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150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606 • (312) 819-1900

April 19, 2019

Rebecca Lindstrom
312-463-6217
(312) 893-2207 Direct Fax
rlindstrom@polsinelli.com

Via Federal Express
Ms. Courtney R. Avery
Mr. Michael Constantino
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Comments on April 16, 2019 Supplemental Staff Report
Quincy Medical Group ASTC Project 18-042

Dear Ms. Avery and Mr. Constantino:

This letter provides Quincy Medical Group's comments on the Supplemental State Board Staff Report ("Supplemental Report") issued on April 16, 2019. We thank the Board's Staff for the time and attention this project has received and look forward to the Board's further review of the project on April 30, 2019.

At the outset, we acknowledge and appreciate that the Supplemental Report reflects that one of the four initial negative findings - the finding related to Reasonableness of Project Cost – has been reversed and is now a positive finding. The project complies with 28 of the 31 applicable review criteria.

We agree with the Overview statement on page 2 of the Supplemental Report which cites to the Illinois Health Facilities Planning Act ("Planning Act") and states in part: "Board decisions regarding the construction of health care facilities must consider capacity, quality, value, and equity. 'Cost containment and support for safety net services must continue to be the central tenants of the Certificate of Need Process.'" The proposed surgery center is driven by the need in the community for access to lower cost surgical services, in part to stem the exodus or outmigration of patients seeking care outside of the Quincy area. The recent decision by Blessing Hospital to adjust its ambulatory surgery center charges is a direct result of the threat of competition from this project, which would not have occurred without QMG's filing of the permit application. Price competition will continue if this project is approved – which is in the best interest of the people of Quincy. This result is consistent with the purpose of the Planning Act.

QMG also recognizes the importance of safety net services. Blessing is not the only provider of safety net services in the community. By its member physicians' key roles in delivering trauma services in Blessing's emergency room and the significant volume of behavioral health visits in QMG offices, QMG provides and supports Blessing in the delivery of safety net services to the Quincy community. Further, as stated in the permit application and materials submitted during the review process, our project has been designed so as not to have an adverse impact on Blessing. Our analysis shows that in 2023, two years after opening the new ASTC, the volume of outpatient surgery and procedures at Blessing will exceed its volume in 2017, which is the most recently adopted data. As a result, Blessing will not lose

$41 million in revenue, the project will not result in a loss of 400 jobs[1], and Blessing will not need to make cuts to the safety net services it currently provides to the Quincy community.

We also provide the following comments and/or responses to the Supplemental Report:

1. Request for Collaboration.

The Supplemental Report quotes a portion of Acting Chairman Sewell's comments from the March 5, 2019 Board Meeting in which he noted he did not feel comfortable voting yes or no on the project until QMG and Blessing put in additional effort to determine what is in the best interest of the people of Quincy. As noted in QMG's recent submissions to the Board, QMG and Blessing have a history of working together to improve the delivery of quality healthcare to patients in the Quincy area. While there have been many important collaborative relationships between QMG and Blessing over the years, there have also been times when the two necessarily went separate ways and pursued projects independently - as was the case when Blessing independently pursued two separate CON projects last year and as is the case with the present application.

Following the March 5, 2019 Board Meeting, and out of respect for the Board's comments and/or suggestions, QMG and Blessing met on several occasions to discuss issues with the existing surgery center and to explore collaborative opportunities in relation to the existing and proposed surgery center. QMG has submitted documentation to this Board in relation to many of those meetings. QMG and Blessing met most recently on April 17, 2019. A copy of a letter sent from QMG to Blessing documenting that meeting is enclosed as **Exhibit 1**. QMG attended the meetings in good faith and those meetings have led to improvement of certain operational limitations with the existing surgery center. Those meetings have not resulted in any modification of plans, however, for a new surgery center. The meetings, along with QMG's discussions with community leaders and patients, have reinforced QMG's position that the proposed surgery center is in the best interest of the people of Quincy. While QMG remains open to continuing discussions on potential collaborative opportunities with Blessing, QMG believes strongly that there is no reason to delay or defer approval of the proposed project as it meets the purposes of the Planning Act and substantially conforms with the applicable review criteria.

