

Q&A SUMMARY SHEET

Quincy Medical Group Hospital – Project No. 20-044

QUESTION	ANSWER
Do HFSRB members have discretion to approve the project?	Yes. Illinois law is clear that <i>HFSRB members have the authority to exercise discretion</i> in approving permit applications, including applications that do not satisfy all applicable review criteria. HFSRB members can vote to approve this project if they determine the project is in the public interest. See April 6, 2022 letter from Polsinelli regarding the HFSRB’s authority and discretion to approve this project.
What is the purpose of the Illinois Health Facilities Planning Act?	To establish a procedure (1) which requires a person establishing a health care facility to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.
What are the objectives of the Planning Act?	<u><i>To improve the financial ability of the public to obtain necessary health services,</i></u> to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the public, <u><i>to maintain and improve the provision of essential health care services and increase the accessibility of those services to the medically underserved and indigent,</i></u> to assure that the reduction and closure of health care services or facilities is performed in an orderly and timely manner, and to assess the financial burden to patients caused by unnecessary health care construction and modification.
Can the HFSRB consider commercial insurance rates, Medicare and Medicaid costs, and price reductions?	Yes. The HFSRB must consider and evaluate the project as a whole, including all written submissions and testimony, in determining whether to approve a project. To prohibit or not allow HFSRB members to consider representations or commitments to reduce healthcare costs is inconsistent with the law (an objective of the Planning Act is to improve the financial ability of the public to obtain necessary health services), and would result in the HFSRB entirely failing to consider an important aspect of the problem QMG is trying to solve for and likely render a HFSRB decision denying a project where such representations or commitments have been made as arbitrary and capricious. See QMG’s July 26, 2021 submission for additional information.

<p>Should the HFSRB consider the commitments to discontinue beds from Memorial Hospital Association in Carthage and Culbertson Memorial Hospital in Rushville if QMG Hospital is approved?</p>	<p>Yes. The Board of Directors of both Memorial Hospital Association in Carthage and Culbertson Memorial Hospital in Rushville approved the redeployment of beds as part of an overall plan to transform healthcare delivery in the region and correct maldistribution. The commitments to discontinue beds reflect prudent planning and collaboration among healthcare partners in the region and can, and should, be considered in the HFSRB’s evaluation of the project. See commitment letters, attached as Exhibit 1. Similar commitments were considered by the HFSRB in relation to the Crystal Lake small format hospital, approved in 2017. HFSRB staff took into consideration the reduction in beds in assessing bed need in the Planning Area.</p> <p><i>If approved, QMG Hospital will only add 7-12 med-surg beds and 3 OB beds in HSA 3, and will only add 17-19 med-surg beds and 3 OB beds in the Planning Area.</i></p>
<p>How has the application changed since it was before the HFSRB in May 2021?</p>	<p>QMG has answered the HFSRB’s questions and concerns. In May 2021, HFSRB members referred to the project as “innovative” and a “breath of fresh air” and asked how the care delivery model would be different and whether the hospital would reduce the cost of care. <i>QMG has shown in its submissions that through its care delivery model and commitments on pricing, QMG Hospital will result in cost reductions and savings to the community, inclusive of capital costs.</i></p> <p>In addition, in order to allow the HFSRB to evaluate whether any potential financial burden to patients caused by capital costs associated with this project would be outweighed by the benefits of more affordable healthcare for the community, we provided a detailed analysis of the same in our July 26, 2021 submission.</p> <p>See July 26, 2021 submission for additional information.</p>
<p>Is Blessing a safety net hospital?</p>	<p>No. Blessing does not qualify as a safety net hospital as defined under Illinois law. See https://www2.illinois.gov/hfs/SiteCollectionDocuments/2021SafetyNetDeterminationEffective10012020.pdf</p>
<p>What are safety net services?</p>	<p>The Planning Act defines "safety net services" as services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.</p>

