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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

August 31, 2019

Rebecca Lindstrom
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Via Federal Express

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 Additional Written Comments

Dear Ms. Avery and Mr. Constantino:

On behalf of Quincy Medical Group ("QMG"), we submit the following additional comments regarding Blessing Hospital's proposal to establish a new ASTC on its hospital campus.¹

As set forth in the comments below, along with QMG's comments previously submitted to the Illinois Health Facilities and Services Review Board ("HFSRB"), Blessing Hospital has failed to submit required documentation in support of its project and should be required to submit the missing documentation in accordance with the HFSRB's rules. Additionally, as QMG previously articulated to the HFSRB, Blessing Hospital has failed to include a necessary party as a co-applicant to its application, thus, necessitating a Type A modification. The HFSRB's staff has also, on more than one occasion, requested additional information from Blessing Hospital, most recently on August 21, 2019 – just a little over a week ago. While Blessing Hospital responded to the HFSRB's most recent request for information, the response appears to have failed to include several referenced enclosures and leads to additional questions.

As of today's date, and according to the HFSRB's website, Blessing Hospital's project remains on the September 17, 2019 HFSRB meeting agenda. In light of the missing information, required modification to the project, and continuing and outstanding requests for information, QMG respectfully requests that the project be removed from the September 17, 2019 HFSRB

¹ QMG previously submitted written comments regarding Blessing Hospital's failure to include its parent company Blessing Corporate Services, Inc. ("BCS") as a co-applicant (letter dated August 27, 2019) and Blessing Hospital's failure to submit required physician referral letters (letter dated August 29, 2019). (Exhibit 1, August 27, 2019 Letter regarding Co-Applicant Non-Compliance, without exhibits; Exhibit 2, August 29, 2019 Letter regarding Physician Referral Letter Non-Compliance, without exhibits.)

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meeting agenda and deferred to a future HFSRB meeting so that Blessing Hospital can submit the required documentation and modify its project, and to allow the HFSRB's staff, and public, to have an adequate amount of time to fully review, analyze, and provide comment on the proposed project before it is presented to the HFSRB.

I. THE REQUESTED NUMBER OF RECOVERY STATIONS EXCEEDS THE STATE STANDARD, AND BLESSING SHOULD BE REQUIRED TO SUBMIT DOCUMENTATION EXPLAINING THE NEED FOR THE STATIONS.

Pursuant to the rules and procedure of the HFSRB, Blessing Hospital is required to demonstrate and/or document that the physical space proposed for its project is "necessary and appropriate" and that the proposed square footage is not in excess of the State's square footage standard. 77 Ill. Admin. Code § 1110.120(a)(1).

Blessing Hospital is proposing 28 recovery stations (6 for "Phase I Recovery" and 22 for "Phase II Recovery") and 6 operating rooms (3 operating rooms and 3 procedure rooms) for its new ASTC. (Blessing Hospital Application, p. 99.) The State standard, however, only permits a maximum of 4 recovery stations per operating room. 77 Ill. Admin. Code § 1110. Appendix B. As a result, Blessing Hospital's proposed number of recovery stations exceeds the State standard by 4 recovery stations.

In the event a project's square footage is outside or in excess of the State's standards, the HFSRB's rules require that the applicant submit documentation demonstrating the following:

- A) The proposed space is appropriate and neither excessive nor deficient in relation to the scope of services provided, as justified by clinical or operational needs; supported by published data or studies, as available; and certified by the facility's Medical Director; or
- B) The existing facility's physical configuration has constraints that require an architectural design that exceeds the standards of Appendix B, as documented by architectural drawings delineating the constraints or impediments, in accordance with this subsection (a); or
- C) Additional space is mandated by governmental or certification agency requirements that were not in existence when the Appendix B standards were adopted; or
- D) The project involves the conversion of existing space that results in excess square footage.

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77 Ill. Admin. Code § 1110.120(a)(2)(A)-(D).

Blessing Hospital did not submit documentation demonstrating any of the conditions set forth above. In fact, Blessing Hospital failed to acknowledge that it was proposing an excess number of recovery stations, inaccurately concluding that “[t]he size of the project is consistent with state standards.” (Blessing Hospital Application, p. 99.)