2. Financial Viability

QMG has the qualifications, background, character, and financial resources to adequately provide the proposed healthcare services to the Adams County community. In fact, QMG has demonstrated substantial compliance with a majority of the applicable financial review criteria (6 of the 7 applicable criteria). The sole negative financial criterion relates to a requirement that an applicant demonstrate

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[1] Blessing clarified during a meeting on April 17, 2019 that the claimed projected job loss of 400 related to attrition and not layoffs of current employees. See **Exhibit 1**.

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compliance with specific, enumerated financial ratios. Many of the State's financial viability ratios, however, are driven by the amount of days of cash on hand. Business models for physician groups, however, are different from hospitals. Hospitals need to retain cash to support bond ratings. That condition does not exist for physician groups like QMG, and as a result, QMG does not meet the ratio tests which emphasize cash availability. The Supplemental Report acknowledges on page 3 that: "The State Board does not have financial benchmarks for a Physician Medical Group." QMG is not asking to be exempt from the Board's financial viability review criteria as counsel for Blessing asserted in a recent submission. As noted above, QMG substantially complies with a majority of the financial review criteria. QMG merely wishes to address that how QMG's funds are used (e.g., not stockpiled as cash, as measured by ratios) is not the best or most appropriate metric of QMG's ability to generate cash or of its financial viability.

3. Service Accessibility

QMG's application and additional information submitted to the Board demonstrate that several services that will be offered at the proposed ASTC are not available at the existing surgery center. These include, among others, a range of urological services (lack of necessary equipment at the existing surgery center), certain orthopedic procedures (restricted by size of rooms in the existing surgery center), and certain neurosurgical procedures. These are all procedures that should be performed in a lower cost ambulatory surgical setting. Based on the Board's prior practice and interpretation of its own rules, the project should have received a positive finding in relation to service accessibility as the proposed surgery center will offer services and procedures not currently available at the existing surgery center within the 21-mile GSA. We are not asking that the Board engage in comparative review, but, rather, asking that the Board follow, and not suddenly depart from, its prior practice relating to its interpretation and application of its regulations and/or rules.

Further, while Blessing has made recent efforts to reduce its surgery center charges (not yet approved by CMS) and extend its surgery center hours, these efforts do not address the scope of accessibility issues at the existing surgery center. By our count, the extended hours add a total of about 1250 hours annually. While a temporary improvement, they fall short of the approximately 11,000 additional hours needed by 2023 for outpatient surgery and procedure cases at Blessing. Further, the lack of available blocks for current and recruited physicians greatly restricts access to the surgery center and to procedures (currently available and not yet available) that can and should be performed in an ambulatory surgery center setting.

4. Unnecessary Duplication / Impact on Area Facilities

The Supplemental Report states on page 8 that: "Revised 2017 utilization justifies 13 rooms at the State Board's target occupancy of 1500 hours seen in Table One above." We agree. However, by 2021, the year the proposed project will open, growth in case volumes at Blessing will require 16.3 rooms,

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exceeding the 1500 hours per year per room standard. And volume will continue to grow, based on the realized historic growth rate of 6.5%, based on Blessing's revised volumes, adopted March 5, 2019 by the Board.

Similar analysis of Blessing's outpatient surgical cases and procedures at the hospital and ASTC shows that outpatient surgical and procedure hours in year 2023, 24 months after project completion, will exceed the equivalent 13,317 hours in 2017. QMG cites to the applicable Board regulation as support that the project meets the requirement for Unnecessary Duplication/Impact to Area Providers: "The applicant shall document that, within 24 months after project completion, the proposed project…will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12 month period) operating below the utilization standards." (1110.235(c)(7)(C)(ii)).

As a final comment, we note that the numbers in the table on page 7 of the Supplemental Report should be revised: 24,243 hours (replaces 24,157 hours) and 13,593 hours (replaces 13,507). These changes have no material effect on the content of the page, but are suggested for consistency with the March 25 additional information (page 3) submitted to the Board. We again appreciate the efforts by the State staff to accommodate the changes by Blessing and the resulting changes by our analyses in response.