<p>Will QMG Hospital impact Blessing’s ability to continue providing safety net services?</p>	<p>Blessing, along with QMG, provides safety net services in Quincy. Blessing has amassed hundreds of millions of dollars on its balance sheet, and it has the financial ability to continue its current commitments without concern for price competition brought by a competing, yet much smaller hospital.</p> <p>Pursuant to Blessing’s counsel, Blessing’s “combined inpatient and outpatient charity care expense in 2020 was about \$6.6 million, calculated on a cost basis” according to its 2020 Community Benefit Report. In reviewing Blessing’s Community Benefit Report, it appears that only approximately \$7 million in reported community benefits (Charity Care and Community Health Improvement Services) would likely qualify as “true” safety net services.</p> <ul style="list-style-type: none"> • Blessing’s reported Medicare Funding Shortfall is not a safety net service • Blessing’s reported investment in Health Professionals Education is not a safety net service • Blessing’s reported investment in In-Kind Contributions/Donations is not a safety net service • Blessing’s reported investment in Community Benefit Operations is not a safety net service • Blessing’s reported investment in Subsidized Health Services (which includes the cost of care coordination) and reported Bad Debt would likely not be considered safety net services <p><i>We believe that \$7 million in reported safety net services compared to an operating income of almost \$82 million is <u>unremarkable</u> and that the addition of a 28-bed hospital will not affect Blessing’s ability to continue providing the same level of safety net services to the community going forward.</i></p>
<p>Will Blessing lose its sole community hospital status (“SCH”) once QMG Hospital is operational?</p>	<p>Unknown at this time. Any analysis undertaken at this time would be based on projections for a not-yet operational hospital (rather than actual inpatient days reported), and, to QMG’s knowledge, CMS has not made any determination regarding Blessing’s future eligibility.</p> <p>In the event CMS determines that Blessing no longer qualifies for its SCH status and enhanced reimbursement benefit, the claimed amount of annual revenue loss is less than 1.5% of its most recently published annual revenue.</p>

Will Blessing lose its 340B status if QMG Hospital is approved?	Unknown. Blessing first qualified for 340B status in 2021 based on its 2020 class grouping (despite having a SCH status for almost 30 years). Its qualification had nothing to do with its SCH status, and its own consultant (BKD) opined that “Blessing Hospital would now qualify for the 340B program regardless of its SCH designation.” ¹
Was it appropriate for Blessing to add 20 med-surg beds in November 2018 and another 20 beds in May 2021 while the QMG Hospital application was pending?	While permissible under the HFSRB’s regulations, the addition of beds suggests a need for more beds or an anti-competitive attempt to block new entrants. <i>Competitors do not have a right to be shielded from competition, and it is not the HFSRB’s responsibility to protect the market share of individual providers.</i>
Does the application list all necessary applicants?	<p>Yes. QMG, through its legal counsel and consultants, engaged in multiple discussions with the HFSRB’s General Counsel regarding its partnership/transaction with Duly and produced all documents requested by the HFSRB.</p> <p>The HFSRB’s General Counsel vetted the issue and issued a written determination that only QMG and QMG Hospital are necessary applicants. See February 15, 2022 Written Determination.</p>
Does the application provide all necessary and required information?	Yes. QMG has verified the same with the HFSRB’s General Counsel.
Will QMG cherry-pick low-acuity commercial payors for its hospital?	No. QMG Hospital is an Illinois not-for-profit corporation with charitable purposes and has committed to not cherry-pick commercial patients. QMG Hospital will not discriminate in any way against Medicaid or Medicare patients, and will treat all patients regardless of their ability to pay. As a group, approximately 50% of QMG’s visits are Medicare patients and approximately 10% are Medicaid patients – a high percentage for a physician group. QMG Hospital has a charity care policy and will provide financial assistance to those in need, including Medicaid patients.
What is a small format hospital? Are all small format hospitals for-profit?	<p>Hospitals come in all shapes, sizes, and formats. A small format hospital describes a hospital with fewer beds, typically under 50. Some small format hospitals are for profit, and some are not for profit. QMG Hospital is a not-for-profit hospital.</p> <p>See QMG’s July 26, 2021 submission for additional information.</p>

¹ See January 6, 2021 Letter from Frederick K. Helfrich, CPA, to Timothy A. Moore at Blessing Health System (attached to March 22, 2021 Letter from Mr. Gerveler).

