

April 5, 2022

VIA FEDEX

Debra Savage
Board Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62702

Re: Opposition to Quincy Medical Group Birth Center, Quincy, Project #21-029

Dear Chair Savage:

Please accept this letter on behalf of Blessing Health System (hereinafter "Blessing") in opposition to Quincy Medical Group ("QMG") Birth Center, Project #21-029 (hereinafter "QMGBBC"). Although Blessing strongly supports efforts to expand services for those in need of obstetrics/birthing services, QMGBBC would bring duplicative services to a region that already has an oversupply of obstetrics beds, would deprive rural areas truly in need of a birthing center from being able to be licensed, and is inconsistent with several aspects of the Alternative Health Care Delivery Act ("AHDA") (210 ILCS 3/1 *et seq.*).

Furthermore, the application for this proposed facility is incomplete as it no longer includes a valid transfer agreement with a hospital designated under the Perinatal System. As explained below, Blessing rescinded the transfer agreement due to the applicants' utter lack of transparency about the new ownership and control structure for QMG, despite numerous attempts by Blessing to receive information about it. While QMG has argued that Blessing "should have known" about this change of corporate control when it signed the transfer agreement in September 2021, in reality Duly did not assume control of QMG until December 2021. All Blessing knew about the change of control in September 2021 was media reports indicating that a "partnership" was being explored.

Only when it became clear that QMG was not going to share essential information about its new control structure did Blessing reluctantly rescind the transfer agreement. We have no doubt QMG will assert that this is evidence of Blessing's bad faith. Nothing could be further from the truth. Instead, Blessing is persevering in seeking transparency about the nature of this change in QMG's corporate control, and what it may mean for the community.

The QMGBC Application is Incomplete

Blessing has a long-established relationship with Quincy Medical Group (“QMG”) and, at QMG’s request, executed a transfer agreement for its CON application for a birthing center. Blessing did not execute this agreement because it supports approval of this project. Blessing executed this transfer agreement, despite its opposition to the QMGBC, to reflect its commitment to the Quincy, Illinois, community. However, Blessing was forced to rescind the transfer agreement as a result of QMG’s continued refusal to fully and properly inform the Board, the community, and Blessing of the control that will be exercised by Duly Health and Care (“Duly”), which we believe now controls QMG, and which in turn is backed by private equity group, Ares Capital.

Pursuant to 77 Ill. Admin. Code Section 1110.275, each applicant seeking to establish a birth center in Illinois must submit an application that includes a transfer agreement for emergency surgical backup¹ and to ensure inclusion in the Perinatal System² for the region. If this project were approved, Blessing is aware that QMG lacks both the hospital-level perinatal expertise and the medical staff to care for complicated birthing scenarios, thus making this transfer agreement necessary because it is prescribed in law and more importantly necessary to protect the interests of patients.

After considerable pressure by the public to be transparent regarding their recent acquisition, Board Staff found that this project’s applicants had changed and that a modification was required to be filed. After being forced to update their application, QMG filed a modification on February 25, 2022, and did the bare minimum to update their application information. The QMG modification filing failed to update the following sections of their application:

- Attachment 4- Their organizational chart does not contain the current ownership of the new applicant entity or any information regarding the transfer of non-clinical assets to a different entity controlled by Duly.
- Attachment 11- There is no mention of the acquisition of QMG by Duly nor does it explain for the public and the Board the role that private equity behemoth Ares Capital will have in the facility.
- Attachment 12- The purpose of the project section contains no updates as to the role of Duly in the proposed for-profit facility, nor does it describe any management or operational support agreements in place with Duly.
- Attachment 32- Given the acquisition of QMG by Duly and Ares Capital of their non-clinical assets, there is again no description of the role the new QMG owners will play.

Additionally, Blessing’s rescinding of the transfer agreement with the proposed QMGBC not only makes the application incomplete but also reflects another change in the application. If a

¹ 77 Ill. Admin. Code Section 1110.275(b)(6)(B)

² 77 Ill. Admin. Code Section 1110.275(b)(8)(A)

new transfer agreement were signed, then pursuant to 77 Ill. Admin. Code Section 1130.650 QMG would be required to file a second modification to their project before it could be properly considered by the Board. We would expect any such modification to be a Type B modification when filed.