It is easy to understand why the HFSRB’s rule addressing the size of a project is in place. If a health care provider improperly or imprudently plans and overbuilds, it adds to the provider’s expense structure and ultimately leads to higher prices for patients and payors, including the Illinois Medicaid program. As mentioned in QMG’s written comment regarding Blessing Hospital’s failure to submit physician referral letters, (see Exhibit 2), such a result would go against the purpose of the Illinois Health Facilities Planning Act to ensure health care facilities and services are accessible and affordable.

Blessing Hospital is not simply relocating its existing ASTC into a new location. Blessing Hospital is discontinuing its existing ASTC and establishing a new, much larger facility (total of 35,756 square feet) that includes additional prep and recovery rooms and has more than 15,030 square feet than the existing ASTC. Blessing Hospital’s application also states that the project consists of more than 19,000 square feet of non-reviewable space for “Public/Admin/Bldg. Support” and 806 square feet of shelled space to purportedly allow for a future OR and support space along with the addition of cardiac catheterization services. (Blessing Hospital Application, 53, 107.) This is a significant and disproportionate amount of non-reviewable space in comparison to its proposed 16,000 square feet of clinical space. By comparison, QMG’s ASTC project proposed approximately 19,000 square feet of clinical space and only approximately 7,000 square feet of non-clinical space. (Exhibit 3, QMG Application, p. 51.)

Excessive recovery stations and square footage add to constructions costs and create a large expense footprint for an ASTC where no physician demand has been established through physician referrals. (See Exhibit 2 regarding lack of documented physician referrals.)

Blessing Hospital should be required to comply with section 1110.120(a)(1) and submit documentation to explain and attempt to justify the excess number of recovery stations.

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II. BLESSING HOSPITAL SHOULD BE REQUIRED TO COMPLY WITH CHARGE COMMITMENT REQUIREMENTS AND SUBMIT ITS OWN TABLE OF PROPOSED CHARGES AND COMMITMENT LETTER.

The HFSRB's regulations require that Blessing Hospital submit a statement of proposed charges, along with "a commitment that [the] charges will not increase, at a minimum, for the first 2 years of operation[.]" 77 Ill. Admin. Code § 1110.235(c)(9).

The HFSRB's regulation explicitly states that the purpose of this requirement is "to meet the objectives of the [Illinois Health Facilities Planning] Act, which are *to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process* [20 ILCS 3960/2]."

Blessing Hospital does not currently charge ASTC rates at its existing ASTC. Therefore, in order to satisfy one of the two charge commitment requirements, Blessing Hospital needed to submit a new fee schedule that would reflect the promised lower ASTC rates for its new ASTC. Rather than determine and prepare its own list of proposed charges, Blessing Hospital decided to simply take the table of proposed charges from QMG's ASTC project, Project No. 18-042, and insert it into its application as if it was its own work product. (**Exhibit 4**, p. 202-03 of Blessing Hospital Application and p. 118-19 of QMG's Application.) Blessing Hospital's actions suggest either careless or rushed planning, or conduct of a more insidious nature.

Further, as noted by QMG's Director of Revenue Cycle during the August 19, 2019 public hearing, the subject table contains charges for services and procedures Blessing Hospital does not currently perform at its existing ASTC, including, among others, cardiac catheterization procedures, urology procedures, and neurosurgery procedures (codes 36902, 52332, 52351, 52352, 52356, 63030, and 63047). Blessing Hospital, however, represented to the HFSRB and Quincy community that this project is simply a relocation, and that there will not be any new services added. Blessing Hospital should be required to prepare and submit its own list of proposed charges for its new ASTC – charges that accurately reflect the services it intends to perform and amounts it will charge at the new facility if approved.

Additionally, as noted above, the applicable regulation also requires that Blessing Hospital submit a commitment that its proposed charges will not increase for at least the first two years of operation. 77 Ill. Admin. Code § 1110.235(c)(9). Blessing Hospital stated in its

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application that a “letter following [the] table provides the commitment that these charges will not increase, at a minimum, for the first two years of operation unless a permit is first obtained.”

No such letter was submitted.

Blessing Hospital should be required to fully comply with section 1110.235(c)(9) - a regulation put in place to ensure that applicants follow through on promises made during the application process – particularly when proposing a lower cost delivery setting.