Thank you for your consideration of these comments. Please feel free to contact me with any questions.

Sincerely,

Rebecca Lindstrom /mk

Rebecca Lindstrom

cc: Carol Brockmiller, CEO, Quincy Medical Group
Ralph Weber, CON Consultant

Enclosure – Exhibit 1

QUINCY MEDICAL GROUP

April 19, 2019

SENT VIA EMAIL AND HAND-DELIVERY

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

Re: April 17, 2019 Meeting regarding Collaborative and Alignment Opportunities

Dear Ms. Kahn:

Thank you for meeting with us this week to further explore ways our two organizations can continue working together to better serve our patients and the community. We attended the meeting in good faith, and we provided sincere dialogue about ways to improve our relationship.

The majority of the meeting focused on your recent joint venture proposal that we understand has no expiration date. We appreciate the additional details you, Pat Gerveler, and Board Chairmen Tim Koontz and Chris Niemann provided in relation to the proposal. While your April 5, 2019 letter stated that the joint venture proposal was in relation to the existing surgery center, we understand from our meeting this week that the proposal pertains to either the existing surgery center or a new surgery center, which, pursuant to Blessing's terms, would need to be located on Blessing Hospital's campus. This unsolicited statement signifies that Blessing recognizes the physical and operational limitations of its existing surgery center, encouraging growth through a "shovel in the ground, rather than displacing people with expansion". We understand from our discussions yesterday that, as part of the proposal, Blessing is agreeable to add cardiac catheterization services at either the existing surgery center or a new surgery center located on Blessing Hospital's campus. We are pleased that Blessing recognizes that many cardiac catheterization procedures can be safely performed in an ambulatory surgery center. With that in mind, we again request that Blessing provide a written response to our April 10, 2019 letter regarding a transfer agreement for the proposed surgery center. Because we discussed the transfer agreement that Blessing Hospital has in place with Hannibal Regional Hospital, where they safely perform cardiac catheterization services 20 miles away, we ask that, in light of that conversation, you extend the same collaborative patient-centered support to Quincy Medical Group.

While we believe our proposed surgery center is in the best interest of the people of Quincy, we again asked of your interest in a joint venture for our proposed Surgery Center; not because Chairman Sewell specifically requested a JV of an ASC, but because he encouraged collaboration and improved relations. Blessing again confirmed that it had no interest in QMG's proposed surgery center location.

1025 Maine • Quincy, Illinois 62301 • (217) 222-6550 • www.quincymedgroup.com

Exhibit 1

We remain open to potential opportunities that best serve the region's patients, and we will discuss the recent proposal and additional details you provided this week with our full board. As we advised, however, we are moving forward with our CON application, which is set to be heard by the HFSRB on April 30, 2019. We understand from our discussion this week that Blessing will not withdraw its opposition to the project and will oppose the project at the April 30, 2019 HFSRB meeting. As we previously advised, we view any attempt or effort by Blessing to persuade the HFSRB to defer or deny our project due to this recent joint venture proposal as anti-competitive in nature.

We are also glad that you provided clarification as to Blessing's claimed job loss resulting from the proposed project. From our discussion, we understand that Blessing does not believe that our proposed project will result in 400 layoffs, but, rather, that any claimed reduction in jobs would be through attrition. While we disagree that our project will result in the alleged job loss, we appreciate the clarification.

Additionally, we want to note that we sincerely appreciate that Blessing has acknowledged and agreed to confirm in writing that Quincy Medical Group has not breached or violated its contractual duties under the Ambulatory Surgery Center Management Agreement, including those specifically alleged in Blessing's January 21, 2019 Notice to Cure letter. We will continue to faithfully carry out our management duties under the agreement, which is currently focused on helping you achieve regulatory compliance for your upcoming CMS surveys in order to achieve ASTC status.

Sincerely,

TPetty

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

Carol Brockmiller

Carol Brockmiller, CMPE
Chief Executive Officer
Quincy Medical Group

Exhibit 1