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April 6, 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 #021-029) (the "QMG Birth Center 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 Birth Center Application. We also want to explain to the Board that our recent decision to rescind the transfer agreement necessary for this Project to proceed is directly related to our concerns about QMG's new ownership and control structure.

This letter is the second time in connection with the QMG Birth Center application 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 previous letter on this topic, dated February 10, 2022.

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 Birth Center. QMG and its representatives have been unwilling to provide answers to questions that we have now posed multiple times.

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Based on the almost complete lack of transparency regarding the QMG/Duly Transaction, Blessing reluctantly decided to rescind the transfer agreement that QMG included as a necessary element of the Birth Center Application.

Blessing signed the transfer agreement in September 2021, months before the QMG/Duly Transaction was finalized. While Blessing had initial concerns about this possible change in control, it was speculative at that point, and Blessing had no way of knowing that QMG would refuse over the next six months to provide any details about the corporate deal once it closed. But QMG did refuse to provide any meaningful information about its new corporate relationship with Duly, or about Duly's relationship with Ares Management. To use QMG's own somewhat glib characterization, it is willing to show all of us superficial corporate name change information, but is unwilling to tell us, or anyone else, about the terms of the corporate "marriage" triggering that name change in the first place<sup>1</sup>.

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.

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 Birth Center Application. In doing so, they choose to miss our central point – the QMG/Duly Transaction was not disclosed in the QMG Birth Center Application and the particulars of that transaction have yet to be disclosed in the public domain.

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 establish a birth center in rural Illinois, both the Board and the public need to know it. This is especially important because the appeal of the birth center model is to expand access to innovative care for all women, including poor and medically underserved women.

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>2</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 –

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<sup>1</sup> See Transcript of Public Hearing on QMG Birth Center Application (March 8, 2022) ("Public Hearing Transcript") at pp. 10-11, 27.

<sup>2</sup> See attached slides, prepared by QMG representatives, and produced by HFSRB in response to FOIA 21-19. AFDOCS/25569518.1

Designated Physician now owns an unspecified percentage of the Converted QMG Entity. The QMG Birth Center Application 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 Birth Center 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 Birth Center Application does not reflect this.

QMG would directly own and control the birth center. 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>3</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 Birth Center Application.

When the Board considers this QMG Birth Center 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?

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<sup>3</sup> See Transcript of Public Hearing on QMG Birth Center Application (March 18, 2022) (“Public Hearing Transcript”) at pp. 26-29.  
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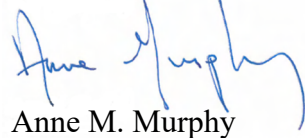
- c) What specific approval or direct authority powers does Duly hold in connection with the QMG? Does Duly hold a particular class of membership that gives it certain approval or direct authority rights in relation to QMG? For example, does Duly have approval power over certain expenditures or strategic 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?
- 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?
  - d. Will the Birth Center-related assets be transferred to the Duly Management Company?
- 5. Has the Converted QMG Entity entered into a management contract with the Duly Management Company? Will the terms of this management cover Birth Center operations?
  - 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>4</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? What about the clinical activities related to the Birth Center?
7. 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?
8. 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>5</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> Public Hearing Transcript at p. 10.

<sup>5</sup> 20 ILCS 3960/2, 6(d).

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