



April 14, 2021

Via E-Mail

Members, Illinois Health Facilities and Services Review Board
Ms. Courtney Avery
Mr. Michael Constantino
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Quincy Medical Group Hospital, Inc.; Project No. 20-044
Public Comment Submission

Dear Members, Ms. Avery, and Mr. Constantino:

Quincy Medical Group (“QMG”) looks forward to appearing before the Illinois Health Facilities and Services Review Board (“Review Board”) on May 4, 2021 to present the Quincy Medical Group Hospital project, which has the unanimous support of QMG physician shareholders. In advance, we wanted to take the opportunity to confirm and provide clarity on a few issues relevant to QMG and the proposed project.

QMG has a rich history — more than 80 years — of providing high-quality, patient-centered care to residents in Quincy, Illinois and the surrounding rural communities. While QMG’s main campus is located in Quincy, Illinois, which has a population of approximately 40,000, QMG serves a population of *more than 400,000*. QMG is the fourth largest employer in Adams County with more than 1,000 employees and operates numerous healthcare facilities and practices sites throughout the Tri-State area (Illinois, Missouri, and Iowa). We are the largest taxpayer in the City of Quincy¹ and have significantly invested, and continue to invest, in our patients and the community through investments in new and innovative medical equipment, recruitment efforts to bring and retain highly-skilled providers to the Quincy area, and various public health and social initiatives. Our physicians have driven innovation in the healthcare sector. We are committed to enhancing the quality of care we provide to our patients, reducing overall healthcare costs in the region, and improving the health and social welfare of the communities in which we serve.

Quincy is located in Adams County. Currently, there is only one hospital in Adams County, and that hospital is the only full service, advanced acute care hospital in Illinois within 100 miles in every direction. By comparison, there are a number of Illinois counties with similar population size to Adams County with two hospitals — offering residents in those communities an essential choice in where they receive hospital and emergency care. We believe our patients and residents of Adams County deserve the same.

¹ City of Quincy Comprehensive Annual Financial Report, Year Ended April 30, 2019, p. 101, attached as **Exhibit 1**.

As set forth in the application, the proposed Quincy Medical Group Hospital has been structured, and will be operated, as a not-for-profit hospital. The hospital will not be a “for-profit small boutique hospital” as representatives of Blessing Health System have alleged in letters of opposition. Additionally, the Board of Directors of Quincy Medical Group Hospital will be composed of a majority of physicians, which we believe is essential to maintaining a true physician-led and governed hospital. Two experienced CEOs from regional hospitals are also expected to accept seats on the initial Board of Directors. To be clear, it is, and has always been our intention, to create a QMG Hospital Board of Directors that most certainly includes community members, and with a focus on inclusion. Further, QMG, as a physician-led and governed physician group, has always sought and implemented input from patients and the community in its decisions. QMG Hospital, as a QMG physician-led and governed non-profit hospital, will do the same. As of the time this letter was drafted, more than 265 letters of support for the proposed hospital had been submitted to the Review Board from QMG patients.

Many QMG physicians currently provide direct patient care at the local hospital in Quincy, Blessing Hospital. QMG physicians have also served, and continue to serve, in leadership capacity as officers of the Medical Staff and clinical department chairs. QMG physicians voluntarily serve on multiple committees of the Medical Staff, including the Medical Executive Committee, Credentialing Committee, Quality Review Committee, and Peer Review Committee. QMG has established a pattern and commitment of working with Blessing Hospital to improve the delivery of quality healthcare to patients in the region and has greatly contributed to Blessing Hospital’s achievements in this regard.

While the April 14, 2021 letter from counsel for Blessing Hospital acknowledges QMG physicians’ years of service to Blessing Hospital – including through numerous leadership roles – it fails to mention the recent actions taken by Blessing Hospital to significantly *diminish* QMG’s role in its partnership with Blessing Hospital. Several of QMG’s hospital contracts with Blessing Hospital have been terminated. As a result of recently approved amendments to Blessing Hospital’s Medical Staff Bylaws, Blessing Hospital will likely soon seek to exclude highly-qualified and patient-focused QMG physicians from continuing to serve in leadership roles at Blessing Hospital, including as officers of the Medical Staff and clinical department chairs. While QMG objected to the amendments, citing patient-related concerns among others, because QMG physicians lack meaningful control over the operations and governance of Blessing Hospital, the amendments were approved by Blessing Hospital’s Board of Trustees with minimal acknowledgment of QMG’s concerns.

Further, just a few paragraphs after promoting QMG physicians’ significant role in leadership positions at Blessing Hospital, the April 14, 2021 letter from counsel for Blessing Hospital accuses QMG as “historically refus[ing] to be the leaders in healthcare innovation and collaboration.” This is completely false. QMG physicians are true leaders in healthcare innovation and have made efforts and submitted various proposals to Blessing Hospital related to collaborative and alignment opportunities aimed at improving patient safety, quality, and

expense-reduction efforts.² Unfortunately, Blessing has expressed no interest in participating in such alignment and collaborative opportunities with QMG.

QMG is seeking to establish Quincy Medical Group Hospital to serve residents in the Tri-State area *alongside*, and not in replacement of, Blessing Hospital. The proposed small format hospital will allow QMG to deliver on its commitment to improve community health, enhance clinical outcomes, and reduce overall healthcare costs in the region. The proposed hospital is responsive to the needs and desires of our patients and the community and a *necessary* healthcare facility. Blessing Hospital currently has 327 beds and already controls 95% of all hospital beds in the planning area. By comparison, Quincy Medical Group Hospital will efficiently operate with 25 med-surg beds and 3 LDRP rooms. Further, as a result of careful planning and respectful consideration of the Review Board's objectives, and with the partnership of regional hospitals, the introduction of Quincy Medical Group Hospital will result in no more than 12 med-surg beds and 3 LDRP rooms added to the service area.

