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April 1, 2022

**VIA EMAIL AND OVERNIGHT MAIL**

Ms. Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
("Board" or "HFSRB")  
525 W. Jefferson St., Second Floor  
Springfield, IL 62761

**Re: Quincy Medical Group ("QMG") Certificate of Need ("CON") Application (Project #20-044) (the "QMG Hospital Application" or "Project")**

Dear Ms. Savage:

I am writing in my capacity as outside legal counsel to Blessing Health System based in Quincy, Illinois ("BHS"), which operates Blessing Hospital and other health care services and facilities (BHS and Blessing Hospital referred to collectively as "Blessing"). As you know, Blessing opposes the QMG Hospital Application.

This letter is the third time we have approached the Board to express concerns about Quincy Medical Group's apparent December 2021 change of corporate control (the "QMG/Duly Transaction"). Rather than reiterate the backdrop in detail, I refer you to our two previous letters on this topic, dated February 7, 2022 and September 13, 2021.

In a nutshell, we believe the QMG/Duly Transaction resulted in Duly Health and Care, formerly known as DuPage Medical Group, assuming significant control over QMG. We also believe Duly, in turn, has very substantial financial backing from and control by Ares Management. Ares Management is one of the largest private equity firms in the United States. If QMG is, in fact, now indirectly controlled by a private equity firm - as we believe is the case - it raises profound concerns about the Project that have yet to be acknowledged by the applicants or addressed by the Board.

Despite our persistent efforts, reflected in numerous FOIA requests to the Board, we have not received sufficiently detailed information about the QMG/Duly Transaction, or the impact it would have on operation of the proposed QMG Hospital. QMG and its representatives have been unwilling to provide answers to questions that we have now posed multiple times.

We appreciate the Board's efforts in insisting on a Type A Modification to the application, and in holding a public hearing on March 18 in response to that modification. However, neither the modification nor the public hearing revealed the key features of the QMG/Duly Transaction.

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The applicants have doggedly characterized our inquiry as being satisfied by the superficial Type A Modification, and by Board staff's conclusion that Duly need not be a co-applicant to the QMG Hospital Application. In doing so, they choose to miss our central point – the QMG/Duly Transaction was not disclosed in the QMG Hospital Application and the particulars of that transaction have yet to be disclosed in connection with the application. This information is essential to the understanding of this project and its applicants. If this is a private equity backed effort by a large multi-state organization to build a “small format hospital” in rural Illinois, both the Board and the public need to know it.

Our broad understanding of the QMG/Duly Transaction, which we have developed primarily by reviewing materials produced in response to our FOIA requests and that are separately in the public domain, is as follows<sup>1</sup>:

1. The former Quincy & Surgeons Clinic, S.C., an Illinois professional service corporation, converted to Quincy Physicians & Surgeons Clinic, PLLC, an Illinois professional limited liability company (“Converted QMG Entity”).
2. As part of the QMG/Duly Transaction, ownership in QMG was modified, so that a UnityPoint – Designated Physician no longer owns 40% of QMG. Instead, a Duly – Designated Physician now owns an unspecified percentage of the Converted QMG Entity. The QMG Hospital Application continues to show UnityPoint ownership in QMG, and does not reflect Duly ownership in the Converted QMG Entity.
3. As part of the QMG/Duly Transaction, QMG transferred all or most of its “non-clinical assets” (which we assume means assets other than patient and clinical records) to a 100% Duly – controlled management company known as “Quincy Physician Administrative Services, Inc.” (the “Duly Management Company”). The QMG Hospital Application does not reflect this.
4. In addition, the Converted QMG Entity entered into a management services agreement with the Duly Management Company, through which we assume the Duly Management Company manages a wide range of QMG operations. The QMG Hospital Application does not reflect this.

All of this is relevant because both the Converted QMG Entity and the QMG Hospital entity are co-applicants on the QMG Hospital Application. And, while the Converted QMG Entity cannot own an interest in the QMG Hospital entity because it is set up as a non-profit taxable corporation, the Converted QMG Entity would control the hospital in its role as sole corporate member. Typically, the sole corporate member of a non-profit hospital has certain approval or

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<sup>1</sup> See attached slides, prepared by QMG representatives, and produced by HFSRB in response to FOIA 21-19. AFDOCS/25569518.1

direct powers over the non-profit entity, as reflected in the non-profit corporation's bylaws and other corporate documents.

We believe QMG would control QMG Hospital as its sole corporate member. Duly appears to exert significant control over QMG through the QMG/Duly Transaction. And private equity firm Ares Management appears to exert significant financial and other control over Duly.

QMG representatives have critiqued us rather forcefully as to our understanding of the QMG/Duly Transaction<sup>2</sup>, but at no point have they offered any meaningful detail about it. Moreover, much of what has been produced for us, in several Board FOIA productions, redacts or excludes details that would allow us to speak with greater certainty about the particulars of the structure of the Duly/QMG Transaction. As we have stated previously, any misunderstanding we may have is a direct result of the lack of detail from applicants.