Is QMG Hospital a not-for-profit hospital and will it provide charity care?	Yes. QMG projects QMG Hospital will provide over \$1.1 million in charity care in the first year of operation and over \$2.3 million in year 2, approximately 4.21% of net operating revenue. See ERDMAN feasibility report.
What does the ERDMAN feasibility report show and can the HFSRB consider it in its deliberations?	The ERDMAN report shows that QMG's proposed small format hospital is financially viable despite its commitment to reduce inpatient hospital pricing and accept Medicare and Medicaid patients, as well as charity care patients. The HFSRB should consider the report as it was submitted in response to HFSRB staff's concerns regarding financial viability.
How is QMG's model of care different?	<p>The mission and focus of QMG Hospital's model of care is to deliver care in the lowest, medically appropriate site of care, which, in most cases, will be the outpatient setting. QMG Hospital's physician-led and governed small format hospital will implement a physician-led triage function with the ultimate purpose of reducing the number of non-urgent patients in the emergency department and those ultimately added to the hospital. While physician-led and governed, QMG Hospital nurses will play a key role, with almost 50% of QMG Hospital's staffing comprised of nurses. With a focus on patient-centered care, the inpatient patient to nurse ratio will be 4:1.</p> <p>See QMG's July 26, 2021 submission for additional information.</p>
Will QMG Hospital reduce costs to working families?	Yes. The BSG report submitted on July 26, 2021 estimates Blessing's prices to be at 264% of Medicare. QMG has committed to keep its prices at 230% Medicare and to change the model of care to lower prices. Working families will experience lower co-insurance costs when they receive inpatient care at QMG Hospital.
Will QMG Hospital divert commercial patients from Blessing?	Possibly, especially if Blessing doesn't reduce charges to conform with peer group hospitals in the region. The benefits to the community, including working families, outweigh any potential diversion.
What percentage of Medicaid will QMG Hospital serve?	QMG projects that approximately 12% of all inpatients will be Medicaid patients and that 5% of the hospital's total revenue will come from treatment of Medicaid patients.
How much higher are Blessing's prices compared to other area hospitals and QMG Hospital?	The 2021 Adams County Needs Assessment, ² sponsored by Blessing, found that Adams County healthcare costs are 19.5% higher than the Illinois average. BSG Analytics, a prestigious benefits consulting and data analytics firm, found that Blessing charges 26% more for inpatient charges than other area hospitals. We don't know the exact percentage, but Blessing's prices are certainly above average.

² See 2021 Adams County Community Needs Assessment, <https://www.unitedwayadamsco.org/2021-community-needs-assessment>.