Quincy Medical Group Hospital will benefit patients and the community by introducing patient choice, increasing access to high-quality care, containing costs, reducing prices, improving quality, and encouraging innovation. These tremendous benefits to patients and the community, along with the numerous other benefits described in the application and letters submitted in support of this project, warrant approval of this project.

Additionally, I understand that a representative of Blessing Health System alleged in a letter of opposition posted to the Review Board's website today that QMG does not or will not accept Medicaid referrals from Blessing Hospital for dermatology or neurology services. This allegation is factually inaccurate, and we are greatly disappointed that such an accusation would be made without first appropriately verifying the information.

On behalf of QMG, I respectfully ask that you approve Quincy Medical Group Hospital on May 4, 2021.

Sincerely,

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

Dr. Todd Petty
Chairman of QMG Board of Directors

² See various documents detailing QMG's leadership, innovation, and efforts to collaborate and align with Blessing Hospital, attached as **Exhibit 2**.

City of Quincy, Illinois

Comprehensive Annual Financial Report

Year Ended April 30, 2019

City of Quincy, Illinois
Principal Taxpayers in the City
April 30, 2019

The largest taxpayers in the City based upon the Equalized Assessed Valuations:

Taxpayer	2007 EAV (Approximate)	% of City's EAV
QP&S Properties, Inc.	\$ 7,609,080	1.57%
Quincy-Cullinan LLC	6,043,410	1.24%
Wis-Pak of Quincy, Inc.	3,590,290	0.74%
Orix Sanson Quincy Venture	2,873,300	0.59%
WalMart Real Estate Business	2,763,280	0.57%
Blessing Hospital	2,743,840	0.56%
Charles & Kathie Marx, TR	2,690,380	0.55%
Lowe's Home Center	2,179,820	0.45%
HyVee Inc	1,992,150	0.41%
NHPAHP Cedar Creek Crossing LP	1,986,200	0.41%
Quincy Residential Residence LLC	1,954,950	0.40%
Total of Top 11 EAV's	<u>\$ 36,426,700</u>	<u>7.50%</u>
Total for City of Quincy	<u>\$ 485,676,782</u>	

Source: Adams County, Illinois, Clerk's Office

Taxpayer	2018 EAV (Approximate)	% of City's EAV
QP&S Properties, Inc	\$ 6,871,760	1.04%
Quincy Cullinan, LLC	6,776,660	1.03%
The Blessing Corporate Services, Inc	4,407,060	0.67%
Walmart	6,062,880	0.92%
Menard, Inc	2,856,810	0.43%
TSG Quincy, LLC	2,749,940	0.42%
Koontz Properties, LLC	2,450,270	0.37%
Wis-Pak of Quincy, Inc.	2,329,860	0.35%
Quincy King Dev Co	4,256,720	0.65%
Mercantile Bank	2,144,200	0.33%
Total of Top 10 EAV's	<u>\$ 40,906,160</u>	<u>6.21%</u>
Total for City of Quincy	<u>\$ 658,812,012</u>	

Source: Adams County, Illinois, Clerk's Office



October 5, 2018

SENT BY E-MAIL

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

Dear Maureen:

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

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

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

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



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

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

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

Very truly yours,



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

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

1 In summary, this is a wonderful, exciting,
2 and much-needed project for our community.

3 I would ask that you free QMG, patients,
4 employers, and the region from the golden
5 handcuffs of what we experience to be an
6 overbearing health system. It is a monopoly.

7 Please show everyone how innovative and
8 creative Illinois is in the realm of health care.
9 Let physicians from QMG lead the way through high
10 quality, safe, and cost-effective health care
11 transformation for a bright and healthy future.
12 Please grant approval for the Quincy Medical Group
13 surgery center today.

14 Thank you.

15 DR. PETTY: Hi. I'm Dr. Todd Petty. I'm
16 a general surgeon at Quincy Medical Group and the
17 chairman of its board. As Carol mentioned, Quincy
18 Medical Group has been in Quincy now for over
19 80 years.

20 I wanted to briefly touch on our
21 affiliation with UnityPoint because comments from
22 the hospital have frequently tried to cast that in
23 a negative light, and I want to explain several
24 benefits that our patients have gotten from the

1 affiliation.

2 So we have affiliated with UnityPoint in
3 2012. It provided us access to EPIC, which is
4 often regarded as one of the best medical records
5 we can get.

6 Probably more importantly, though, it let
7 us be part of UnityPoint's ACO. As you know, ACOs
8 are intended to implement the Affordable Care Act
9 and incentivize us to improve our patients' health
10 care by providing excellent quality health that is
11 also cost-effective.

12 UnityPoint is a national leader in
13 accountable care management. At QMG we are
14 responsible for 10,000 of 85,000 covered Medicare
15 lives in UnityPoint's Next-Gen ACO, which is one
16 of only 16 in the country.

17 Our partnership with UnityPoint also
18 allows opportunities for new, innovative care
19 programs and the models that we otherwise didn't
20 have access to, things like Medicare waivers. We
21 have a Medicare waiver that allows doctors to
22 admit patients directly to a nursing home when a
23 nursing home is needed without an otherwise
24 mandatory three-day stay at a hospital, which

1 simply drives up costs. It also gives us access
2 to a Medicare waiver that allows us to provide
3 follow-up care for patients in their own home
4 after a hospital discharge.