As a result of the application not containing all required information under the ADHA it would be improper for the Board to consider Project #21-029 at this time as because it is incomplete. A transfer agreement for a Birth Center serves two primary purposes. First, under the Illinois Health Facilities Planning Act (“Planning Act”) (20 ILCS 3960/5.1), any applicant seeking to establish a facility with an Alternative Healthcare Delivery Model must obtain a Certificate of Need permit under the Planning Act. Further, the Board’s rules require that Birth Center applications contain a transfer agreement with a hospital capable to serve as an emergency back-up and ensure inclusion in the Perinatal System. The second purpose of a transfer agreement is that the Illinois Department of Public (“IDPH”) requires a transfer agreement to be in place prior to licensing such a facility.

With Blessing’s rescinding of the transfer agreement, we would request the Board Staff remove the application from the Board’s April 26, 2022, agenda until the application is again complete.

While Blessing remains opposed to the project in concept, it will reconsider the execution of transfer agreement with QMGBC, if the applicants will be transparent with the community and Board regarding its new ownership structure and the control that will be exercised on operations by Duly and Ares Capital. That said, Blessing likely will remain opposed to the project.

What Blessing did not realize at the time it was asked to execute a transfer agreement was that QMGBC’s CON proposal would be substantially dependent on diverting the obstetrics patient population currently served by Blessing’s hospital in Quincy, Illinois to its proposed birthing center. Blessing further was surprised to learn that QMGBC’s CON application would, in effect, prohibit access to much-needed birthing care in Planning Areas with OB bed shortages (unlike the over-supply in Planning Area E-05 in Quincy). Not only does the project appear to be designed to siphon an existing patient population away from Blessing for the benefit of QMG, but it seems to place the interests of QMG ahead of responsible health planning for the region.

As Blessing has an obligation both to its Adams County patient population and also to supporting access to obstetrics care in underserved areas throughout the state, Blessing is left with no choice but to oppose this CON application.

Duplicative and Unnecessary Obstetrics Services

There is no demonstrated need for birthing services in Adams County, and the QMGBC project would serve only the purpose of absorbing current patients from Blessing Health System, in violation of 77 Ill. Admin. Code 1110.275(b)(2)(B)(i).

Blessing Health System currently provides extensive non-emergency and emergency birthing services within its obstetrics department less than two (2) miles away from the proposed QMGBC. Blessing performed 1,046 live births in 2020.

As Blessing's obstetrics department is currently underutilized (approximately 64% bed utilization according to 2020 data³), the Board should anticipate QMGBC will primarily target the patient population already being served by Blessing located only a short distance away. The Quincy Medical Group's Birthing Center is projecting 125 live births by Year 2 of operations in 2025⁴. If the proposed Quincy Medical Group Hospital is approved and their projections are correct, that facility's application projects 931 obstetric patient days which will account for 440 live births⁵ by Year 2 of Operations. Combined with the projections for QMGBC which at that time will be in Year 4 of operations, QMG proposes to siphon over 570 live births, **over half of Blessing's current live births**. In other words, QMGBC can only be financially successful if it diverts sufficient patients from Blessing's obstetrics department to lower its utilization rate down to 32%.

QMGBC would result in an increase in the number of obstetrical beds in the planning area and further exceed regional bed need, in violation of 77 Ill. Admin. Code 1110.275(b)(2)(B)(ii).

According to the latest Inventory Data from the Board, Service Planning Area E-05 does not have any obstetrics bed need, and in fact has an excess of 14 obstetrics beds, even before QMGBC's proposed project.⁶ Submitted before the birthing center proposal, Quincy Medical Group Hospital's CON application acknowledges and tries to minimize the oversupply of obstetrics beds:

“Like other departments of the [proposed Quincy Medical Group Hospital], the obstetrics unit will be right-sized and will result in a nominal increase in obstetric beds to HSA 3 and Planning Area E-05.”⁷

QMG acknowledges the oversupply of obstetrics beds that currently exists, nevertheless is proposing to add even more obstetrics beds in an already oversaturated area but offers no justification for doing so or reasoning for why its project should be approved despite violating the basic tenets of the AHDA, other than QMG wants its own facility.