III. QMG’S ASTC IS RELEVANT TO THE HFSRB’S REVIEW AND ANALYSIS OF BLESSING HOSPITAL’S APPLICATION.

Throughout its application, Blessing Hospital references QMG’s recently approved ASTC as justification for its project – primarily arguing that it needs a new ASTC in order to compete with QMG. Yet, when Blessing Hospital addresses service accessibility, unnecessary duplication, and other applicable need or demand HFSRB criteria, Blessing Hospital is quick to minimize QMG’s ASTC and, instead, stresses or emphasizes that Blessing Hospital’s existing ASTC is the only IDPH-licensed ASTC in the geographic service area (“GSA”) of the proposed new ASTC. (Blessing Hospital Application, p. 197-198.)

It is the practice of the HFSRB that once a health care facility is approved or altered, the HFSRB’s staff promptly updates its inventory of health care facilities to reflect the resulting changes in the particular planning area. For example, following the HFSRB’s approval of QMG’s ASTC on April 30, 2019, the HFSRB promptly updated its inventory of health care facilities to reflect that Health Service Area (“HSA”) 3 now has a total of 5 ASTC facilities with 15 operating rooms. (Exhibit 5, June 5, 2019 Update to Inventory of Health Care Facilities.)

While QMG’s ASTC may not yet be licensed by IDPH, based on the HFSRB’s practice, the record for this project should reflect that another ASTC facility has been approved and is under development within the GSA, and the HFSRB’s staff analysis should incorporate utilization projected from that project. Even if Blessing Hospital’s project is presented and approved by the HFSRB on September 17, 2019, Blessing Hospital’s new ASTC will not be operational before QMG’s ASTC is licensed. As such, and in accordance with the HFSRB’s practice, it is prudent and necessary to consider and incorporate QMG’s ASTC in the HFSRB’s review and analysis.

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IV. BLESSING HOSPITAL'S CLAIMED COST SAVINGS WARRANT FURTHER REVIEW.

Blessing Hospital states in its application that “[c]ontinuing to lease space . . . is not a good long term financial decision” and that “rather than paying \$1.57 million in annual payments to QMG as Blessing is today, it is a better investment to relocate the ASTC to new construction on land owned by the hospital and on the hospital campus and manage the center.” (Blessing Hospital Application, p. 61, 84.) As QMG mentioned during the recent public hearing and Blessing Hospital subsequently clarified in a supplemental submission to the HFSRB, the \$1.57 million figure includes lease payments *and* management fees currently paid to QMG. (Blessing Hospital Supplemental Submission, Recap of Calculations, Aug. 23, 2019.) However, as Blessing Hospital acknowledged in its supplemental submission, Blessing Hospital has already given notice of its termination of the management agreement with QMG. Removal of the management fee - which Blessing acknowledged when opposing QMG’s ASTC is a fair and equitable fee – substantially decreases the annual payment amount on which Blessing Hospital bases its financial argument against remaining in the current leased space.

Additional questions remain regarding Blessing Hospital’s claimed cost savings in its lease alternative calculations. Are the significantly reduced operating expenses Blessing Hospital claims will result from moving to a new, much larger facility accurate or realistic? What is the cost of the interest payments on the bonds Blessing Hospital will use to fund the project? When comparing the cost to construct and operate Blessing Hospital’s new ASTC to lease and property tax payments Blessing Hospital would make if it were to remain in its existing ASTC, and using a 2.8% cost of capital, QMG expects that it will take approximately 24 years for Blessing Hospital to recoup the expenditure for the new project. By that time, will the equipment be outdated and in need of replacement? Additionally, Blessing Hospital repeatedly represented to the HFSRB and the Quincy community that due to now-existing competition in outpatient surgery services, it will lose \$40 million in net revenue, significantly impacting safety net services. Does Blessing Hospital no longer believe that to be the case? Is an investment of this size in a new, larger, more expensive facility (taking into consideration Blessing Hospital’s other recent sizeable investments²) in the best interest of the community and the best use of community resources? These are questions worthy of further consideration.

² See Blessing Hospital’s 2018 HFSRB-approved \$40 million project (Project No. 18-010) and Blessing Hospital’s 2018 HFSRB-approved \$50 million project (Project No. 18-013).



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V. BLESSING HOSPITAL FAILED TO PROVIDE AN ACCURATE AND COMPLETE REPRESENTATION REGARDING JOINT VENTURE DISCUSSIONS WITH QMG.