5 As an aside but I think representative of
6 a good example of how we're willing to invest in
7 community health care, we recently purchased a
8 3T or 3 Tesla MRI. It's the only one within a
9 hundred miles of Quincy. It gives us the highest
10 quality image. It's also a quicker scan so the
11 patient's in the machine for a shorter period of
12 time. But despite offering cutting-edge
13 technology, our MRI fees are still below any local
14 competitor.

15 As mentioned, the purpose of ACOs is to
16 achieve high quality cost at a cost-effective
17 setting; however, cost-effectiveness is largely
18 dependent on the setting in which it's delivered.

19 We've noticed the facility fees set by
20 Blessing have significantly limited our ability to
21 achieve desired cost savings with our patients.
22 We've also heard directly from our patients how
23 these high costs negatively influence them
24 directly. Some patients leave Quincy just to

1 search for cheaper medical care elsewhere. Other
2 patients have postponed or completely forgone
3 needed medical procedures.

4 Several weeks ago Blessing announced its
5 intent to change the status of its surgery center
6 from hospital outpatient department to a
7 freestanding ambulatory surgery center. It's
8 about time. So they finally have taken some steps
9 to address the high facility prices that patients
10 and employers have been concerned with for years.

11 This step would not have been taken had we
12 not filed this CON application last fall. It is,
13 obviously, a direct result of that, shows our
14 competition's already working to decrease prices
15 in our community.

16 However, even if this process is followed
17 through with and even if they maintain the new
18 freestanding rates, that doesn't affect all the
19 outpatient surgery done at the main hospital. As
20 Dr. Polavarapu from Blessing mentioned earlier in
21 public comments, over 4,000 outpatient operations
22 are done at the hospital every year. Them
23 decreasing prices at the freestanding center
24 doesn't affect those costs at all.

1 It's also kind of hard to argue both ways
2 in terms of their fear of the financial penalty of
3 this project. We've heard numbers like \$40
4 million are going to be at risk. It's kind of a
5 sky-is-falling defense where they throw out the
6 most vulnerable and sympathetic fields like
7 behavioral health and trauma care.

8 What we didn't hear was a very well-off
9 hospital with a quarter billion dollars in the
10 bank saying that, "Well, we may need to pull our
11 belt a notch tighter and not build a new facility
12 building every year or two," which is what they've
13 been doing.

14 Our decision to propose the surgery center
15 involved a lengthy strategic planning process and
16 involved community input. We ultimately decided
17 we needed to go ahead with this because of
18 multiple unmet needs and concerns. One is the
19 pricing concerns I've already discussed, high
20 prices at both the outpatient facility and the
21 inpatient facility.

22 Another is service accessibility. There
23 are many procedures that can and should be done at
24 an outpatient facility that are currently done at

1 the main hospital or are simply not even available
2 in our community.

3 Another is for accommodation for projected
4 patient growth. So Blessing's own numbers support
5 significant outpatient growth in the future. We
6 need a facility not only to support that but to
7 allow the increased growth be done in a correct
8 facility and not pushed to the hospital.

9 Lastly, we need to accommodate expected
10 growth in physicians. So both QMG and the
11 hospital are actively recruiting. We've got
12 surgeon recruits out now. We're going to continue
13 to do so. We need somewhere for them to work.

14 Our project addresses these issues, and we
15 believe a strategic project is the best for both
16 our group and our patients and our city. There's
17 no doubt this project will have beneficial effects
18 from both an economic standpoint as well as a
19 health care standpoint for our community.

20 We believe the best location for our
21 surgery center is in Quincy. That's where most of
22 us live and, as a result, we filed this CON
23 application here in Illinois. However, if we
24 ultimately can't perform this plan in Illinois,

1 we'll have to consider our alternatives, which is
2 Missouri. The state of Missouri is less than a
3 mile from our main clinic building. It's actually
4 closer to our main clinic building than the
5 proposed surgery center site. It's also our
6 understanding that there is no CON process in
7 Missouri, so it's kind of a backup.

8 If the project is approved, though, our
9 doctors will continue to admit our patients to
10 Blessing Hospital, will continue to be faithful
11 staff members, participate in committees,
12 basically continue to provide excellent patient
13 care in the hospital when the hospital is the
14 appropriate setting.

15 We know that Blessing has their own
16 competing physician strategy. They have a large
17 multispecialty group in Quincy. They also raised
18 and spent \$30 million buying a large group in
19 Missouri.

20 We don't fear competition. In fact, we
21 think it makes us stronger. We certainly think it
22 drives prices down in town. We just ask for a
23 fair playing field.

24 You know, years ago when hospitals started

1 recruiting doctors, they told us, "We're not
2 trying to harm you guys; we just want to offer
3 patients choice." I think it's pretty apparent
4 from the degree of time and expense that they have
5 spent opposing an alternative facility they're not
6 really believing in patient choice, but they're
7 certainly interested in patient control.

8 I'll briefly touch upon the joint venture
9 that Carol mentioned. I think it's hard to even
10 call it a joint venture when there was zero
11 ownership by QMG as an organization.

12 So while I think our arguments and numbers
13 are compelling, before you vote in this process
14 I'd like you to ask yourself this one question:
15 Would I, personally, rather live in a community
16 where I have one facility that is widely
17 recognized to be expensive or, as a patient, would
18 I prefer to have a choice?