We have done what we can to bring the QMG/Duly Transaction into the light of day. It now rests with the Board itself to seek additional information about the QMG/Duly Transaction, which clearly should be evaluated in the review of the QMG Hospital Application.

When the Board considers this QMG Hospital Application on April 26, it certainly has the right and, we believe, the affirmative obligation to ask the following questions of QMG representatives in order to evaluate the merits of the Project, and the qualifications, background and character of the applicants:

1. Does Duly now own a percentage of the Converted QMG Entity?
  - a) Is this through a designated Duly physician?
  - b) What percentage ownership does Duly hold?
  - c) What specific approval or direct authority powers does Duly hold in connection with the QMG? Does Duly hold a particular class of membership that gives it certain approval or direct authority rights in relation to QMG? For example, does Duly have approval power over certain expenditures or strategic initiatives of QMG? Can Duly direct certain actions by QMG?
2. What was the aggregate value received by QMG in connection with the QMG/Duly Transaction?
3. Are there any future performance benchmarks associated with the QMG/Duly Transaction that create financial, profitability, revenue, cost reduction or related incentives for the Converted QMG Entity or its owners?

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<sup>2</sup> See Transcript of Public Hearing on QMG Hospital Application (March 18, 2022) ("Public Hearing Transcript") at pp. 26-31.  
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4. What assets were transferred from QMG to the Duly Management Company?
  - a. What value did QMG receive in exchange for those assets?
  - b. What assets remain with the Converted QMG Entity?
  - c. Are the transferred assets now leased back to the Converted QMG Entity and, if yes, on what financial and business terms?
5. Has the Converted QMG Entity entered into a management contract with the Duly Management Company?
  - a. What are the financial terms of this arrangement?
  - b. What is the scope of the management services provided to QMG under management contract? Do they include:
    - i. billing and collections, revenue cycle management
    - ii. clinical or non-clinical staffing
    - iii. quality improvement
    - iv. performance improvement
    - v. strategic planning
    - vi. service expansion or reduction
    - vii. cost-containment efforts
    - viii. space and equipment leasing
    - ix. payer contracting
    - x. information technology and EHR
    - xi. insurance coverage
6. QMG has represented that it will retain clinical independence<sup>3</sup>. Will the Duly Management Company have any involvement in QMG's activities related to quality assurance, clinical protocols or best practices, risk management, clinical staffing patterns or complement, or electronic health records management?
7. What powers does QMG exercise over QMG Hospital as its sole corporate member? Does it have direct control or approval powers? If yes, what are they? Do they include any of the following:
  - a) Right to appoint or approve the Board of Directors.
  - b) A specified number or percentage of seats on the Board of Directors.
  - c) Approval of the hospital's financial assistance or charity care policy.
  - d) Approval of hospital expenditures or borrowing over a certain dollar threshold.
  - e) Approval of payer contracts, including Medicare or Medicaid arrangements.

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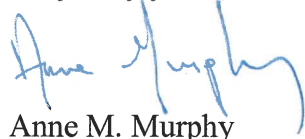
<sup>3</sup> Public Hearing Transcript at p. 9.  
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- f) Approval of service line expansion, initiation, reduction or elimination.
  - g) Referral of services from the hospital to other QMG – controlled facilities or sites.
  - h) Approval of the hospital’s strategic plan.
  - i) Approval of the hospital’s annual budget.
  - j) Approval of strategic affiliations or acquisitions.
  - k) Approval of any restrictions on medical staff membership.
8. Which entity or entities will own QMG Hospital’s assets?
9. What relationship will QMG Hospital have with the Duly Management Company? Will the Duly Management Company provide management services to QMG Hospital? If yes, what is the scope of those services? Please refer to the list of possible management services above under Question 5(b).
10. What relationship does the Duly Management Company, DMG IL Investments II, LLC or DMG Practice Management Solutions, LLC have, directly or indirectly, with Ares Management?
11. What is the overall financial, ownership and control relationship between Duly and Ares Management?

We ask the Board to pose these questions to the applicants and insist upon detailed answers, in order to fulfill the Board’s responsibility under the Act to: (1) undertake an evidence-based analysis of the Project, its impact on the community and the safety net; and (2) appropriately evaluate the “qualifications, background and character of the applicant to provide a proper standard of health care service to the community.”<sup>4</sup>

Thank you for your time and consideration.