Blessing Hospital Is Currently Planning a Birthing Center within the Hospital

³<https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Documents/2020%20Hospital%20Profiles.pdf>

⁴<https://www2.illinois.gov/sites/hfsrb/Projects/ProjectDocuments/2021/21-029/2021-09-20%2021-029%20Quincy%20Medical%20Group%20Birth%20Center%20Application.pdf>

⁵<https://www2.illinois.gov/sites/hfsrb/Projects/ProjectDocuments/2020/20-044/2020-12-10%2020-044%20Application%20for%20Permit.pdf>

⁶<https://www2.illinois.gov/sites/hfsrb/InventoriesData/HealthCareFacilities/Documents/Hospital%20Inventory%20017.pdf>

⁷<https://www2.illinois.gov/sites/hfsrb/Projects/ProjectDocuments/2020/20-044/2020-12-10%2020-044%20Application%20for%20Permit.pdf> (pg. 109)

As part of its strategic planning for the hospital, Blessing Hospital has for some time planned to develop an alternative birth centering model of care within its Obstetrics unit that would utilize existing OB beds already in the facility's bed inventory. This would allow patients to have additional options for their delivery care within the safety of the four walls of the hospital. This concept has been openly discussed with clinical leadership, including QMG physicians. It is a lower cost option that will allow for this service within the region, and without duplication of existing services. Unlike the QMG project, the Blessing birthing center will convert existing OB beds in the hospital's inventory and ensure immediate access to critical care in the event of an abnormal birthing event.

Obstructing Alternative Healthcare Delivery in Other Rural Areas

Only 3 total birth centers are allowed to be approved to serve rural areas in Illinois. 210 ILCS 3/30(a-25(3)); and 77 Ill. Admin. Code 1110.275 (b)(1)(A)(iii) Approval of this birth center at this location will mean that other rural areas of the state truly in need of additional access will lose 1 of only 3 opportunities to establish a birth center. This makes it imperative for the HFSRB to evaluate whether this project, as proposed, and which does not meet fundamental program requirements, should preclude other underserved areas—presumably with demonstrated need and a valid transfer agreement-- from obtaining a birthing center. Approving the QMGBC proposal without considering the oversupply of obstetrics beds in the Service Planning Area or shortage in other areas, would violate the AHDA.

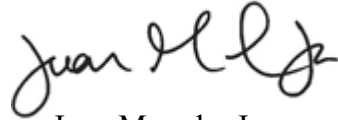
Conclusion

Based on the above, the QMGBC proposal is inconsistent with the standards of the AHDA and ultimately the intent behind the law itself, as well as the Board's rules. There is no need for an additional facility to house a birthing center when Blessing has long had plans to convert **existing** OB beds for that purpose. Blessing stands ready to continue to provide whatever obstetrics and birthing resources are necessary to Adams County and the surrounding community. They can accomplish this goal and bring additional lower cost delivery care options with increased safety precautions for **all** patients in the region, which includes QMG obstetrics patients who make up a substantial portion of Blessing's total obstetric patient volume. For all of these reasons, Blessing respectfully requests the Board reject this CON proposal for its unavoidable detrimental impact on the existing providers and rural areas throughout Illinois.

If you should have any questions or need any additional information regarding our submission, please do not hesitate to contact me at 312-212-4967 or via email at JMorado@beneschlaw.com. You can also contact my colleague Mark J. Silberman at 312-212-4952 or via email at MSilberman@benseschlaw.com.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

A handwritten signature in black ink, appearing to read "Juan Morado, Jr.", with a stylized flourish at the end.

Juan Morado, Jr.

JMJ

cc: April Simmons, General Counsel, HFSRB
Mike Constantino, Senior Project Reviewer, HFSRB