19 We intend to offer that choice in our
20 community. We prefer to do it in Quincy, and I'd
21 ask for your support.

22 CHAIRMAN SEWELL: Can we ask questions or
23 do you have more?

24 MR. WEBER: We have more. But -- what's



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February 13, 2019

Tracey Klein
(312) 873-3613
(312) 803-2183 Direct Fax
tklein@polsinelli.com

HFSRB Members
Ms. Courtney Avery
Mr. Michael Constantino
525 West Jefferson Street, 2nd floor
Springfield, IL 62761

RECEIVED

FEB 13 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

**Re: Quincy Medical Group Surgery Center, Project 18-042
Cooperative Venture**

Dear Members of the HFSRB, Ms. Avery, and Mr. Constantino:

We submitted a February 8, 2019 letter addressing how QMG's proposed project substantially conforms with all applicable HFSRB review criteria, including the Service Accessibility criterion. In that regard, we addressed whether a cooperative venture with Blessing Hospital would be feasible and in the best interest of patients and the community.

As noted in the letter, there have been numerous failed alignment efforts dating at least back to June 2018. While our client has advised that QMG considered a joint venture with Blessing for the proposed surgery center before filing the pending application, the alternative was not pursued further by QMG. It was QMG's impression that Blessing Hospital would not agree to a joint venture unless Blessing was the majority owner. Further, as noted in the letter, subsequent to the filing of the application, QMG and Blessing Hospital discussed a potential joint venture for the proposed surgery center at the proposed location. We were informed by our client that Blessing Hospital expressed no interest in a cooperative venture for the new surgery center at the proposed location.

On the evening of Monday, February 11, 2019, subsequent to our February 8, 2019 letter, we understand that Blessing submitted a written proposal to QMG physicians regarding a joint venture with QMG for the *existing* surgery center at 1118 Hampshire Street. **Of importance, the "non-binding expression of interest" proposal was not in relation to QMG's proposed surgery center currently pending HFSRB approval.**

While it is our understanding that QMG does not customarily share its business dealings with the public, in the interest of full transparency, QMG wanted to ensure that the HFSRB was aware of the proposal as we anticipate it could be perceived as relevant to QMG's application.

polsinelli.com

Atlanta Boston Chicago Dallas Denver Houston Kansas City Los Angeles Miami Nashville New York
Phoenix St. Louis San Francisco Seattle Silicon Valley Washington, D.C. Wilmington

Polsinelli PC, Polsinelli LLP in California

67285961.1

Exhibit 2-3

February 13, 2019

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Blessing's joint venture proposal in relation to Blessing's *existing* surgery center set forth a number of terms, including, but not limited to, the following:

- Blessing would retain the majority of equity in the surgery center - at least 60%;
- Blessing would "plan[]" to syndicate up to 40% ownership in the surgery center to "eligible" physicians who could purchase equity ownership interests for cash at fair market value and for those physicians it would "make the most sense" to be investors;
- QMG physicians with equity ownership would be required to enter into a non-compete agreement, prohibiting the physicians from owning or managing another ASTC within 30 miles of the surgery center for the duration of their ownership and three years following termination or withdrawal of their ownership, with no mention of any similar non-compete requirement for Blessing physicians; and
- If QMG was interested in the proposal, QMG would be required to immediately withdraw its CON application for the new surgery center at the proposed location.

QMG is appreciative of Blessing's proposal and remains open to continued discussions with Blessing, especially as they relate to improving care and services for the Quincy community. Further, QMG is pleased that, according to Blessing, it is in the process of designating the status of its existing surgery center from a hospital outpatient department to a freestanding ambulatory surgery center. It appears that Blessing is finally taking steps to address the exorbitant facility fees that have caused great angst for local residents and employers for years, steps that would likely not have been taken had QMG not filed its application in late October 2018. This is clear evidence of the beneficial effects of competition.

Even if Blessing proceeds with its designation change and, once obtained, begins charging lower facility fees based on ambulatory surgery center rates rather than hospital outpatient department rates, the need for a new surgery center remains. QMG has repeatedly articulated that the need for the new surgery center is not based solely on reducing costs. QMG's proposed surgery center will, among other benefits, increase patient access to various outpatient procedures, improve quality of care, increase patient choice, economically benefit the Quincy community, offer cardiac catheterization services, accommodate future projected volumes, and further the strategic mission of QMG. As such, Blessing's purported move toward reducing its high facility fees is merely one part of the equation and does not solve the issues with the existing surgery center nor eliminate the need for QMG's proposed surgery center.

Please do not hesitate to contact me with any questions. Thank you for your continued assistance.

Sincerely,

Tracey Klein



February 25, 2019

SENT BY E-MAIL AND OVERNIGHT DELIVERY

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

Dear Ms. Kahn:

We are writing in response to your February 11, 2019 letter, which set forth a written proposal for a joint venture with QMG physicians in relation to ownership in Blessing's surgery center on Hampshire Street. The proposal, or "non-binding expression of interest" as it was so termed in your letter, was disappointing to our physicians on many levels.

At the outset, we note that we so doubted the authenticity of the proposal that we debated whether a formal response should be provided at all. Quite frankly, we do not view the proposal as a sincere effort by Blessing to partner or collaborate with QMG. Rather, the proposal appears to be merely another aspect of your ongoing campaign to oppose QMG's CON permit application for a new surgery center in Quincy. The support for this view lies in the proposal's stated terms, specifically:

- "Blessing . . . will retain the majority (no less than 60%) of the [surgery center]'s equity."
- "Blessing plans on syndicating up to 40% ownership in [the surgery center] to eligible physician owners who may purchase equity ownership interests for cash at fair market value."
- "[Blessing] will want to discuss which QMG physicians make the most sense as investors in [the surgery center]."
- "[A] corporate partner must serve as the exclusive manager of the [surgery center]."
- "[A]ll physician equity owners . . . will agree to non-competition and non-solicitation provisions . . . [which] will require a physician owner cannot own or manage another ASC within 30 miles of [the surgery center], and that this covenant not to compete will extend three (3) years following any physician equity withdrawal or termination from [the surgery center]."