During the public hearing, QMG provided numerous examples of the contradictions, misstatements, inaccuracies, and mischaracterizations contained within Blessing Hospital's application. One such example pertains to Blessing Hospital's listed alternatives to the proposed project, specifically its description of the joint venture discussions that have taken place between QMG and Blessing Hospital. Notably absent from Blessing Hospital's application is any reference to the joint venture discussions that took place *after* QMG's ASTC project was approved and *before* Blessing Hospital filed the subject application to discontinue its existing ASTC and establish a new ASTC on its hospital campus.

On May 6, 2019, Blessing Hospital formally withdrew all of its prior joint venture proposals – including one that we understand Blessing Hospital told QMG would not expire and was not contingent upon the HFSRB's approval of QMG's ASTC. (Exhibit 6, May 6, 2019 Letter.) In the spirit of collaboration, however, we understand that QMG again reached out to Blessing Hospital to determine whether it had any interest in exploring joint ownership of QMG's newly approved ASTC. (Exhibit 7, May 14, 2019 Letter.) It is our understanding that Blessing Hospital did not provide a formal response to the letter, and, instead, filed the subject application seeking to discontinue its existing ASTC and construct a new ASTC on its hospital campus. While Blessing Hospital's application suggests that QMG rejected all efforts of collaboration – thus, leading to Blessing Hospital's filing of the subject application – the facts demonstrate otherwise.

As set forth above, QMG respectfully requests that the project be removed from the September 17, 2019 HFSRB meeting agenda and deferred to a future HFSRB meeting to allow Blessing Hospital to submit the requested documentation and modify its project, and for the HFSRB's staff, and public, to have adequate time to fully review and analyze the proposed project before presentation to the HFSRB.

Sincerely,


Rebecca Lindstrom

Enclosures – Exhibits 1-7

cc: Carol Brockmiller, CEO, Quincy Medical Group



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August 27, 2019

Rebecca Lindstrom
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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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Exhibit 1

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- 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.

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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.

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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

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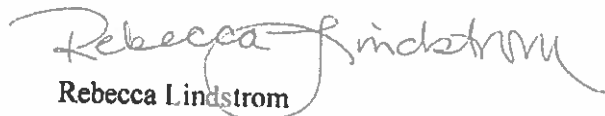
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II. A TYPE A MODIFICATION IS REQUIRED TO REMEDY BLESSING'S NON-COMPLIANCE.

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).



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August 29, 2019

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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
Submit Physician Referral Letters

Dear Ms. Avery and Mr. Constantino:

Our firm is legal counsel for Quincy Medical Group ("QMG"). This letter provides QMG's written comments on Blessing Hospital's failure to comply with the rules and procedure of the Illinois Health Facilities and Services Review Board ("HFSRB") regarding the submission of physician referral letters.

Pursuant to the HFSRB's rules and procedure, in order to justify the establishment of an ASTC facility, an applicant must document that the proposed facility is necessary to accommodate service demand based upon historical and projected referrals from area physicians. 77 Ill. Admin. Code § 1110.235(c)(3). The HFSRB's rules further set forth a list of detailed information that must be contained within the physician referral letters.¹ Key

¹ To demonstrate **historical demand**, "[t]he applicant shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application. The documentation of physician referrals shall include . . . i) patient origin by zip code of residence; ii) name and specialty of referring physician; iii) name and location of the recipient hospital or ASTC; and (iv) number of referrals to other facilities for each proposed ASTC service for each of the latest 2 years." 77 Ill. Admin. Code § 235(c)(3)(A).

To demonstrate **projected demand**, "[t]he applicant shall provide the following documentation: i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application; ii) Documentation demonstrating that the projected patient volume, as evidenced by the physician referral letters, is from within the GSA defined under subsection (c)(2)(B); iii) An estimated number of treatments the physician will refer annually to the applicant facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The

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Exhibit 2

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components, include, among others: (1) the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application; (2) the physician's total number of patients who have received care at existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application; (3) an estimated number of treatments the physician will refer annually to the proposed facility within a 24-month period after project completion; and (4) verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services. See 77 Ill. Admin. Code § 1110.235(c)(3)(A)-(B).

