

April 8, 2019

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Support for Collaboration and Opposition to QMG's Proposed Second Surgery Center in Quincy

Dear Ms. Avery:

Navigant serves as a strategic and financial advisor to Blessing Health System. I have worked with Blessing since 2014 on various strategic and merger & acquisition related projects. It is my experience that Blessing's leadership is first and foremost guided by its not-for-profit mission to provide access to affordable, high-quality healthcare to all people living in Quincy and its surrounding areas. Like other independent not-for-profit health systems, Blessing provides access to comprehensive healthcare services to all people regardless of insurance coverage or ability to pay, but Blessing must balance this effort with its responsibility to protect and foster the hospital system as a vital community asset. In reality, health systems like Blessing have to maintain and grow services that provide a higher contribution margin in order to offset losses that come from comprehensively meeting community need and access. For Blessing, financial contributions from surgical services – profitable but still priced to be generally affordable -- helped to fund its broader healthcare mission. In an economic environment where credit rating agencies are forecasting hospital expenses will grow faster than revenues, now more than ever hospitals have to protect those profitable services.

We also must recognize that a health system like Blessing is at a competitive disadvantage when compared with private, for-profit operators. Not only are Blessing's regulatory burdens far higher, it does not have the luxury of looking at the healthcare marketplace and selectively picking the most profitable services to provide. In fact, if Blessing departed from its mission of continually improving on healthcare cost, quality and service delivery, the quality of life in the Quincy community would be diminished.

I believe the Illinois Health Facilities and Services Review Board should consider these broader community implications and the larger economic context. While competition usually connotes innovation and prudent investment, the Quincy Medical Group's planned ASC is simply free-riding on Blessing's decades long effort to make Quincy a destination for healthcare in the immediate region. This is not to underestimate the value added by individual physicians employed by QMG who are, on a whole, high-quality and skilled practitioners. However, in its essence, QMG's ASC is largely an effort to privatize the gains from profitable healthcare while socializing the losses from less profitable healthcare to Blessing, a community asset belonging to the people of Quincy.

In my 25 years of experience in working in healthcare mergers, acquisitions, and joint ventures, I have worked on many ASC joint ventures. I believe Blessing has made a reasonable offer to joint venture the ASC with QMG and/or its physicians (i.e., those physicians who could legally own equity in an ASC by maintaining the status of active ASC medical staff). A QMG-Blessing joint venture ASC provides for a potentially better outcome for everyone (the community, patients, payors, QMG, QMG doctors, and Blessing). A state of play where there would be at least two competing ASCs in Quincy, plus the hospital's continued offering of outpatient surgical services, creates a substantial risk of a low (or no) return on invested capital due to multiple, underused surgical suites.

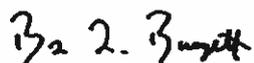
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Therefore, I strongly urge the Illinois Health Facilities and Services Review Board to reject QMG's CON for a second surgery center in Quincy, and instead do everything possible to foster continued collaboration along the lines of Blessing's proposed joint venture with QMG.

Sincerely,

Handwritten signature of Bryan L. Burgett in black ink.

Bryan L. Burgett
Director