Your February 11, 2019 letter required that QMG provide Blessing with a written expression of interest by March 4, 2019 - the day before QMG's CON project is up for approval



before the Illinois Health Facilities & Services Review Board ("Review Board") – or the proposal would be withdrawn. Further, your letter required that if QMG had any interest in pursuing the proposal, QMG must immediately withdraw its CON application.

As we have repeatedly discussed with you in the past, we believe that our CON project is needed in the community and essential to our survival and growth. To ask us to abandon our project without a realistic alternative suggests that Blessing's proposal was not made in good faith. Of specific concern is the fact that Blessing distributed the proposal to the press and Review Board before our Board of Directors had an opportunity to meet and discuss the proposal. This type of public posturing is below the dignity of Blessing Hospital's Board of Directors and damaging in the most extreme way to the business relationship QMG and Blessing have worked hard to maintain for the good of the community.

For all the above reasons, we view Blessing's eleventh hour joint venture to be a mere pretense to what we anticipate will be Blessing's request that the Review Board delay or defer consideration of our CON project (Project No. 18-042). While we remain open and willing to discuss authentic proposals made in good faith to align or partner with Blessing, we have no choice but to unequivocally reject Blessing's February 11, 2019 proposal.

Finally, we respectfully request that Blessing Hospital's Board of Trustees withdraw its opposition to QMG's CON application and discontinue Blessing's unbecoming and divisive campaign to discredit our physicians and block our efforts to grow and serve our patients. We believe in the strongest possible terms that this costly and divided campaign is a misuse of the charitable assets Blessing has a duty to protect.

Sincerely,

Todd Petty, MD
Chairman of the Board of Directors
Quincy Medical Group

Carol Brockmiller, CMPE
Chief Executive Officer
Quincy Medical Group

cc: Tim Koontz, Chairman, Blessing Corporate Services, Inc. Board of Trustees
Chris Niemann, Chairman, Blessing Hospital Board of Trustees

1 CON application has begun to change the landscape
2 of health care in Quincy and the region. Your
3 approval today ensures that that will continue.

4 Our efforts have awakened the hospital,
5 patients, consumers, the community, even QMG
6 physicians, and the team of so many who believe in
7 what we're doing and why.

8 We believe that the remaining speakers
9 here will answer any outstanding questions. We
10 want to be sure that we exhaust everything that
11 may be on your minds and, hopefully, earn your
12 approval for our project.

13 Thank you.

14 DR. PETTY: Hi. I'm Dr. Todd Petty.

15 I'm a surgeon and do basically all of my
16 operations at the hospital. I have worn a lot of
17 hats there before. I've been the department of
18 surgery chairman, the president of the medical
19 staff; I've served on the hospital board. But
20 tonight I speak to you as the board chairman for
21 Quincy Medical Group.

22 When we were here last, there were really
23 no concerns voiced regarding the technical merits
24 of our project, but there were concerns voiced

1 regarding the cooperative nature or lack thereof
2 that was being seen.

3 I think it's important, though, to
4 separate competition from a corporate strategy
5 level from collaboration and cooperation at a
6 clinical patient level. I think that we've done
7 very well with the cooperation from a patient
8 level for years.

9 We've got a great trauma program. Many
10 QMG physicians serve on various committees at the
11 hospital, are involved in inpatient quality
12 projects, cost efficiency projects. For example,
13 I'm currently one of the leads of the surgical
14 quality improvement team.

15 We've agreed to keep discussions with
16 Blessing about all potential collaborative and
17 employment opportunities, and we've met with them
18 a couple times in the last month.

19 We also sent them a comprehensive
20 alignment proposal again -- we sent the same thing
21 last summer -- that detailed shared clinical
22 responsibilities, cost savings, joint ventures,
23 even shared governance by the physician groups.
24 They're not interested in a broad collaborative

1 project such as that.

2 The competition is real in our community,
3 and I think that competition's okay as long as we
4 cooperate at the patient level.

5 They've recently expanded hours of the
6 existing surgery center, but, despite that, the
7 existing surgery center is still at capacity,
8 still has no blocks for new physicians. The
9 physical size of the rooms is just not adequate
10 for some of the new procedures that need to be
11 done. These limitations result in a lot of
12 outpatient surgeries being pushed to the hospital,
13 which is the inappropriate setting for it and much
14 more expensive.

15 Even if we looked into a joint venture
16 proposal at the current surgery center, that
17 doesn't address any of those problems. A new
18 facility site would.

19 Our surgery center will also provide the
20 community access to services and procedures not
21 currently available at the surgery center,
22 including neurosurgery, urology, certain
23 orthopedics, and EMT procedures. Regardless of
24 what service lines are currently approved at the

1 surgery center, the simple truth is there are many
2 operations that are not and cannot be done there
3 currently.

4 Those will be offered at our new surgery
5 center, which is why -- with all due respect to
6 the Board staff -- we believe our project should
7 have received a positive finding regarding service
8 accessibility criteria.

