



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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Illinois Health Facilities and Services Review Board

Written Decision

Proj. #18-042

Quincy Medical Group, Quincy

Introduction

This written decision is being submitted to the Illinois Health Facilities and Services Review Board to comply with Section 12(11) of the Illinois Health Facilities Planning Act ("Act") (20 ILCS 3960). This written decision was requested by counsel for the Blessing Hospital and Blessing Ambulatory Surgical Treatment Center (collectively "Blessing"). If this written decision is approved, it will be placed in the formal record of Permit #18-042 as required by the Act.

Background

On April 30, 2019, the Illinois Health Facilities and Services Review Board ("State Board") approved permit application #18-042, which was for Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group ("QMG") to establish an ambulatory surgery treatment center ("ASTC") in Quincy, Illinois. In reaching its decision, the State Board considered the Act, 77 ILAC 1110.235, 77 ILAC 1120 and the documents contained in QMG's project file, which included: the application for Project #18-042, additional information provided by QMG, oral and written public hearing testimony, and written comments received by State Board Staff. The State Board also considered the public participation statements and QMG's oral testimony at the March 5 and April 30, 2019 State Board meetings.

Application Chronology

The State Board received the application for Project #18-042 on October 26, 2018, and supplemental information thereafter. State Board Staff deemed Project #18-042 complete on October 31, 2018. A public hearing was held on January 24, 2019. At the public hearing, 183 individuals registered their appearance; 102 indicating that they were in support of Project #18-042; 66 indicating that they were opposed; and 15 indicating that they were neutral. Also, 49 individuals registered as providing testimony. Of these, 17 were in support of Project #18-042, 31 were opposed, and one was neutral. A copy of the transcript of the public hearing is available on the State Board's website as well as the written statements submitted at the public hearing.

The State Board received many written comments in support and opposition to Project #18-042. A copy of these comments is available on the State Board's website

On February 19, 2019, State Board Staff published a State Board Staff Report on the State Board website. In the report, State Board Staff stated that QMG addressed a total of 31 criteria but failed to meet four criteria. QMG failed to meet (1) service accessibility, (2) unnecessary duplication of service/mal-distribution of service/impact on other facilities, (3) financial viability

and (4) reasonableness of project costs. A copy of the State Board Staff Report is available on the State Board's website.

The State Board considered Project #18-042 at the March 5, 2019 meeting. Many individuals provided statements during public participation. There were statements provided in support and in opposition to Project #18-042. Among those that provided statements at the meeting were representatives of Blessing.

At the March 5, 2019 meeting, three State Board members voted to approve Project #18-042 and two members abstained from voting. Because there were not five votes to approve Project #18-042, QMGs received an intent to deny. A copy of the meeting transcript is available on the State Board's website.

QMG submitted additional information and the State Board received additional written comments from the public about the project, including from Blessing.

On April 16, 2019, State Board staff published a supplemental State Board staff report for Project #18-042 addressing the four negative criteria from the prior State Board staff report. In the supplemental report, QMGs received a positive finding for reasonableness of project costs. Therefore, out of the 31 criteria, three were negative: (1) financial viability; (2) service accessibility; (3) unnecessary duplication/maldistribution/impact on other facilities. QMG submitted a letter addressing the supplemental report.

On April 30, 2019 the State Board considered Project #18-042 and approved Project #18-042 with a 5-2 vote. At the April 30, 2019 meeting, several individuals provided statements in support or opposition to the project. Also, QMG provided testimony and answered the State Board's questions. A copy of the April 30, 2019 meeting transcript will be available on the State Board's website.

April 30, 2019 State Board Meeting

Several individuals provided statements at the April 30, 2019 State Board meeting during public participation. There were statements in support of and opposition to Project #18-042, including statements from representatives of Blessing. Representatives of QMG also provided testimony at the meeting.

Regarding the financial viability criteria, QMG testified that it is a for-profit business entity that uses cash for capital expenditures as well as to make distributions to its shareholders and that the distributions are discretionary and, when reflected separately, paint a very different picture of QMG's strong operating cash flow. After the March 5, 2019 State Board meeting, QMG voluntarily submitted a letter of commitment to earmark \$1.8 million to be held on hand for Project #18-042. QMG also began retaining additional earnings in 2018 to fund Project #18-042 and will continue to do so through project completion.

QMG further testified that they have a very strong financial plan for the Project #18-042. The Bank of Springfield supports the project and the chairman of the bank provided a letter attesting to QMG's financial strength. In addition, QMG has a line of credit with the Bank of Springfield which has never been drawn on, and it is available for Project #18-042 should it be needed.

QMG also testified that factoring in Blessing's growth for inpatient and outpatient, the two licensed ASTC's in the 21-mile GSA will be utilized at or above the State Board's utilization standard when Project #18-042 opens. QMG argues that this supports the service accessibility criterion.