What is Blessing's current financial position?	Flush. Blessing had one-third of a billion dollars in unrestricted assets in 2019. Blessing's 2019 financial statements revealed \$377 million in unrestricted net assets, an amount that has increased by 91% in the past 5 years. Its 2020 financial statements report that unrestricted net assets increased to \$417 million. Blessing's cash also increased from \$59 million in 2019 to \$111 million in 2020 (an increase of 86%)!
What is the nature of the partnership between QMG and Duly?	In an over-simplification of a complex transaction, QMG and Duly entered into a strategic partnership. The QMG shareholders elected to sell QMG's non-clinical assets to Duly in exchange for cash and shares in Duly. QMG retained and continues to hold all clinical assets (i.e., provider agreements with physicians and other clinicians, Medicare enrollment and payor contracts with third-party payors, entity-level professional licensure, the QMG Hospital subsidiary and the QMG Birth Center). All clinical governance remains with the QMG clinical governance board. Post-closing, Duly (through its subsidiary, QPAS) is providing certain non-professional business support services needed to support QMG's clinical operations in order to benefit from Duly's economics of scale and the exchange of best practices. The QMG Birth Center and QMG Hospital will remain clinical assets of QMG PLLC.
What ownership interest will Duly have in QMG Hospital?	None. QMG Hospital is an Illinois not-for-profit subsidiary of QMG and will be governed by the QMG Hospital Board, to include community members. No distributions of profits or dividends of any sort will be received by QMG PLLC or Duly.
Has QMG been transparent with the HFSRB regarding its partnership with Duly Health and Care?	Yes. QMG has been open and honest with the HFSRB and provided all documents and information requested by the HFSRB regarding the partnership/transaction with Duly.
Can the HFSRB approve a project where a private-equity company is involved?	Yes. Within the past 3 years, the HFSRB has considered at least 10 applications that involved private equity companies. Counsel for Blessing represented a company with private-equity involvement in several of the applications, and the HFSRB did not inquire into the role of private equity in the operations of those facilities.
Will a private-equity company be involved with QMG Hospital?	No. QMG Hospital is an Illinois not-for-profit corporation with charitable purposes. No ownership or profit distributions will be made to any individuals or entities as all excess revenue will be reinvested into the hospital or the community.

<p>Is the CMS favorable advisory opinion affected by QMG's partnership with Duly?</p>	<p>No. All relevant facts relied upon by CMS remain the same. No ownership or profit distributions will be made to QMG or its physician shareholders as a result of hospital operations. Any and all relationships or arrangements between the hospital, QMG, physician shareholders of QMG, and any other potential referral sources will be reviewed by the Physician Transaction Review Board – an objective, disinterested group of community members – to ensure compliance with applicable laws and ensure that every aspect of the hospital's dealings are commercially reasonable and at fair market value.</p>
<p>Is approving QMG Hospital in the public interest?</p>	<p>Yes. The outpouring of community support for QMG Hospital received from all aspects of the Quincy community - including patients, community organizations, employers, and elected representatives - demonstrates that QMG physicians are a beloved resource and care for the community. QMG's innovations in healthcare also benefit the community in terms of access and lower costs, as well as economic development.</p>



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September 23, 2020

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, Illinois 62761

Re: Small Format Hospital in Quincy – Certificate of Need Permit Application [**Insert Project No.**]; Letter of Support and Commitment to Redeploy Beds

Dear Ms. Avery:

I am the Chief Executive Officer of Memorial Hospital Association (“MHA”), an 18-bed Critical Access Hospital located in Carthage, Illinois. The Board of Directors of MHA has authorized me to express MHA’s strong support for Quincy Medical Group (“QMG”) Hospital’s Certificate of Need application to establish a 25-bed small format hospital in Quincy, Illinois.

In October of 2020, MHA will celebrate serving the Hancock County community for 70 years. MHA is committed to delivering outstanding healthcare and ensuring every patient receives the best outcome every time. MHA has worked collaboratively with QMG, a multi-specialty physician group in Quincy, for many years to deliver specialized healthcare services to patients in our community. MHA and QMG share a commitment to improve rural healthcare services so that residents can continue to receive exceptional healthcare close to home. With QMG’s sponsorship and leadership, QMG Hospital will provide the region a fully integrated patient-centered healthcare system that will improve care coordination of rural healthcare services, enhance access to more affordable local healthcare, direct care to the lowest appropriate setting, improve the exchange of data between rural providers in the area, and reduce the overall cost of healthcare for both payors and patients. The proposed hospital is necessary to accomplishing these goals.

MHA and QMG have collaborated to improve rural healthcare with several regional healthcare providers. These efforts include QMG’s recently approved ambulatory surgery center, recently expanded telehealth program, and MHA and QMG collaborating to develop a “Hospital at Home” service. QMG and MHA have a strong partnership and have worked collaboratively for many years to deliver specialized healthcare services to patients in the Carthage community. QMG has committed to continue providing specialized physician services to Carthage in the years ahead. MHA is excited to continue partnering with QMG to redesign and improve rural healthcare and enhance the ability of our organizations to deliver exceptional, high quality, and efficient patient-centered care at a lower cost to our communities.