9 Without expanded service accessibility,
10 patients are forced to leave town or pay high
11 prices locally or simply forgo care. An example,
12 as I mentioned before, is a local farmer that had
13 a hernia that bothered him. He had no insurance.
14 He looked into a facility; they just quoted
15 \$30,000, but they'd drop it to 18,000 if he paid
16 cash. He didn't have 18,000 cash; he never got
17 his hernia fixed.

18 It's hardworking people like that that
19 deserve a choice in town. They deserve a
20 reasonable price, and they deserve good medical
21 care and he did not.

22 There's also a question in my mind that
23 it's not coincidental that the timing of the
24 recent joint venture was given or that the

1 hospital has now taken some steps to address some
2 of the limitations of the current surgery center,
3 including expanding hours, planning to drop
4 prices.

5 Those things are a direct result of our
6 application and being here today. It's also
7 because we have broad community support. It's
8 because we believe our project is technically
9 compliant.

10 Just the threat of competition has already
11 led to these improvements in our local area, so we
12 can just imagine the positive outcomes of seeing
13 it actually getting approval. And although it may
14 be somewhat counterintuitive, I think getting
15 approval for our own surgery center may actually
16 increase collaborative interest because we'll be
17 on a more equal footing.

18 The project before you today is a proposed
19 surgery center at 3347 Broadway. We've twice
20 offered Blessing an opportunity to enter into a
21 joint venture at that location and they've
22 said no.

23 We believe we've done everything required
24 from a technical reviewability standpoint and

1 everything asked of us at the last Board meeting
2 to justify approval of our project today. I'd ask
3 that you please do what is in the expressed
4 interest of the majority of our community and
5 approve this project.

6 Thanks.

7 MS. HELKEY: Thank you.

8 As I stated earlier, I'm Beverly Helkey,
9 H-e-l-k-e-y. I'm the executive director of the
10 Tri-State Health Care Purchasing Coalition located
11 in Quincy, Illinois.

12 Our coalition represents 50 employers and
13 more than 31,000 covered lives. We were founded
14 in 1991. Our coalition has worked with Blessing
15 and Quincy Medical Group for years, and we support
16 both providers. They have a history of working
17 together when it's beneficial to their patients
18 and to the community, and we expect that to
19 continue, for them to work together; however, a
20 co-owned or collaborative surgery center isn't in
21 the best interest of our community.

22 At the last Board meeting, it was
23 suggested that QMG engage and consult with a
24 third-party community leader who is not a health

1 care provider to help determine truly what's in
2 the best interests of the people.

3 CHAIRMAN MURPHY: Excuse me. I'm sorry.

4 Are you an Applicant? Are you part the
5 application? I mean, you -- the organization that
6 you just stated you were with, the --

7 MS. AVERY: Do you work for QMG?

8 MS. HELKEY: No.

9 MS. KLEIN: Chairman Murphy, I would just
10 address this real quickly.

11 We read Chairman Sewell's remarks to ask
12 us to consult with a community leader, and
13 Ms. Helkey is that.

14 MS. AVERY: Oh.

15 MS. KLEIN: She's not a community father,
16 but she's a community mother. And we read that as
17 a direct request of this Board.

18 CHAIRMAN MURPHY: Okay.

19 MEMBER HAMOS: But didn't you testify
20 earlier?

21 MS. HELKEY: I did.

22 MS. AVERY: In public testimony.

23 MEMBER HAMOS: She testified.

24 MS. AVERY: Mr. Sewell had asked --

1 MEMBER HAMOS: We're hearing the same
2 testimony twice at seven o'clock.

3 CHAIRMAN MURPHY: Sorry. We just wanted
4 to clarify.

5 MS. HELKEY: No -- thank you.

6 CHAIRMAN MURPHY: Thank you. Go ahead.

7 MEMBER HAMOS: I don't know why.

8 MS. HELKEY: So at the last Board meeting
9 you asked for an independent person that would
10 bring an unbiased, objective perspective to you so
11 that you could do that, and that's what we do as a
12 health care coalition.

13 Since 1991 we've been working with the
14 employers, and what we've heard from them on this
15 project is that our community supports Quincy
16 Medical Group but they adamantly oppose a co-owned
17 collaborative surgery center.

18 And I'd like to field questions from you.
19 Before I do, there's just a few things that I'd
20 like to let you know about some of the work that
21 we do so that you understand why our presence is
22 important.

23 We have tons of surgical outmigration that
24 leaves our community. And so the surgical

1 outmigration goes into Springfield, Illinois;
2 Columbia, Missouri; and St. Louis, Missouri. If
3 we can bring those people back to Quincy, we will
4 have enough patients to fill probably even a third
5 surgical center because the outmigration is so
6 huge.

7 And what Quincy Medical Group is offering
8 is a more affordable price, so it will increase
9 the opportunity for people to come back because
10 that's why most people really leave Quincy, is
11 because the cost is just too high.

12 And that's what we do. We track cost and
13 quality. Part of the thing that we do is we
14 purchase MedPAR data -- you're probably familiar
15 with that. And we purchase that through Quantros,
16 and Quantros was mentioned earlier today.

17 But what we do with Quantros is we
18 actually compare data to where our people go for
19 care. So we look at cost in Springfield and
20 Champaign, Peoria, into the St. Louis region. In
21 all of those cases, Blessing ranges 20 to
22 60 percent higher, and this has been a long-term
23 price increase for our community. It's spanned
24 many, many years.

1 And the other thing that I want to mention
2 about competition is that back in December I was
3 asked to come to Blessing Hospital and meet with
4 Maureen Kahn and Mr. Gerveler at a meeting.