A review of Blessing Hospital's application reveals that no physician referral letters were submitted in support of the proposed facility. While Blessing has its own physician group, not a single Blessing physician submitted a letter pledging patient referrals to the proposed ASTC. Additionally, QMG physicians perform procedures at Blessing's existing ASTC on a daily basis, and, yet, Blessing Hospital never asked QMG physicians to pledge or commit patient referrals to its new ASTC. Blessing's labeling of the project as a mere "relocation" does not alter the physician referral letter requirement nor diminish the HFSRB's duty to ensure that before a \$21 million dollar health care facility is constructed, an applicant demonstrate the need for the facility in accordance with the HFSRB's rules.

Rather than follow the HFSRB's rules, Blessing Hospital submitted with its application a chart that it claims reflects "historical growth and referrals." (Blessing Hospital Application, p. 187-88.) The chart does not come close to complying with the HFSRB's rules documenting historical and projected referrals. See 77 Ill. Admin. Code § 1110.235(c)(3)(A)-(B). There are no individual physicians listed, no way to determine what or how many patient referrals come from a particular physician, and no verification that the patient referrals have not already been used to support another pending or approved CON application for the subject services.

percentage of projected referrals used to justify the proposed establishment cannot exceed the historical percentage of applicant market share within a 24-month period after project completion; iv) Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume; v) Each physician referral letter shall contain the notarized signature, the typed or printed name, the office address, and the specialty of the physician; and vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services." 77 Ill. Admin. Code § 235(c)(3)(B).

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Blessing Hospital further states in its application that “[t]he projected volume [for the proposed ASTC] is based on historical growth and the number of new cases Blessing expects to serve as a result of recruitment of new specialties to the Blessing Physician Services Medical Group, QMG’s commitment to not impact Blessing’s volume, Blessing’s move to ASTC reimbursement rather than hospital provider based outpatient rates and the location of the ASTC attached to the hospital by a covered walk-way.” (Blessing Hospital Application, p. 187.) These are unsupported, unrealistic, inaccurate, and illusory claims – *none* of which comply with the HFSRB’s rules regarding required documentation to demonstrate need and/or service demand.

In order to justify the ORs and procedure rooms proposed in its ASTC, Blessing Hospital must document that it will meet the State standard of 1500 hours per room by the second year of operation. Blessing Hospital boldly states that it will meet this standard. It reaches this conclusion by taking 2018’s actual, historical value and simply increasing it by a historical growth trend. Not only is this method insufficient to comply with the HFSRB’s rules, but it assumes that none of the existing volume at the existing ASTC will transfer to QMG’s new ASTC. This assumption directly contradicts Blessing’s previous claims to the HFSRB.² These are unsupported assumptions and unrealistic projections. Additionally, QMG physicians have already pledged a certain number of patient referrals to its new ASTC. Therefore, those referrals have already been used to support another approved CON application and cannot be used to justify Blessing Hospital’s proposed ASTC.

On August 26, 2019, Blessing submitted to the HFSRB a petition it described on the cover page as being “signed by 120 Quincy physicians[sic].” Exhibit 2, Blessing Petition. First and foremost, the petition does not pledge or commit any patient referrals to Blessing’s ASTC and fails to satisfy any of the explicit requirements of section 1110.235(c)(3). Additionally, while many of the signatures are illegible, a review of the somewhat legible signatures demonstrates that many of the individuals who signed the petition are, in fact, not physicians. Further, the last page of the petition includes a list of typed names - not signatures - of individuals from various professions – including, among others, nurse practitioners, a licensed clinical professional counselor, a director of retail services, and a support services manager for

² In opposition to Project No. 18-042, Blessing’s CEO stated: “The AST[sic] now proposed by QMG[sic] is a redirection of virtually all of the outpatient surgeries currently performed at Blessing Hospital and the existing ASTC[,]” along with “I will share with you that as of the first of this year [2019], our surgical volumes are down 2% in the organization, our overall volumes are down 12% . . . [t]here is a very different volume that is happening . . . [s]o when you use mathematical formulas from 2016 or 2017, they don’t necessarily always play out when you start to see shifts and changes in the environment.” Exhibit 1, Public Hearing Transcript, p. 21, 169.



August 29, 2019

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Blessing Physician Services. If Blessing Hospital took the time to prepare such a petition, why could it not take the time to comply with the HFSRB's rules and submit HFSRB-compliant physician referral letters?