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opportunity provider and employer



MHA's Board of Directors has passed a resolution affirming the redeployment of 6 to 8 of its medical surgical beds to QMG Hospital. The redeployment will constitute a "Change in the Bed Count of a Health Care Facility" and will occur at or near the time QMG Hospital commences operations. MHA will provide notice at the time of its bed reduction pursuant to 77 Illinois Administrative Code § 1130.240. We believe this redeployment of beds is in the best interest of residents of both Hancock and Adams County. MHA is willing to redeploy these beds because it expects a change in the need for inpatient beds as a result of the COVID pandemic, changes in the health care market, and changes in the health care needs of its community.

MHA urges the Illinois Health Facilities and Services Review Board to approve QMG Hospital's application.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ada Bair".

Ada Bair
Chief Executive Officer

AB/sf

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, Illinois 62761

November 12, 2020

Re: Small Format Hospital in Quincy – Certificate of Need Permit Application [**Insert Project No.**]
Letter of Support and Commitment to Redeploy Beds

Dear Ms. Avery:

I am the Chief Executive Officer of Sarah D Culbertson Memorial Hospital (“SDCMH”), a 22-bed Critical Access Hospital located in Rushville, Illinois. The Board of Directors of SDCMH has authorized me to express our strong support for Quincy Medical Group (“QMG”) Hospital’s Certificate of Need application to establish a 25-bed small format hospital in Quincy, Illinois.

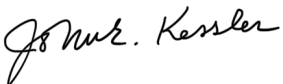
This coming year, SDCMH marks the major milestone of serving the Schuyler County community for 100 years. SDCMH is committed to delivering outstanding healthcare and ensuring every patient receives the best outcome every time. SDCMH has worked collaboratively with QMG, a multi-specialty physician group in Quincy, for over 15 years to deliver specialized healthcare services to patients in our community. SDCMH and QMG share a commitment to improve rural healthcare services so that residents can continue to receive exceptional healthcare close to home. With QMG’s sponsorship and leadership, QMG Hospital will provide the region a fully integrated patient-centered healthcare system that will improve care coordination of rural healthcare services, enhance access to more affordable local healthcare, direct care to the lowest appropriate setting, improve the exchange of data between rural providers in the area, and reduce the overall cost of healthcare for both payors and patients. The proposed hospital is necessary to accomplishing these goals.

SDCMH and QMG has collaborated to improve rural healthcare with several regional healthcare providers. QMG and SDCMH have a strong partnership and have worked collaboratively for many years to deliver specialized healthcare services to patients in the Rushville community. QMG has committed to continue providing specialized physician services to Rushville in the years ahead. SDCMH is excited to continue partnering with QMG to redesign and improve rural healthcare and enhance the ability of our organizations to deliver exceptional, high quality, and efficient patient-centered care at a lower cost to our communities.

SDCMH's Board of Directors has passed a resolution affirming the redeployment of 7-10 of its medical surgical beds to QMG Hospital. The redeployment will constitute a "Change in the Bed Count of a Health Care Facility" and will occur at or near the time QMG Hospital commences operations. SDCMH will provide notice at the time of its bed reduction pursuant to 77 Illinois Administrative Code § 1130.240. We believe this redeployment of beds is in the best interest of residents of both Schuyler and Adams County. SDCMH is willing to redeploy these beds because it expects a change in the need for inpatient beds as a result of the COVID pandemic, changes in the health care market, and changes in the health care needs of its community.

SDCMH urges the Illinois Health Facilities and Services Review Board to approve QMG Hospital's application.

Sincerely,



John E. Kessler
Chief Executive Officer
Sarah D. Culbertson Memorial Hospital