5 And Ms. Kahn was absent that day, but
6 I did meet with Mr. Gerveler. And he wanted me to
7 know confidentially that they had made a decision
8 to decrease their ambulatory surgery rates by
9 30 percent, thereby Quincy Medical Group wouldn't
10 need to open a surgery center. So had they not
11 put in their certificate of need, I'm confident
12 those rates would have never gone down.

13 The other thing is about five years ago,
14 as a health care coalition we opened two
15 employer-sponsored health clinics. One of those
16 is still operational, and one of them is closed.

17 And Mr. Gerveler told me in that meeting
18 that the best thing that we ever did was to bring
19 a third party into Quincy and create competition
20 because it made them be a better provider.

21 Do you have any questions for me? Or do
22 we just want to --

23 CHAIRMAN MURPHY: Let's finish the -- your
24 presentation.

1 any questions this Board may have regarding the
2 cardiac cath procedures portion of this. I really
3 appreciate it and thank you for your attention.

4 MS. KLEIN: Good evening. My name is
5 Tracey Klein, K-l-e-i-n. I represent Quincy
6 Medical Group.

7 There's been a lot said today about
8 collaboration, and I feel the need to just set the
9 record straight.

10 Blessing Hospital today presented this
11 Board with a false choice, block competition for
12 Blessing or risk disharmony in the community. Had
13 Blessing Hospital not mounted this level of
14 opposition, there would be no disharmony in the
15 community. We would have received approval in
16 March and no -- and everyone would have been on
17 their way.

18 Nonetheless, I would note for the record
19 that QMG did hear the concerns raised by the Board
20 regarding the tone in the community, and we
21 followed Chairman Sewell's advice and involved the
22 community in our deliberations.

23 I want to say emphatically that Dr. Petty
24 picked up the phone and called the Blessing board

1 chair on March 13th, not vice versa. Dr. Petty
2 called. And Dr. Petty, in his quiet, dignified
3 way, suggested that Blessing and QMG board members
4 sit together and discuss how the two organizations
5 could work together. Specifically Dr. Petty
6 suggested a collaborative alignment initiative
7 could be a good way to begin, to walk before
8 you run.

9 This was a sincere and gracious offer on
10 his part, and he memorialized it in a letter that
11 he sent to Mr. Tim Kunz, the board chair, on 3/20.
12 I will say no response was received. None.
13 I don't believe there was a return letter on that
14 request.

15 Now, QMG had put some of these concepts on
16 the table in June of 2018, and there was no uptake
17 on that at that time, either. It was too big, too
18 broad.

19 If you think about it -- and some of the
20 new Board members have talked about their
21 experience in health care transformation, which
22 I thought was very helpful and inspirational.

23 Clinical alignments can do a lot of stuff
24 in the industry right now. You have a contractual

1 arrangement. You work on high-cost structures or
2 high-cost areas together. You can standardize
3 care delivery; you can do care the right way the
4 first time in the appropriate site of service.
5 It's huge for health care.

6 And that's the kind of collaboration our
7 doctors do day in and day out with Blessing, and
8 we were seeking -- Dr. Petty was seeking to expand
9 that initiative for the benefit of patients and
10 patient safety and for the benefits of patients in
11 terms of reduction of costs. There was no
12 response.

13 Against my advice he went further. On the
14 night of 4/17, when the -- they -- the two boards
15 did meet, he placed -- or he said to them -- said
16 to the Blessing board members and
17 administration -- "Are you sure you're not
18 interested in participating in our proposed
19 venture?" the one that's before you today.

20 And, you know, I was reluctant because --
21 if you all know, you know, 50/50 partnerships are
22 harder to get out of than marriages, so a 50/50
23 seemed hard to me -- and there are some legal
24 limitations in the antikickback statute regarding

1 how doctors that have primary care employees can
2 actually participate in a joint venture.

3 But anyway -- nonetheless, Dr. Petty made
4 the executive decision he was going to put that on
5 the table. And he said, "Do you, Blessing, have
6 any interest in partnership on our proposed
7 project?"

8 Blessing responded by saying, "We have no
9 interest and we will continue to oppose your
10 project."

11 I think that speaks volumes about the
12 motives that were on display today. There was no
13 mention of the letter to collaborate; there were
14 really no alternatives put forward. It's kind of
15 "You need to acquiesce on our proposed joint
16 venture for the existing surgery center or there's
17 no other collaboration that could be envisioned."

18 We, unfortunately, were put in an
19 uncomfortable position of looking uncooperative
20 unless we acquiesced in a joint venture for an
21 antiquated facility that the CEO has said is
22 slated for discontinuance in three years, that has
23 limitations of space and equipment, that is
24 already at capacity and cannot accommodate future

1 growth.

2 As Board Member Murphy noted, Blessing
3 Hospital's opposition is an outgrowth of their
4 resistance to competition. The truth is no
5 organization welcomes competition. Implicit in
6 the hospital's arguments today is that the
7 status quo is just fine, and the corollary to that
8 concept is that Blessing believes there's
9 sufficient ambulatory surgical capacity in Quincy.

10 What I think they're really saying, in
11 effect, is, "If there's additional surgical
12 outpatient volume that would, in our world, be
13 appropriately done in an ambulatory surgery
14 center, we" -- they think it should be done in a
15 hospital.

16 Now, what does that mean for patients? It
17 means HOPD rates that we know are approximately
18 30 to 50 percent higher than ambulatory rates.

19 And we all also know -- and I don't know
20 how this impacts exactly but -- their charges are
21 17 to 43 percent higher in the hospital than other
22 similarly situated providers.