Very truly yours,



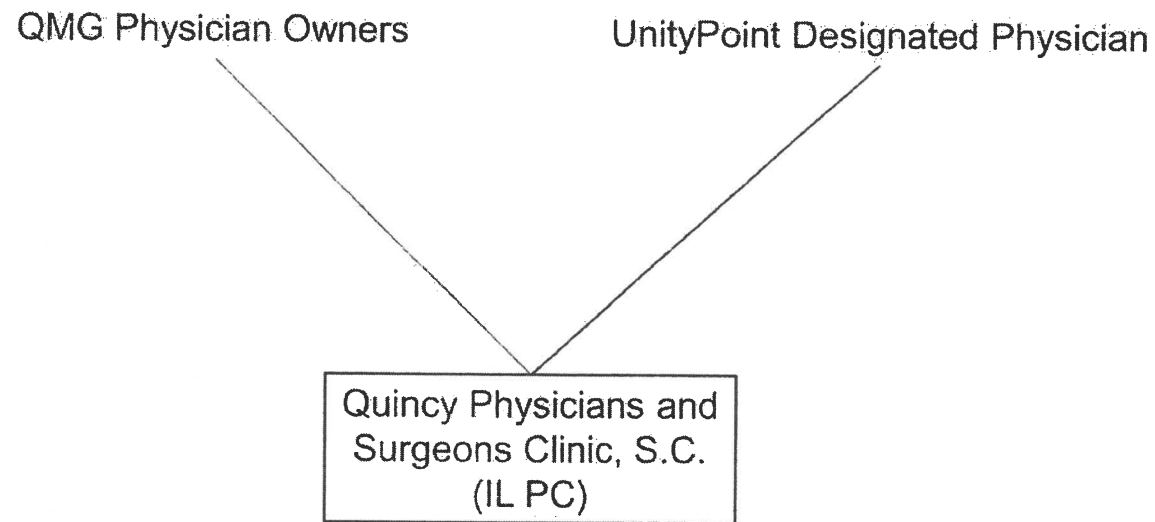
Anne M. Murphy

Cc: April Simmons, General Counsel for the Board  
Michael Constantino, Supervisor, Project Review Section for the Board

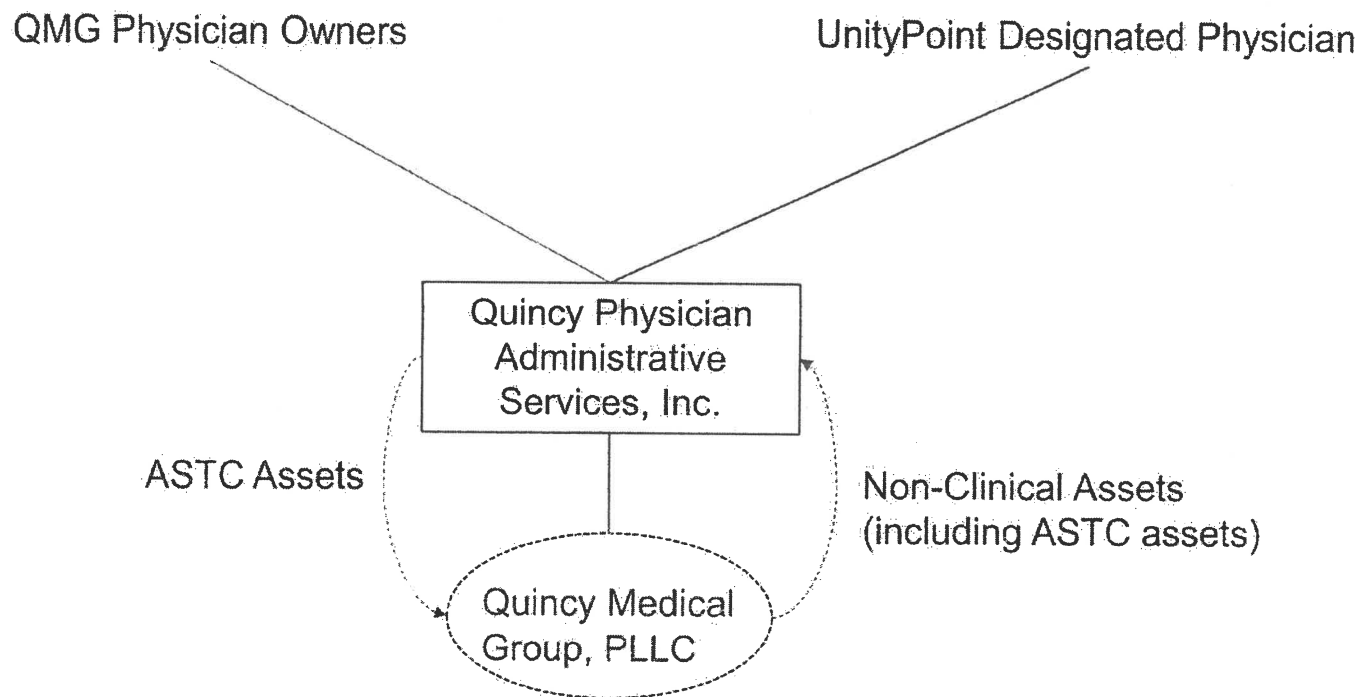
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<sup>4</sup> 20 ILCS 3960/2, 6(d).  
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# QMG Current Organizational Structure



# Conversion of QMG





# QMG Post-Closing Structure

