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April 14, 2021

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Via E-Mail

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

Re: Quincy Medical Group Hospital, Project # 20-044

Dear Ms. Avery:

As you know, our firm represents the applicants for the above-referenced project. This letter is in response to Blessing Hospital's allegations pertaining to its sole community hospital ("SCH") designation.

As set forth below, based on the information supplied by Blessing Hospital to date, Blessing Hospital has not demonstrated that it will lose its SCH designation at the time Quincy Medical Group Hospital becomes operational. Further, as noted below, it is highly speculative to assert that Blessing Hospital, even with its SCH status, will continue to qualify for 340B status beyond this year, particularly because Blessing Hospital first qualified for 340B status *this year*, despite purportedly holding its SCH status for more than 28 years.

On March 22, 2021, Blessing Hospital's Chief Financial Officer ("CFO") submitted a letter to the Illinois Health Facilities and Services Review Board ("State Board") enclosing a January 6, 2021 report from an accounting firm. The accountant who authored the report stated that it was "likely" that Blessing Hospital originally qualified for SCH status under the requirements set forth in 42 C.F.R. § 412.92.¹ No further details were provided regarding Blessing Hospital's initial SCH qualification, aside from a statement by Blessing Hospital's CFO that pursuant to a "merger" 28 years ago, CMS approved Blessing Hospital's SCH designation.²

¹ January 6, 2021 Report from Mr. Frederick Helfrich, p. 1.

² March 22, 2021 Letter from Mr. Patrick Gerveler of Blessing Hospital to the State Board, p. 1. Of note, it is our understanding that while Blessing Hospital and St. Mary Hospital initially planned to merge, due to Blessing Hospital's desire to control the new hospital entity that would result from such merger, Blessing Hospital eventually purchased St. Mary Hospital.

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Importantly, nowhere in the accounting firm's report does it conclude that Blessing Hospital will lose its SCH status upon the State Board's approval of the proposed Quincy Medical Group Hospital or at the time Quincy Medical Group Hospital becomes operational. In fact, the report merely suggests that Blessing Hospital "could potentially" lose its SCH status at the time another acute care hospital facility in Quincy becomes operational and does not contain an analysis as to the reasons Blessing Hospital "could potentially" lose its SCH status as a result of the establishment of Quincy Medical Group Hospital in the community.³

While Blessing Hospital's CFO and counsel allege that Blessing Hospital will lose its SCH status by virtue of the establishment of Quincy Medical Group Hospital, they, too, have provided no analysis or explanation for their assertion. As such, Blessing Hospital's claimed financial loss of \$6.9 million, which it ties directly to its SCH status, is highly speculative.

Blessing Hospital's CFO also concludes that "[b]ecause of our SCH status, Blessing safely qualifies for 340B" and that it will be "more difficult" for Blessing Hospital to qualify annually for 340B status if it loses its SCH status.⁴ The accounting report submitted by Blessing Hospital, however, states that Blessing Hospital first qualified for the 340B program based on its 2020 cost report, and that Blessing Hospital's recent qualification was not due to its SCH status, but, rather, a DSH add-on percentage of 12.6% — "meaning that Blessing Hospital would now qualify for the 340B program *regardless* of its SCH designation."⁵ As such, the accounting report does NOT connect Blessing Hospital's recent 340B eligibility to its SCH status and does NOT conclude that the potential loss of Blessing Hospital's SCH designation would result in any financial loss to Blessing Hospital related to 340B drug pricing.

Notwithstanding the lack of any support for its conclusion that potential loss of its SCH status would meaningfully impact its 340B eligibility, Blessing Hospital's CFO goes further to suggest that if Blessing Hospital loses its SCH status, the community will lose \$7.8 million in pharmacy savings.⁶ Blessing Hospital references a study purportedly performed by the Advis group regarding "the 340B calculation".⁷ No such study has been produced to date, and Blessing Hospital has not demonstrated that there will be any negative financial impact related to 340B benefits due to the addition of Quincy Medical Group Hospital in the community.

³ January 6, 2021 Report from Mr. Frederick Helfrich, p. 1.

⁴ March 22, 2021 Letter from Mr. Gerveler of Blessing Hospital to the State Board, p. 2.

⁵ January 6, 2021 Report from Mr. Frederick Helfrich, p. 3 (emphasis added).

⁶ March 22, 2021 Letter from Mr. Gerveler of Blessing Hospital to the State Board, p. 2.

⁷ March 22, 2021 Letter from Mr. Gerveler of Blessing Hospital to the State Board, p. 2.

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Additionally, *even if* Blessing Hospital could demonstrate that, if approved by the State Board and once operational, the establishment of Quincy Medical Group Hospital in Quincy would, in fact, result in the termination of Blessing Hospital's SCH status, and that the termination would, in fact, result in a \$6.9 million annual loss in revenue to Blessing Hospital, that amount is **less than 1.5%** of its \$462,478,418 total revenue for the year 10/1/18 – 9/30/19.⁸ It is also worth noting that for the year 10/1/18 – 9/30/19, Blessing Hospital's unrestricted net assets were \$377,818,601.⁹ A loss of \$6.9 million per year is **less than 1.8%** of its available liquid assets.

Because SCHs are often the *only* source of hospital care for isolated rural Medicare residents, the enhanced reimbursement rates or payments provided to SCHs are intended to offset the anticipated higher costs incurred by SCHs in relation to their exclusive treatment of Medicare patients in the community. If the proposed hospital is approved, Blessing Hospital will not bear the higher costs alone as Quincy Medical Group Hospital will provide hospital care to Medicare patients who reside in the community. Further, despite Blessing Hospital's receipt of enhanced Medicare payments for more than 25 years by virtue of their SCH status, Blessing Hospital's inpatient charges remain above-average and have been cited as a significant concern to those in the community.¹⁰ Additionally, according to data reported by Blessing Hospital to the State Board, Blessing Hospital's percentage of commercial inpatient revenue is higher than 8 out of 10 hospitals in Illinois and more than double the median of other SCHs in Illinois.¹¹ Any potential financial revenue loss to Blessing Hospital is significantly outweighed by the many benefits, including enhanced patient care and significant cost savings, Quincy Medical Group Hospital will provide to the community.

⁸ Blessing Hospital 2018 990, 10/1/18 – 9/30/19, p. 9, ln 12.

⁹ Blessing Hospital 2018 990, 10/1/18 – 9/30/19, p. 11, ln 27.

¹⁰ *Assessing the Potential for Competition to Improve Inpatient Health Care Costs in Quincy, Illinois*, BSG Analytics, LLC.

¹¹ HFSRB 2019 Annual Hospital Questionnaire Data File, available at <https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Pages/default.aspx>.

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We appreciate your consideration of this letter. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,



Tracey L. Klein