Additionally, QMG testified that taking into account Blessing's growth in outpatient surgical and procedure hours alone through the most recent year, that in 2023, 24 months after project completion, Project #18-042 will not lower Blessing below the total outpatient volume. QMG argues that this demonstrated that Project #18-042 is in compliance with the unnecessary duplication/maldistribution/impact on other facilities criterion.

State Board Staff Report and Supplemental State Board Staff Report

QMG addressed 31 criteria in its application and failed to meet three criteria: (1) financial viability; (2) service accessibility; (3) unnecessary duplication/maldistribution/impact on other facilities. Below is a detailed summary of why QMG failed to meet these criteria. The positive criteria can be found in the State Board Staff Report for the March 5, 2019 meeting.

Criterion 1120.130 – Financial Viability

QMG needed to demonstrate that it had \$15 million to meet the State Board's 45-day cash on hand requirement. QMG could not meet this requirement. Additionally, over the past five years, QMG has not generated positive free cash flow, which all businesses use to determine the business' ability to meet its debt obligations and provide for additional growth.

Criterion 1110.235(c)(6) – Service Accessibility

To meet this criterion, an applicant must demonstrate that at least one of the following conditions enumerated in 77 ILAC 1110.235(c)(6) exist. They are that: (a) there are no other IDPH-licensed ASTC's within the identified GSA of the proposed project; (b) the other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 ILAC 1100; (c) the ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies; or (d) the proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. QMG did not meet any of the four conditions.

There is one licensed ASTC and one hospital, Blessing ASTC and Blessing Hospital, respectively, in the 21-mile GSA. Both the ASTC and hospital are not at target occupancy. All surgical services proposed by Project #18-042 are available with the 21-mile GSA. Also, Project #18-042 is not a cooperative venture with a hospital.

QMG argues that the proposed project will offer services at a cost lower than Blessing's ASTC that is operated as a hospital outpatient surgery department and will improve access by improving waiting times and offering surgical services after 3:30pm and on weekends. State Board Staff is required by rule to focus on procedures and hours that will be offered by the proposed ASTC (i.e. capacity) as well as focus on whether those procedures are available in the 21-mile GSA and whether the existing hospitals and ASTC's in the 21-mile GSA are at target occupancy. In this 21-mile GSA the proposed surgical services are being provided and the existing operating procedure rooms are underutilized.

Criterion 1110.235(c)(7) – Unnecessary Duplication/Maldistribution/Impact on other Facilities

QMG believes the proposed ASTC will not impact Blessing Hospital and Blessing ASTC, the two health care facilities within the 21-mile GSA. State Board Staff found: (a) There are two facilities within the 21-mile GSA with a total of 16 operating/procedure rooms. Revised 2017 utilization justifies 13 rooms at the State Board's target occupancy rate of 1,500 hours; (b) there is not a surplus of operation/procedure rooms within the 21-mile GSA as the ratio of rooms to population in the 21-mile GSA is not 1.5 times the ratio of operating/procedure room in the State of Illinois; (c) the proposed ASTC will impact Blessing Hospital and Blessing Hospital ASTC as the proposed facility will reduce the already underutilized facilities to a further extent below the State Board standard of 1,500 hours.

State Board Decision

Five State Board members voted to approve Project #18-042 and two State Board members voted against approving the project. Below is a summary of the State Board members' votes, including statements to the application.

Member Demuzio voted against Project #18-042. She stated that at the last meeting the State Board had asked Blessing and QMG to collaborate and work together, but she did not hear that they had completely accomplished that request.

Member Gelder voted to approve Project #18-042 based on the State Board Staff Report, the statements made during public participation and the testimony provided by QMG.

Member Hamos voted to approve Project #18-042 because the numbers show that there is continuing demand for service in Quincy and she was worried that if Blessing's ASTC doesn't have capacity, hospital beds will be filled for surgery, and that is not a good result.

Member Hemme voted to approve Project #18-042. She was initially concerned about QMG's financial viability but felt that QMG successfully answered how they will meet the project's costs.

Member McGlasson voted to approve Project #18-042 based on lower costs to the community.

Member McNeil voted against Project #18-042 based on the testimony and the State Board Staff Report.

Member Murphy voted to approve Project #18-042. She stated, "our job as the [State] Board is to look at the application you've presented, the findings that our staff has presented to us, and then your explanations of those. And I'm more than satisfied that we should approve this application, so I vote yes."

Conclusion

Because more than five State Board members voted in favor of Project #18-042, Project #18-042 was approved. 20 ILCS 3960/4(i) ("The affirmative vote of 5 of the members of the State Board shall be necessary for any action requiring a vote to be taken by the State Board." Seven State Board members voted to approve Project #18-042.)