23 Why am I saying this? Because your duty,
24 your charge -- and I know you know this -- is

1 about patients. It's about affordability of care.
2 It's about accessibility of care. It's not about
3 protecting a provider, especially one that's
4 operating in a high-cost, high-price universe
5 where there's been no competition. Your job is
6 about the patients.

7 And in this case we believe we've designed
8 something -- and our community partners have
9 said -- we've designed something that will help
10 the community, that would be good for patients,
11 and we request to have the opportunity to move
12 forward with this project in Illinois, in Quincy,
13 where our physicians have served their neighbors
14 and their friends and the hospital.

15 Thank you.

16 CHAIRMAN MURPHY: Does that conclude your
17 remarks?

18 MS. BROCKMILLER: Just a brief closing.
19 Sorry. I was listening intently.

20 In closing, we are passionate and
21 extremely proud of our project. It was carefully
22 designed to meet the needs of our patients in the
23 community.

24 And while at the same time meeting the



March 20, 2019

VIA E-MAIL & U.S. MAIL

Timothy Koontz, Chairman
Blessing Corporate Services, Inc. Board of Trustees
P.O. Box 7005
Quincy, IL 62305

Dear Mr. Koontz:

Thank you for taking my call last week. The purpose for my call was to discuss the March 5, 2019 CON Board meeting and whether Blessing would be interested in meeting to discuss collaborative and alignment opportunities.

As you know, our project received affirmative votes from three of the five CON Board members present at the meeting. The two remaining CON Board members abstained from voting after commenting at length on the adversarial nature of the comments made during the public comment portion of the meeting. QMG feels strongly that our project would have received unanimous approval had the CON Board not been flooded with negative, adversarial comments submitted at Blessing's request or on Blessing's behalf. The QMG Board has grown frustrated and tired of what we perceive to be improper opposition tactics implemented by or on behalf of Blessing since we filed our CON application last fall. These tactics were on full display at the CON Board meeting— which led to a lengthy and at times unnecessarily adversarial meeting and clearly frustrated several members of the CON Board and diverted attention from the true merits of the project.

A common theme mentioned by several CON Board members was the need for both QMG and Blessing to work together for the benefit of patients and the community. During our call last week, we agreed that our patients and the community want and need us to work together. Focus on patient safety and quality is of common interest. As you know from QMG's lack of opposition to Blessing's CON projects last year, QMG does not believe we need to collaborate on each and every project. However, we do need to maintain a professional relationship focused on putting patient safety and quality first.

As a physician group, patient safety is always our number one priority. Our project - which was carefully tailored to improve patient safety and quality while meeting the wants and needs of our patients and the community - has strong support from numerous employers in the Quincy area, elected officials, community organizations and leaders, patients, and other individuals.



TO: Tim Koontz, Chairman, BCS Board
March 20, 2019
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Following the CON Board meeting, we have continued to receive overwhelmingly positive comments from the community supporting the project and encouraging us to continue with our efforts.

While we are moving forward with our project and have requested to reappear before the CON Board, we want to assure Blessing that we have no intention of abandoning Blessing Hospital or Blessing's surgery center. We intend to remain members of Blessing Hospital's medical staff, continue serving on Blessing Hospital committees and sharing call at Blessing Hospital with various departments, and participating in EMTALA coverage at Blessing Hospital. We have no intention of changing those relationships and responsibilities simply by virtue of the establishment of a new surgery center.

As I mentioned during our call last week, QMG is agreeable to meet with Blessing and engage in good faith discussions regarding potential collaborative and alignment efforts. Our planning and legal team has explored potential joint venture options in relation to the proposed surgery center, along with the existing surgery center, and we have concluded that a joint venture option is likely not viable from a legal or business standpoint. Additionally, we have spoken with local employers and organizations since the CON Board meeting, and they have voiced reservations regarding any cooperative venture that would result in co-ownership of a surgery center between QMG and Blessing as they, like QMG, believe strongly that patient choice, competition, and cost reduction are good for both patients and the community.

There are numerous collaborative and alignment opportunities that we believe can be further explored. To that effect, I have enclosed a comprehensive proposal regarding various alignment opportunities for Blessing's consideration. The proposed opportunities for alignment include, without limitation, shared governance and clinical alignment through shared service lines. You may recall that we previously submitted this proposal to Blessing for consideration on June 25, 2018. We understand that Blessing was not interested in the comprehensive proposal at that time and that Blessing's Board felt it important to begin discussions on a smaller scale. Those discussions essentially stalled upon the filing of our application. QMG is optimistic that in light of the recent comments made by the CON Board and based upon community feedback, Blessing may now be willing to further explore these collaborative alignment opportunities on a smaller or more limited scale, including focusing on individual initiatives aimed at improving patient safety and quality. In addition to patient safety and quality, which are of utmost importance, QMG is also agreeable to collaborate and work with Blessing on expense reduction efforts – similar to a gain-sharing arrangement.

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If Blessing is interested and agreeable to meet and participate in a good faith discussion regarding the collaborative and alignment opportunities set forth in the enclosed proposal and mentioned above, QMG is agreeable and available to meet on either April 17 or April 22.

I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Petty", with a stylized flourish at the end.

Todd Petty, MD
Chairman, Board of Directors
Quincy Medical Group

cc: Julie Brink, Chairman, Blessing Hospital Board of Trustees
Maureen Kahn, President/CEO, Blessing Corporate Services
Carol Brockmiller, CMPE, CEO, Quincy Medical Group

Enclosure – Comprehensive Alignment Proposal