blessing Hospital

MAK/sem



May 14, 2019

Maureen Kahn, President/CEO
Blessing Hospital
P.O. Box 7005
Quincy, IL 62305-7005

Re: Termination of Joint Venture Proposal for the Surgery Center of Quincy

Dear Ms. Kahn:

We are in receipt of your May 6 letter withdrawing any and all joint venture proposals for a surgery center. We are surprised and disappointed in your decision to do so, especially in light of your assurances that the joint venture proposal would not expire and was not contingent upon the Health Facilities and Services Review Board's decision on the certificate of need for our ASTC, a sentiment that was echoed by many members of the Blessing team during the public comment period at the HFSRB meeting on April 30.

Notwithstanding Blessing's termination of the joint venture proposal, QMG is committed to continuing conversations with Blessing Health System leadership on opportunities for our organizations to collaborate. Our board only recently met to discuss the April 5 joint venture proposal from Blessing, having understood the proposal was open-ended. In the spirit of collaboration we wanted to reach out again to discern your interest in minority ownership of the QMG Surgery Center. While we understand you have previously expressed no interest, our Board believes there may be benefit from continued collaborative discussions, including everything from shared ownership in both surgery centers (current and future), health benefit plans for both organizations that are supportive of each entity, and alignment on clinical initiatives that focus on quality and cost. The community has been clear that they want Blessing and QMG to have a positive, collaborative relationship—and so do we.

In support of such a relationship, we urge Blessing to not file an appeal of the HFSRB's approval of our ASTC. Not only would an appeal be baseless, but it would also require both of our organizations to expend valuable resources in litigation and further exacerbate tensions in the community. If Blessing has elected not to appeal the HFSRB's approval of our ASTC, conveying this decision to us would assure our physicians, staff, and patients that our organizations have put recent contentious events behind us and are moving forward together focused on the region's healthcare needs.



TO: Ms. Maureen Kahn
May 14, 2019
Page 2

Please respond as to your interest in continuing collaborative dialogue and your interest in ownership opportunities for either or both surgery centers.

Sincerely,

Dr. Todd Petty
Chairman, Board of Directors
Quincy Medical Group

Carol Brockmiller, CMPE
Chief Executive Officer

cc: Blessing Health System Board of Directors
Blessing Hospital Board of Directors

ORIGIN ID: CHIA (312) 819-1900 REBECCA LUNDSTROM POL SINELLI PC 1501 N. RIVERSIDE PLAZA SUITE 3000 CHICAGO, IL 60606 UNITED STATES US		SHIP DATE: 27AUG19 ACTWGT: 0.50 LB CAD: 250161944MSX3400
TO COURTNEY AVERY MICHAEL CONSTANTINO IL HEALTH FACILITIES & SERVICES RVW 525 WEST JEFFERSON STREET, 2ND FL SPRINGFIELD IL 62761		BILL SENDER
(312) 873-3616 INV: REF: 100709 806995 1724 PO: DEPT:	WED - 28 AUG 10:30A PRIORITY OVERNIGHT 62761 IL-US STL	
TRK# 7894 0873 6874 0201		
 		
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2. Place the label in a waybill pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.
3. Keep the second page as a receipt for your records. The receipt contains the terms and conditions of shipping and information useful for tracking your package.

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