Blessing Hospital's disregard for the HFSRB's rules and procedure should not be permitted – especially when the disregarded rule is crucial to the planning process. The physician referral requirement goes to the heart of the HFSRB's planning process. If a health care provider improperly or imprudently plans and overbuilds, it adds to the provider's expense structure and ultimately leads to higher prices for patients. Such a result would go against the purpose of the Illinois Health Facilities Planning Act to ensure health care facilities and services are accessible and affordable.

Blessing Hospital has not only failed to submit documentation required by the HFSRB's regulations, but it has failed to submit adequate documentation to justify the establishment of its proposed ASTC. The HFSRB should require that Blessing Hospital, like other applicants, comply with the HFSRB's rules and procedure and be required to submit the requisite physician referral letters needed to justify the establishment of its proposed ASTC.

Sincerely,

A handwritten signature in blue ink that reads 'Rebecca Lindstrom'. The signature is fluid and cursive, with the first name 'Rebecca' and last name 'Lindstrom' clearly legible.

Rebecca Lindstrom

Enclosures – Exhibits 1-2

cc: Carol Brockmiller, CEO, Quincy Medical Group

Cost Space Requirements (Departmental Sq. Ft.)

Department/Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Sq Ft That Is:		
		Existing	Proposed	New Const.	Modernized	As Is
CLINICAL/REVIEWABLE						
Surgery			10,240	10,240		
OBs and support			2,410	2,410		
Procedure rms and support			3,685	3,685		
Recovery						
Cardiac Catheterization			1,500	1,500		
CT Scanner			1,550	1,550		
Subtotal Clinical			19,385	19,385		
NON-REVIEWABLE						
Lobby, reception, waiting			1,690	1,690		
Public toilets, family room			500	500		
Lockers and lounge			925	925		
Storage			781	781		
Conference room			630	630		
Medical records			545	545		
Mech. bldg syst, hskcep			978	978		
Circulation			1,416	1,416		
Subtotal Non-Clinical			7,465	7,465		
TOTAL CONSTRUCTION *			26,850	26,850		900
Other Proj Costs						
Preplanning Costs	569,480					
Site Survey / Soil *						
Site Preparation *						
Off Site Work *						
Contingencies *						
A/E fees *	25,104					
Consulting, fees	440,364					
Moveable Equip, Furnish	4,850,742					
Bond Insurance Expense						
Net Int Exp Dur Constr *						
FMV/Leased space, eqpmnt						
- space	11,878,440					
- equipment	944,928					
Other Capital Costs						
- IT	1,085,000					
- artwork	125,000					
- signage	100,000					
Subtotal	19,519,058					
TOTAL PROJECT COSTS	\$19,519,058					

Notes:

1. Costs (*): Site Survey and Soil Investigation, Site Preparation, Off-Site Work, New Construction Contracts, Contingencies, the bulk of A/E fees, and Net Interest Expense During Construction are included in the FMV of leased space.
2. Space: The building accommodates 26,850 sq ft for the project's ASTC, cardiac cath service and CT scanner. The planned radiation oncology and infusion therapy services are not subject to CON review and are not included in the permit application. The building also includes vacant unused space that is not part of the project.

Table of Proposed Charges

CPT Code	Description	Fee
15823	Revision of upper eyelid	\$ 3,780
19301	Partial mastectomy	\$ 4,765
21025	Excision of bone, lower jaw	\$ 9,913
21040	Excision, benign tumor, mandible	\$ 4,406
26055	Incise finger tendon sheath	\$ 3,413
28285	Repair of hammertoe	\$ 5,922
28299	Correction hallux valgus	\$ 5,922
29827	Arthroscop rotator cuff repr	\$ 12,592
29828	Arthroscopy biceps tenodesis	\$ 12,592
29875	Knee arthroscopy/surgery, synovectomy, ltd	\$ 5,922
29880	Knee arthroscopy/surgery w/meniscectomy	\$ 5,922
29881	Knee arthroscopy/surgery w/meniscectomy	\$ 5,922
31623	Dx bronchoscope/brush	\$ 2,722
31624	Dx bronchoscope/lavage	\$ 2,722
31628	Bronchoscopy/lung bx each	\$ 5,313
31652	Bronch ebus sampling 1/2 node	\$ 5,313
33210	Insert/replace temp transvenous single chamber cardiac electrode or pacemaker catheter	\$ 18,076
36902	Intro cath to dialysis circuit w/transluminal balloon angioplasty	\$ 12,264
41010	Incision of tongue fold	\$ 2,743
42820	Remove tonsils and adenoids	\$ 5,948
43235	Egd diagnostic brush wash	\$ 1,971
43239	Egd biopsy single/multiple	\$ 1,971
43249	Esoph egd dilation <30 mm	\$ 3,193
43255	Egd control bleeding any	\$ 3,193
45331	Sigmoidoscopy and biopsy	\$ 1,882
45378	Diagnostic colonoscopy	\$ 1,882
45380	Colonoscopy and biopsy	\$ 2,483
49505	Prp i/hern init reduc >5 yr	\$ 6,474
49585	Rpr umbil hern reduc > 5 yr	\$ 6,474
49650	Lap ing hernia repair init	\$ 10,188
52332	Cystoscopy and treatment	\$ 5,858
52351	Cystouretero & or pyeloscope	\$ 3,788
52352	Cystouretero w/stone remove	\$ 8,536
52356	Cysto/uretero w/lithotripsy	\$ 8,536
58558	Hysteroscopy biopsy	\$ 5,451
58571	Tlh w/t/o 250 g or less	\$ 16,364
58661	Laparoscopy remove adnexa	\$ 10,188
58662	Laparoscopy excise lesions	\$ 10,188
60240	Removal of thyroid	\$ 9,703

Table of Proposed Charges

62270	Spinal fluid tap diagnostic	\$ 1,309
63030	Lamnoty incl w/decompression nerve root, 1 instrspc lumbar	\$ 12,592
63047	Laminec/facetect/foramin, lumbar 1 seg	\$ 12,592
64721	Carpal tunnel surgery	\$ 3,998
66984	Cataract surg w/iol 1 stage	\$ 4,819
G0105	Colorectal scrn; hi risk ind	\$ 1,882
G0121	Colon ca scrn not hi risk ind	\$ 1,882

Surgeries that require implants are subject to additional charges associated with the implants. Implant charges vary based upon what is utilized for any given case and reflect the implants that are used in the actual cases and are billed with a separate HCPCS code. Codes that are designated as "device intensive" by CMS for ASCs and/or other commercial payors require implants to be included in the charge at the CPT level; therefore, in those instances, the implant charge will be added to the CPT code charge. For example, if the implant charges are \$3,000 for a case, and CMS and/or commercial payor requires it to be added to the procedural charge, the procedural charge will be increased to include the implant charge. This is subject to CMS rules and regulations for specified codes that are adjusted annually, and may also be applicable to commercial payors with similar policies.

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UPDATE TO INVENTORY OF HEALTH CARE FACILITIES
6/5/2019

Planning Area	Change or Permit #	Effective Date	Identification and Description of Transaction
HSA 7	18-044	3/5/2019	Illinois Spine Institute, Schaumburg, received permit to establish a limited-specialty ASTC with 1 operating room for Orthopedic and Pain Management specialties at 500 West Golf Road in Schaumburg. Health Service Area 7 now has a total of 58 authorized ASTC facilities with 172 operating rooms.
HSA 9	Correction	3/5/2019	Southwest Surgery Center, Mokena, should be listed with 4 operating rooms, not 3, in the Inventory. One operating room added to Inventory. Health Service Area 9 now has a total of 10 authorized ASTC facilities with 29 authorized operating rooms.
HSA 7	E-013-19	4/30/2019	Naperville Fertility Center, Naperville, received exemption for change of ownership. No change in facility rooms or services.
HSA 2	E-014-19	4/30/2019	Peoria Ambulatory Surgery, Peoria, received exemption for change of ownership. No change in facility rooms or services.
HSA 7	18-047	4/30/2019	Ophthalmology Surgery Center of Illinois, Itasca, received permit to establish a limited specialty Ambulatory Surgical Treatment Center with 2 operating rooms for ophthalmology services at 1300 Arlington Heights Road in Itasca. Health Service Area 7 now has a total of 59 ASTC facilities with 174 operating rooms.
HSA 6	19-003	4/30/2019	River North Center for Reproductive Health, Chicago, received permit to establish an Ambulatory Surgical Treatment Center with 3 procedures rooms for Urology and OB/Gynecology services at 361 West Chestnut in Chicago. Health Service Area 6 now has a total of 22 ASTC facilities with 52 operating rooms.
HSA 3	18-042	4/30/2019	Quincy Medical Group Surgery Center, Quincy, received permit to establish a multi-specialty Ambulatory Surgical Treatment Center with 5 operating rooms and 3 procedure rooms for cardiovascular, colon and rectal surgery, general surgery, gastroenterology, neurological surgery, obstetrics/gynecology, ophthalmology, oral/maxillofacial surgery, orthopedic surgery, otolaryngology, plastic surgery, podiatric surgery, urology, and cardiac catheterization/pulmonology at 3347 Broadway in Quincy. Health Service Area 3 now has a total of 5 ASTC facilities with 15 operating rooms.
HSA 9	19-001	6/4/2019	OAK Ambulatory Surgery Center, Bourbonnais, received permit to establish an Ambulatory Surgery Treatment Center with 3 operating rooms for orthopedics, podiatry and pain management services at 8700 South LaGrange Road in Bourbonnais. Health Service Area 9 now has a total of 11 ASTC facilities with 31 operating rooms.
HSA 5	19-006	6/4/2019	Massac County Surgery Center, Metropolis, received permit to add pain management service to an existing Ambulatory Surgical Treatment Center at 1811 East 6th Street in Metropolis.
HSA 5	19-007	6/4/2019	Southern Illinois Orthopedic Center, Herrin, received permit to add pain management, neurosurgery and podiatry services to an existing Ambulatory Surgical Treatment Center at 510 Lincoln Drive in Herrin.
HSA 9	19-009	6/4/2019	Riverside Ambulatory Surgery Center, Bourbonnais, received permit to add orthopedic service to an existing Ambulatory Surgical Treatment Center at 300 Riverside Drive in Bourbonnais.
HSA 11	19-010	6/4/2019	Metroeast Endoscopic Surgery Center, Fairview Heights, received permit to add general surgery, plastic surgery and gynecology services to an existing Ambulatory Surgical Treatment Center at 5023 North Illinois Street in Fairview Heights.
HSA 7	18-002	6/4/2019	Retina Surgery Center, Niles, received permit to establish a limited-specialty Ambulatory Surgical Treatment Center with 1 operating room for ophthalmology service at 8780 West Golf Road in Niles. Health Service Area 7 now has a total of 60 ASTC facilities with 175 operating rooms.

Changes to End Stage Renal Disease

HSA 9	17-023	9/26/2017	Fresenius Medical Care of Oswego, Oswego, received permit to add 6 ESRD stations to an existing facility at 1051 Station Drive in Oswego. The facility will have 19 ESRD stations upon completion of the project. Health Service Area 9 now has a total of 276 authorized ESRD stations, with a calculated need for 25 additional stations.
HSA 7	17-025	9/26/2017	Fresenius Medical Care Crestwood, Crestwood, received permit to discontinue a 24 station ESRD facility at 4881 Cal Sag Road in Crestwood and to establish a 24 station ESRD facility at 4809 West Midlothian Turnpike in Crestwood. There is no change in authorized ESRD stations in Health Service Area 7.
HSA 1	17-027	9/26/2017	Fresenius Medical Care Sandwich, Sandwich, received permit to add 1 ESRD station to an existing facility at 1310 North Main Street in Sandwich. The facility will have 12 ESRD stations upon completion of project. Health Service Area 1 now has a total of 196 authorized ESRD stations, with a calculated excess capacity of 4 stations.
HSA 4	17-032	11/14/2017	DeVita Ilini Renal Dialysis, Champaign, received permit to discontinue a 12 station ESRD facility located at 507 East University Avenue in Champaign and to establish an 18 station ESRD facility at 1004 West Anthony Drive in Champaign. Health Service Area 4 now has a total of 197 authorized ESRD stations, with a calculated excess capacity of 11 ESRD stations.
HSA 9	17-034	11/14/2017	Fresenius Medical Care Naperville, Naperville, received permit to add 6 ESRD stations to existing facility at 2451 South Washington Street in Naperville. Facility is now authorized for 24 ESRD stations. Health Service Area 9 now has a total of 282 authorized ESRD stations, with a calculated need for 19 additional stations.
HSA 8	17-038	11/14/2017	Fresenius Medical Care South Elgin, South Elgin, received permit to establish a 12 station ESRD facility at McLean Boulevard and Bowes Road in South Elgin. Health Service Area 8 now has a total of 449 authorized ESRD stations, with a calculated excess capacity of 22 ESRD stations.

Exhibit 5

B *BLESSING* *Health System*

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,



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